

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

**FORM 10-K**

**(Mark One)**

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

**For the Fiscal Year Ended December 31, 2019**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

<b>Commission File Number</b>	<b>Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.</b>	<b>Commission File Number</b>	<b>Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.</b>
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, LLC (a Texas limited liability company) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 82-2212934
1-10764	ENTERGY ARKANSAS, LLC (a Texas limited liability company) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 83-1918668	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 10055 Grogans Mill Road 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) 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777
1-31508	ENTERGY MISSISSIPPI, LLC (a Texas limited liability company) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 83-1950019		



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

<b>Registrant</b>	<b>Title of Class</b>	<b>Trading Symbol</b>	<b>Name of Each Exchange on Which Registered</b>
Entergy Corporation	Common Stock, \$0.01 Par Value	ETR	New York Stock Exchange
	Common Stock, \$0.01 Par Value	ETR	NYSE Chicago, Inc.
Entergy Arkansas, LLC	Mortgage Bonds, 4.90% Series due December 2052	EAB	New York Stock Exchange
	Mortgage Bonds, 4.75% Series due June 2063	EAE	New York Stock Exchange
	Mortgage Bonds, 4.875% Series due September 2066	EAI	New York Stock Exchange
Entergy Louisiana, LLC	Mortgage Bonds, 5.25% Series due July 2052	ELJ	New York Stock Exchange
	Mortgage Bonds, 4.70% Series due June 2063	ELU	New York Stock Exchange
	Mortgage Bonds, 4.875% Series due September 2066	ELC	New York Stock Exchange
Entergy Mississippi, LLC	Mortgage Bonds, 4.90% Series due October 2066	EMP	New York Stock Exchange
Entergy New Orleans, LLC	Mortgage Bonds, 5.0% Series due December 2052	ENJ	New York Stock Exchange
	Mortgage Bonds, 5.50% Series due April 2066	ENO	New York Stock Exchange
Entergy Texas, Inc.	Mortgage Bonds, 5.625% Series due June 2064	EZT	New York Stock Exchange
	5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share)	ETI/PR	New York Stock Exchange

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

<b>Registrant</b>	<b>Title of Class</b>
Entergy Texas, Inc.	Common Stock, no par value

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

	<u>Yes</u>	<u>No</u>
Entergy Corporation	✓	
Entergy Arkansas, LLC		✓
Entergy Louisiana, LLC	✓	
Entergy Mississippi, LLC		✓
Entergy New Orleans, LLC		✓
Entergy Texas, Inc.	✓	
System Energy Resources, Inc.		✓

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

	<u>Yes</u>	<u>No</u>
Entergy Corporation		✓
Entergy Arkansas, LLC		✓
Entergy Louisiana, LLC		✓
Entergy Mississippi, LLC		✓
Entergy New Orleans, LLC		✓
Entergy Texas, Inc.		✓
System Energy Resources, Inc.		✓

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted 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 registrants were required to submit such files). Yes  No

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Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Securities Exchange Act of 1934.

	<b>Large Accelerated Filer</b>	<b>Accelerated Filer</b>	<b>Non- accelerated Filer</b>	<b>Smaller reporting company</b>	<b>Emerging growth company</b>
Entergy Corporation	✓				
Entergy Arkansas, LLC			✓		
Entergy Louisiana, LLC			✓		
Entergy Mississippi, LLC			✓		
Entergy New Orleans, LLC			✓		
Entergy Texas, Inc.			✓		
System Energy Resources, Inc.			✓		

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

<b>Common Stock Outstanding</b>		<b>Outstanding at January 31, 2020</b>
Entergy Corporation	(\$0.01 par value)	199,726,738

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

The aggregate market value of Entergy Corporation Common Stock, \$0.01 Par Value, held by non-affiliates as of the end of the second quarter of 2019 was \$20.5 billion based on the reported last sale price of \$102.93 per share for such stock on the New York Stock Exchange on June 28, 2019. Entergy Corporation is the sole holder of the common stock of Entergy Texas, Inc. and System Energy Resources, Inc. Entergy Corporation is the direct and indirect holder of the common membership interests of Entergy Utility Holding Company, LLC, which is the sole holder of the common membership interests of Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy New Orleans, LLC.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 8, 2020, are incorporated by reference into Part III hereof.

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

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

## FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation and the Registrant Subsidiaries each makes statements as a 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,” “continue,” “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 (a) those factors discussed or incorporated by reference in Item 1A. Risk Factors, (b) those factors discussed or incorporated by reference in Management’s Financial Discussion and Analysis, and (c) the following factors (in addition to others described elsewhere in this combined report and in subsequent securities filings):

- resolution of pending and future rate cases, formula rate proceedings and related negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs;
- continuing long-term risks and uncertainties associated with the termination of the System Agreement in 2016, including the potential absence of federal authority to resolve certain issues among the Utility operating companies and their retail regulators;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ participation in MISO, including the benefits of continued MISO participation, 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, the MISO-wide base rate of return on equity allowed or any MISO-related charges and credits required by the FERC, 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 with respect to retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent return on equity criteria, transmission reliability requirements or market power criteria by the FERC or the U.S. Department of Justice;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned or actual shutdown and sale of each of the 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 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 Entergy’s nuclear generating facilities;
- increases in costs and capital expenditures that could result from changing regulatory requirements, emerging operating and industry issues, and the commitment of substantial human and capital resources required for the safe and reliable operation and maintenance of Entergy’s 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, especially in light of the planned shutdown and sale of each of these nuclear plants;

## FORWARD-LOOKING INFORMATION (Continued)

- the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts;
- volatility and changes in markets for electricity, natural gas, uranium, 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 laws and regulations, agency positions or associated litigation, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, particulate matter and other regulated air emissions, heat and other regulated discharges to water, requirements for waste management and disposal and for the remediation of contaminated sites, wetlands protection and permitting, and changes in costs of compliance with environmental laws and regulations;
- changes in laws and regulations, agency positions, or associated litigation related to protected species and associated critical habitat designations;
- the effects of changes in federal, state, or local laws and regulations, and other governmental actions or policies, including changes in monetary, fiscal, tax, environmental, trade/tariff, domestic purchase requirements, or energy policies;
- the effects of full or partial shutdowns of the federal government or delays in obtaining government or regulatory actions or decisions;
- 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, as well as any related unplanned outages;
- the risk that an incident at any nuclear generation facility in the U.S. could lead to the assessment of significant retrospective assessments and/or retrospective insurance premiums as a result of Entergy's participation in a secondary financial protection system, a utility industry mutual insurance company, and industry self-insurance programs;
- effects of climate change, including the potential for increases in extreme weather events and sea levels or coastal land and wetland loss;
- 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, including completion of projects timely and within budget and to obtain the anticipated performance or other benefits, and its 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 northern 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;
- federal income tax reform, including the Tax Cuts and Jobs Act and its intended and unintended consequences on financial results and future cash flows;
- the effects of Entergy's strategies to reduce tax payments, especially in light of federal income tax reform;
- changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy's ability to refinance existing securities, 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 effects of litigation and government investigations or proceedings;

## **FORWARD-LOOKING INFORMATION (Concluded)**

- changes in technology, including (i) Entergy's ability to implement new or emerging technologies, (ii) the impact of changes relating to new, developing, or alternative sources of generation such as distributed energy and energy storage, renewable energy, energy efficiency, demand side management and other measures that reduce load and government policies incentivizing development of the foregoing, and (iii) competition from other companies offering products and services to Entergy's customers based on new or emerging technologies or alternative sources of generation;
- the effects, including increased security costs, of threatened or actual terrorism, cyber-attacks or data security breaches, natural or man-made electromagnetic pulses that affect transmission or generation infrastructure, 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, directors, and employees with specialized skills;
- Entergy's ability to attract, retain and manage an appropriately qualified workforce;
- 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 Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;
- the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by mid-2022, including the implementation of the planned shutdowns and sales of Indian Point 2, Indian Point 3, and Palisades;
- 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;
- the potential for the factors listed herein to lead to the impairment of long-lived assets; and
- Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete strategic transactions that Entergy may undertake.

**DEFINITIONS**

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

<b>Abbreviation or Acronym</b>	<b>Term</b>
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
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	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	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
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which was sold in March 2017
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC

**DEFINITIONS (Continued)**

<b>Abbreviation or Acronym</b>	<b>Term</b>
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
kV	Kilovolt
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
Mcf	1,000 cubic feet of gas
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)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, 70% of which is co-owned by Entergy Louisiana (57.5%) and Entergy Texas (42.5%) and 10.9% of which is owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
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), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in May 2019 and was sold in August 2019
PPA	Purchased power agreement or power purchase agreement
PRP	Potentially responsible party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, 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

**DEFINITIONS (Concluded)**

<b>Abbreviation or Acronym</b>	<b>Term</b>
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. The agreement terminated effective August 2016.
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 the FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014 and was disposed of in January 2019
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, owned 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. See “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” below for discussion of the operation and planned shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants.

Following are the percentages of Entergy’s consolidated revenues generated by its operating segments and the percentage of total assets held by them. Net income or loss generated by the operating segments is discussed in the sections that follow.

Segment	% of Revenue			% of Total Assets		
	2019	2018	2017	2019	2018	2017
Utility	88	87	85	96	93	92
Entergy Wholesale Commodities	12	13	15	8	11	12
Parent & Other (a)	—	—	—	(4)	(4)	(4)

See Note 13 to the financial statements for further financial information regarding Entergy’s business segments.

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

**Results of Operations**

**2019 Compared to 2018**

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing 2019 to 2018 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)			
<b>2018 Consolidated Net Income (Loss)</b>	\$1,495,061	(\$340,641)	(\$291,865)	\$862,555
Operating revenues	43,315	(174,186)	92	(130,779)
Fuel, fuel-related expenses, and gas purchased for resale	(139,200)	20,974	71	(118,155)
Purchased power	(409,276)	(56,596)	(67)	(465,939)
Other regulatory charges (credits)	(327,269)	—	—	(327,269)
Other operation and maintenance	61,199	(130,054)	(5,161)	(74,016)
Asset write-offs, impairments, and related charges	—	(242,294)	—	(242,294)
Taxes other than income taxes	20,826	(17,870)	(1,163)	1,793
Depreciation and amortization	110,580	(1,676)	1,670	110,574
Other income	13,488	382,359	(19,212)	376,635
Interest expense	36,476	(4,244)	2,845	35,077
Other expenses	20,703	42,692	—	63,395
Income taxes	752,182	107,730	7,089	867,001
<b>2019 Consolidated Net Income (Loss)</b>	<b>\$1,425,643</b>	<b>\$148,870</b>	<b>(\$316,269)</b>	<b>\$1,258,244</b>

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

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

Results of operations for 2019 include: 1) a loss of \$190 million (\$156 million net-of-tax) as a result of the sale of the Pilgrim plant in August 2019; 2) a \$156 million reduction in income tax expense recognized by Entergy Wholesale Commodities as a result of an internal restructuring; and 3) impairment charges of \$100 million (\$79 million net-of-tax) due to costs being charged directly to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants’ long-lived assets due to the significantly reduced remaining estimated operating lives associated with management’s strategy to exit the Entergy Wholesale Commodities’ merchant power business. See Note 3 to the financial statements for further discussion of the internal restructuring. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**” below for discussion of management’s strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities’ merchant nuclear fleet and see Note 14 to the financial statements for further discussion of the impairment and related charges and the sale of the Pilgrim plant.

Results of operations for 2018 include: 1) impairment charges of \$532 million (\$421 million net-of-tax) due to costs being charged directly to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants’ long-lived assets due to the significantly reduced remaining estimated operating lives

associated with management’s strategy to exit the Entergy Wholesale Commodities’ merchant power business; 2) a \$170 million reduction of income tax expense and a regulatory liability of \$40 million (\$30 million net-of-tax) as a result of customer credits recognized by Utility, as a result of an internal restructuring; 3) a \$107 million reduction of income tax expense, recognized by Entergy Wholesale Commodities, as a result of a restructuring of the investment holdings in one of its nuclear plant decommissioning trust funds; 4) a \$52 million income tax benefit, recognized by Entergy Louisiana, as a result of the settlement of the 2012-2013 IRS audit, associated with the Hurricane Katrina and Hurricane Rita contingent sharing obligation associated with the Louisiana Act 55 financing; and 5) a \$23 million reduction of income tax expense, recognized by Entergy Wholesale Commodities, as a result of a state income tax audit. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**” below for a discussion of management’s strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities’ merchant nuclear fleet and see Note 14 to the financial statements for further discussion of the impairment and related charges. See Notes 2 and 3 to the financial statements for further discussion of the internal restructuring and customer credits. See Note 3 to the financial statements for further discussion of the restructuring of the decommissioning trust fund investment holdings, the IRS audit settlement, and the state income tax audit.

Operating Revenues

Utility

Following is an analysis of the change in operating revenues comparing 2019 to 2018:

	<u>Amount</u>
	(In Millions)
2018 operating revenues	\$9,541
Fuel, rider, and other revenues that do not significantly affect net income	(523)
Return of unprotected excess accumulated deferred income taxes to customers	379
Retail electric price	260
Volume/weather	(73)
<b>2019 operating revenues</b>	<b>\$9,584</b>

The Utility operating companies’ results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. “Fuel, rider, and other revenues that do not significantly affect net income” includes the revenue variance associated with these items.

The return of unprotected excess accumulated deferred income taxes to customers resulted from activity at the Utility operating companies in response to the enactment of the Tax Cuts and Jobs Act. The return of unprotected excess accumulated deferred income taxes began in second quarter 2018. In 2019, \$262 million was returned to customers through reductions in operating revenues as compared to \$641 million in 2018. There is no effect on net income as the reductions in operating revenues were offset by reductions in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The retail electric price variance is primarily due to:

- an increase in formula rate plan revenues effective September 2018 and an interim increase in formula rate plan revenues effective June 2019 due to the inclusion of the first-year revenue requirement for the St. Charles Power Station, each at Entergy Louisiana, as approved by the LPSC;
- an increase in formula rate plan rates effective with the first billing cycle of January 2019 at Entergy Arkansas, as approved by the APSC;

- a base rate increase effective October 2018 at Entergy Texas, as approved by the PUCT; and
- an increase in formula rate plan revenues effective with the first billing cycle of July 2019 and an accrual in the fourth quarter 2019 for the interim capacity rate adjustment to the formula rate plan to recover non-fuel related costs of acquiring the Choctaw Generating Station, each at Entergy Mississippi, as approved by the MPSC.

See Note 2 to the financial statements for further discussion of the regulatory proceedings discussed above.

The volume/weather variance is primarily due to a decrease of 1,587 GWh, or 1%, in billed electricity usage, including the effect of less favorable weather on residential and commercial sales.

#### Entergy Wholesale Commodities

Operating revenues for Entergy Wholesale Commodities decreased from \$1,469 million for 2018 to \$1,295 million for 2019 primarily due to the shutdown of Pilgrim in May 2019 and lower capacity prices, partially offset by higher volume in the remaining Entergy Wholesale Commodities merchant nuclear fleet resulting from fewer outage days.

Following are key performance measures for Entergy Wholesale Commodities for 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Owned capacity (MW) (a)	3,274	3,962
GWh billed	28,088	29,875
<b>Entergy Wholesale Commodities Nuclear Fleet</b>		
Capacity factor	93%	84%
GWh billed	25,928	27,617
Average energy price (\$/MWh)	\$39.10	\$37.34
Average capacity price (\$/kW-month)	\$4.25	\$6.80
<b>Refueling outage days:</b>		
Indian Point 2	—	33
Indian Point 3	29	—
Palisades	—	61

(a) The reduction in owned capacity is due to the shutdown of the 688 MW Pilgrim plant in May 2019.

#### Other Income Statement Items

##### Utility

Other operation and maintenance expenses increased from \$2,501 million for 2018 to \$2,563 million for 2019 primarily due to:

- an increase of \$34 million in information technology costs primarily due to higher costs related to applications and infrastructure support, enhanced cyber security, and upgrades and maintenance;
- an increase of \$32 million in spending on initiatives to explore new customer products and services;
- an increase of \$21 million in compensation and benefits costs primarily due to higher incentive-based compensation accruals in 2019 as compared to prior year;
- a \$15 million gain in 2018 from the sale of Entergy Louisiana's Willow Glen Power Station. See Note 14 to the financial statements for discussion of the sale of Willow Glen;
- an increase of \$12 million in distribution operations and asset management costs primarily due to higher advanced metering customer education costs and higher contract costs for meter reading services; and

- an \$11 million write-off in 2019 of specific costs related to the potential construction of scrubbers at the White Bluff plant at Entergy Arkansas.

The increase was partially offset by:

- a decrease of \$30 million in nuclear generation expenses primarily due to a lower scope of work performed in 2019 as compared to 2018;
- the effects of recording in 2019 final judgments to resolve claims in the ANO damages case and the River Bend damages case both against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$17 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;
- a decrease of \$11 million in energy efficiency costs due to the timing of recovery from customers; and
- a decrease of \$9 million as a result of the deferral in 2019 by Entergy New Orleans of 2018 costs related to its rate case and a system conversion for Algiers customers as a result of the 2018 combined rate case resolution approved by the City Council. See Note 2 to the financial statements for further discussion of the rate case resolution.

Depreciation and amortization expenses increased primarily due to:

- additions to plant in service, including the St. Charles Power Station;
- a reduction of approximately \$26 million in depreciation expense recorded in the third quarter 2018 as part of a settlement approved by the FERC in the Unit Power Sales Agreement proceeding; and
- new depreciation rates at Entergy Mississippi, as approved by the MPSC, and at Entergy Texas, as approved by the PUCT.

The increase was partially offset by updated depreciation rates used in calculating Grand Gulf plant depreciation and amortization expenses under the Unit Power Sales Agreement, as approved by the FERC. See Note 2 to the financial statements for further discussion of the Unit Power Sales Agreement proceeding.

Other regulatory charges (credits) include the following significant activity:

- a regulatory charge recorded in second quarter 2018 to reflect the return of unprotected excess accumulated deferred income taxes per an agreement approved by the MPSC in June 2018 that resulted in a reduction in net utility plant of \$127 million. There was no effect on net income as the regulatory charge was offset by a reduction in income tax expense in 2018;
- regulatory charges of \$73 million recorded in 2018 to reflect the effects of regulatory agreements to return the benefits of the lower income tax rate in 2018 to Entergy Louisiana customers; and
- regulatory charges of \$25 million recorded in 2018 to reflect the effects of a provision in the settlement reached in the 2018 rate case proceeding to return the benefits of the lower federal income tax rate in 2018 to Entergy Texas customers.

See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

Interest expense increased primarily due to the issuance in March 2019 of \$525 million of 4.20% Series mortgage bonds by Entergy Louisiana and the issuance in March 2019 of \$350 million of 4.20% Series mortgage bonds by Entergy Arkansas. See Note 5 to the financial statements for a discussion of long-term debt.

#### Entergy Wholesale Commodities

Fuel and purchased power expenses decreased from \$192 million for 2018 to \$157 million for 2019 primarily due to a larger exercise of resupply options in 2018 provided for in purchase power agreements where Entergy Wholesale

Commodities may elect to supply power from another source when plants are not running.

Other operation and maintenance expenses decreased from \$808 million for 2018 to \$678 million for 2019 primarily due to:

- a decrease of \$75 million in nuclear generation expenditures primarily due to the absence of other operation and maintenance expenses from the Pilgrim plant, after it was shut down in May 2019 and subsequently sold. See Note 14 to the financial statements for further discussion of the sale of the Pilgrim plant; and
- a decrease of \$44 million in severance and retention expenses. Severance and retention expenses were incurred in 2019 and 2018 due to management's strategy to exit the Entergy Wholesale Commodities merchant power business. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**" below for a discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 13 to the financial statements for further discussion of severance and retention expenses resulting from management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet.

Asset write-offs, impairments, and related charges for 2019 include a loss of \$190 million (\$156 million net-of-tax) as a result of the sale of the Pilgrim plant in August 2019 and impairment charges of \$100 million (\$79 million net-of-tax) primarily related to nuclear refueling outage spending and expenditures for capital assets. Asset write-offs, impairments, and related charges for 2018 include impairment charges of \$532 million (\$421 million net-of-tax) related to asset retirement obligation revisions, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets. These costs were charged to expense as incurred as a result of the impaired fair value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**" below for a discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 9 to the financial statements for a discussion of asset retirement obligations. See Note 14 to the financial statements for a discussion of the impairment of long-lived assets and the sale of the Pilgrim plant.

Other income increased primarily due to higher gains on decommissioning trust fund investments. See Notes 15 and 16 to the financial statements for a discussion of decommissioning trust fund investments.

Other expenses increased primarily due to an increase in nuclear refueling outage expenses as a result of the amortization in 2019 of costs associated with a refueling outage at Palisades.

### Income Taxes

See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

The effective income tax rate for 2019 was (15.6%). The difference in the effective income tax rate versus the federal statutory rate of 21% was primarily due to amortization of excess accumulated deferred income taxes, certain book and tax differences related to utility plant items, tax differences related to the allowance for equity funds used during construction, recognition of a deferred tax asset associated with a previously unrecognized net operating loss carryover, a charitable tax deduction, and the effects of restructuring transactions within Entergy Wholesale Commodities, partially offset by state income taxes and valuation allowances recorded against deferred tax assets associated with the disposition of Vermont Yankee and the carryover of business interest expense. See Notes 2 and 3 to the financial statements for a discussion of the effects and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 3 to the financial statements for a discussion of the internal restructuring at Entergy Wholesale Commodities. See Note 14 to the financial statements for a discussion of the tax effects of the Vermont Yankee disposition.

The effective income tax rate for 2018 was 595%. The difference in the effective income tax rate versus the statutory rate of 21% was primarily due to amortization of excess accumulated deferred income taxes, the tax effects of a restructuring within the Utility, and a restructuring of the investment holdings in one of the Entergy Wholesale Commodities’ nuclear plant decommissioning trusts for which additional tax basis is now recoverable. See Notes 2 and 3 to the financial statements for a discussion of the effects and regulatory activity regarding the Tax Cuts and Jobs Act. See Note 3 to the financial statements for a discussion of the restructuring.

**2018 Compared to 2017**

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Entergy’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

**Income Tax Legislation**

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the Act). As a result of the Act, Entergy and the Registrant Subsidiaries re-measured their deferred tax assets and liabilities in December 2017 to reflect the reduction in the federal corporate income tax rate from 35% to 21% that was effective January 1, 2018. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

Entergy’s operating cash flows have been and will be reduced by the Act, most significantly over the time that the Registrant Subsidiaries are returning unprotected excess deferred income taxes to customers. Rate base is expected to increase over time as a consequence of the Act as the excess deferred income taxes are returned to customers. Entergy financed its incremental cash requirements as a consequence of the Act through a combination of Registrant Subsidiary debt and Entergy Corporation debt and equity. In June 2018, Entergy Corporation marketed an equity offering of 15.3 million shares of common stock. In lieu of issuing equity at the time of the offering, Entergy entered into forward sale agreements with several counterparties. In December 2018, Entergy physically settled a portion of its obligations under the forward sale agreements by delivering 6.8 million shares of its common stock in exchange for cash proceeds of \$500 million. In May 2019, Entergy physically settled its remaining obligations under the forward sale agreements by delivering 8.5 million shares of common stock in exchange for cash proceeds of \$608 million. See Note 7 to the financial statements for further discussion of the forward sale agreements.

**Entergy Wholesale Commodities Exit from the Merchant Power Business**

Entergy Wholesale Commodities includes the ownership of the following nuclear reactors as of December 31, 2019:

	<b>Location</b>	<b>Market</b>	<b>Capacity</b>	<b>Status</b>
Indian Point 2	Buchanan, NY	NYISO	1,028 MW	Planned shutdown in 2020
Indian Point 3	Buchanan, NY	NYISO	1,041 MW	Planned shutdown in 2021
Palisades	Covert, MI	MISO	811 MW	Planned shutdown in 2022

As discussed below, Entergy sold its FitzPatrick plant to Exelon in March 2017, transferred its Vermont Yankee plant to NorthStar in January 2019, and sold its Pilgrim plant to Holtec in August 2019. The Palisades and Indian Point plants are under contract to be sold, subject to certain conditions, after they are shut down. Entergy also sold the Rhode Island State Energy Center, a natural gas-fired combined cycle generating plant, in December 2015.

These plant sales and contracts to sell are the result of a strategy that Entergy has undertaken to manage and reduce the risk of the Entergy Wholesale Commodities business, which includes taking actions to exit the merchant power business. Management evaluated the challenges 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. Changes to current assumptions regarding the operating life of a plant, the decommissioning timeline and process, or the length of time that Entergy will continue to own a plant could result in revisions to the asset retirement obligations and affect compliance with certain NRC minimum financial assurance requirements for meeting obligations to decommission the plants. Increases in the asset retirement obligations are likely to result in an increase in operating expense in the period of a revision. The possibility that a plant may have an operating life shorter than previously assumed could result in the need for additional contributions to decommissioning trust funds, or the posting of parent guarantees, letters of credit, or other surety mechanisms.

Entergy Wholesale Commodities also includes the ownership of two non-operating nuclear facilities, Big Rock Point in Michigan and Indian Point 1 in New York that were acquired when Entergy purchased the Palisades and Indian Point 2 nuclear plants, respectively. These facilities are in various stages of the decommissioning process. Big Rock Point is under contract to be sold with the Palisades plant and Indian Point 1 is under contract to be sold with the Indian Point 2 and Indian Point 3 plants. In addition, Entergy Wholesale Commodities provides operations and management services, including decommissioning-related services, to nuclear power plants owned by non-affiliated entities in the United States. A relatively minor portion of the Entergy Wholesale Commodities business is the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

### **Shutdown and Disposition of Vermont Yankee**

On December 29, 2014, the Vermont Yankee plant ceased power production and entered its decommissioning phase. In November 2016, Entergy entered into an agreement to transfer 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. Entergy Nuclear Vermont Yankee was the owner of the Vermont Yankee plant. The transaction included the transfer of the nuclear decommissioning trust fund and the asset retirement obligation for the spent fuel management and decommissioning of the plant.

In March 2018, Entergy and NorthStar entered into a settlement agreement and a Memorandum of Understanding with State of Vermont agencies and other interested parties that set forth the terms on which the agencies and parties supported the Vermont Public Utility Commission's approval of the transaction. The agreements provided additional financial assurance for decommissioning, spent fuel management and site restoration, and detailed the site restoration standards. In October 2018 the NRC issued an order approving the application to transfer Vermont Yankee's license to NorthStar for decommissioning. In December 2018 the Vermont Public Utility Commission issued an order approving the transaction consistent with the Memorandum of Understanding's terms. On January 11, 2019, Entergy and NorthStar closed the transaction.

Entergy Nuclear Vermont Yankee had an outstanding credit facility that was used to pay for dry fuel storage costs. This credit facility was guaranteed by Entergy Corporation. A subsidiary of Entergy assumed the obligations under the credit facility. At the closing of the sale transaction, NorthStar caused Entergy Nuclear Vermont Yankee, renamed NorthStar Vermont Yankee, to issue a \$139 million promissory note to the Entergy subsidiary that assumed the credit facility obligations. The amount of the note includes the balance outstanding on the credit facility, as well as borrowing fees and costs incurred by Entergy in connection with the credit facility.

With the receipt of the NRC and Vermont Public Utility Commission approvals and the resolution among the parties of the significant conditions of the sale, Entergy concluded that as of December 31, 2018 Vermont Yankee was in held for sale status. Entergy accordingly evaluated Vermont Yankee's asset retirement obligation in light of the terms of the transaction and evaluated the remaining values of the Vermont Yankee assets. These evaluations resulted in an increase in the asset retirement obligation and \$173 million of related asset impairment and other charges in the



fourth quarter 2018. See Note 9 to the financial statements for additional discussion of the asset retirement obligation. See Note 14 to the financial statements for discussion of the closing of the Vermont Yankee transaction.

### **Sale of FitzPatrick**

In October 2015, Entergy determined that it would close the FitzPatrick plant. The original expectation was to shut down the FitzPatrick plant at the end of its fuel cycle in January 2017.

In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust funds and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. When Entergy purchased Indian Point 3 and FitzPatrick in 2000 from NYPA, NYPA retained the decommissioning trust funds and the decommissioning liabilities. NYPA and Entergy subsidiaries executed decommissioning agreements, which specified their decommissioning obligations. NYPA had the right to require the Entergy subsidiaries to assume each of the decommissioning liabilities provided that it assigned the corresponding decommissioning trust, up to a specified level, to the Entergy subsidiaries. Under the original agreements, if the decommissioning liabilities were retained by NYPA, the Entergy subsidiaries would perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trust funds. At the time of the acquisition of the plants Entergy recorded a contract asset that represented an estimate of the present value of the difference between the stipulated contract amount for decommissioning the plants less the decommissioning costs estimated in independent decommissioning cost studies. The asset was increased by monthly accretion based on the applicable discount rate necessary to ultimately provide for the estimated future value of the decommissioning contract. The monthly accretion was recorded as interest income. As a result of the agreement with NYPA, in the third quarter 2016, Entergy removed the contract asset from its balance sheet, and recorded receivables for the beneficial interests in the decommissioning trust funds and asset retirement obligations for the decommissioning liabilities. The decommissioning trust funds for the Indian Point 3 and FitzPatrick plants were transferred to Entergy by NYPA in January 2017.

In August 2016, Entergy entered into an agreement to sell the FitzPatrick plant to Exelon. NRC approval of the sale was received in March 2017. The transaction closed in March 2017 for a purchase price of \$110 million, which included a \$10 million non-refundable signing fee paid in August 2016, in addition to the assumption by Exelon of certain liabilities related to the FitzPatrick plant, resulting in a pre-tax gain on the sale of \$16 million. At the transaction close, Exelon paid an additional \$8 million for the proration of certain expenses prepaid by Entergy. See Note 14 to the financial statements for further discussion of the sale of FitzPatrick. As discussed in Note 3 to the financial statements, as a result of the sale of FitzPatrick, Entergy re-determined the plant's tax basis, resulting in a \$44 million income tax benefit in the first quarter 2017.

### **Shutdown and Sale of Pilgrim**

In October 2015, Entergy determined that it would close the Pilgrim plant. The decision came after management's extensive analysis of the economics and operating life of the plant following the NRC's decision in September 2015 to place the plant in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix. In January 2019 the NRC found that the Pilgrim plant had completed the corrective actions required to address the concerns that led to the plant's placement in Column 4 and had demonstrated sustained improvement. Pilgrim ceased operations in May 2019. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to cease operations earlier than expected.

On July 30, 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in Entergy Nuclear Generation Company, LLC, the owner of Pilgrim, for \$1,000 (subject to adjustments for net liabilities and other amounts). On August 22, 2019 the NRC approved the transfer of Pilgrim's facility licenses to Holtec. At that time, hearing requests filed by the Commonwealth of Massachusetts and Pilgrim Watch challenging Holtec's financial qualifications and the sufficiency of the NRC's review of the associated environmental impacts of the license transfer were pending with the NRC Commissioners. The NRC approval order included a condition acknowledging the NRC's longstanding authority to modify, condition, or rescind

the license transfer order as a result of any hearing that may be conducted. On August 26, 2019, as permitted by the August 22 order, Entergy and Holtec closed the transaction. On September 3 and 4, 2019, Pilgrim Watch and Massachusetts each filed with the NRC motions to stay the effectiveness of the August 22 order pending the resolution of the NRC hearing process. On December 17, 2019, the NRC denied the Pilgrim Watch and Massachusetts stay motions. The NRC has not yet ruled on the Pilgrim Watch and Massachusetts hearing requests. In addition, on September 25, 2019, Massachusetts filed a petition with the U.S. Court of Appeals for the District of Columbia Circuit, asking the court to vacate the NRC's August 22 license transfer approval order and related approvals. On November 6, 2019, the court granted Entergy and Holtec intervenor status in the U.S. Court of Appeals proceeding. On November 22, 2019, Entergy and Holtec filed a motion to dismiss Massachusetts' petition; the NRC also filed a motion to dismiss on the same date. On January 17, 2020, the States of New York, Connecticut, Illinois, Iowa, Maryland, Michigan, Minnesota, New Jersey, New Mexico, Oregon, Pennsylvania, and Vermont filed a brief as *amici curiae* in support of Massachusetts's petition. The court of appeals has not yet ruled on Massachusetts' initial petition or on the NRC or Entergy/Holtec motions to dismiss. On January 22, 2020, Massachusetts filed a second petition with the D.C. Circuit asking the court to review the NRC's December 17 order denying its stay motion. On February 12, 2020, the court granted Entergy and Holtec intervenor status in the proceeding on the second petition and consolidated the proceedings for Massachusetts' two petitions.

The sale of Entergy Nuclear Generation Company, LLC to Holtec included the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. The transaction resulted in a loss of \$190 million (\$156 million net-of-tax) in 2019. See Note 14 to the financial statements for discussion of the closing of the Pilgrim transaction.

### **Planned Shutdown and Sale of Indian Point 2 and Indian Point 3**

In April 2007, Entergy submitted to the NRC a joint application to renew the operating licenses for Indian Point 2 and Indian Point 3 for an additional 20 years. In January 2017, Entergy reached a settlement with New York State, several State agencies, and Riverkeeper, Inc., under which Indian Point 2 and Indian Point 3 will cease commercial operation by April 30, 2020 and April 30, 2021, respectively, subject to certain conditions, including New York State's withdrawal of opposition to Indian Point's license renewals and issuance of contested permits and similar authorizations. Operations may be extended up to four additional years for each unit by mutual agreement of Entergy and New York State based on an exigent reliability need for Indian Point generation. In September 2018 the NRC issued renewed operating licenses for Indian Point 2 through April 2024 and for Indian Point 3 through April 2025. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to shut down the Indian Point plants.

Other provisions of the settlement include termination of all then-existing investigations of Indian Point by the parties to the agreement, which include the New York State Department of Environmental Conservation, the New York State Department of State, the New York State Department of Public Service, the New York State Department of Health, and the New York State Attorney General. The settlement recognizes the right of New York State agencies to pursue new investigations and enforcement actions with respect to new circumstances or existing conditions that become materially exacerbated.

Another provision of the settlement obligates Entergy to establish a \$15 million fund for environmental projects and community support. Apportionment and allocation of funds to beneficiaries are to be determined by mutual agreement of New York State and Entergy. The settlement recognizes New York State's right to perform an annual inspection of Indian Point, with scope and timing to be determined by mutual agreement.

In April 2019, Entergy entered into an agreement to sell, directly or indirectly, 100% of the equity interests in the subsidiaries that own Indian Point 1, Indian Point 2, and Indian Point 3, after Indian Point 3 has been shut down and defueled, to a Holtec International subsidiary for decommissioning. The sale includes the transfer of the licenses, spent fuel, decommissioning liabilities, and nuclear decommissioning trusts for the three units.

The transaction is subject to closing conditions, including approval from the NRC. In November 2019, Entergy and Holtec submitted a license transfer application to the NRC. In January 2020 the NRC indicated that the application contained sufficient information for it to conduct its technical review and anticipated that it would complete its review in January 2021. Entergy and Holtec also submitted a petition to the New York State Public Service Commission in November 2019 seeking an order from the New York Public Service Commission disclaiming jurisdiction or abstaining from review of the transaction or, alternatively, approving the transaction. Closing is also conditioned on obtaining from the New York State Department of Environmental Conservation an agreement related to Holtec's decommissioning plan as being consistent with applicable standards. The transaction closing is targeted for May 2021, following the defueling of Indian Point 3.

As consideration for the transfer to Holtec of its interest in Indian Point, Entergy will receive nominal cash consideration. The Indian Point transaction is expected to result in a loss based on the difference between Entergy's adjusted net investment in the subsidiaries at closing and the sale price net of any agreed adjustments. As of December 31, 2019, Entergy's adjusted net investment in the Indian Point units was \$240 million. The primary variables in the ultimate loss that Entergy will incur are the values of the nuclear decommissioning trusts and the asset retirement obligations at closing, the financial results from plant operations until the closing, and the level of any unrealized deferred tax balances at closing. The terms of the transaction include limitations on withdrawals from the nuclear decommissioning trusts to fund decommissioning activities and controls on how Entergy manages the investment of nuclear decommissioning trust assets between signing and closing; however, the agreement does not require a minimum level of funding in the nuclear decommissioning trusts as a condition to closing.

### **Planned Shutdown and Sale of Palisades**

Most of the Palisades output is sold under a power purchase agreement (PPA) with Consumers Energy, entered into when the plant was acquired in 2007, that is scheduled to expire in 2022. The PPA prices currently exceed market prices and escalate each year, up to \$61.50/MWh in 2022. In December 2016, Entergy reached an agreement with Consumers Energy to amend the existing PPA to terminate early, on May 31, 2018. Pursuant to the agreement to amend the PPA, Consumers Energy would pay Entergy \$172 million for the early termination of the PPA. The PPA amendment agreement was subject to regulatory approvals, including approval by the Michigan Public Service Commission. Separately, Entergy intended to shut down the Palisades nuclear power plant permanently on October 1, 2018, after refueling in the spring of 2017 and operating through the end of that fuel cycle.

In September 2017 the Michigan Public Service Commission issued an order conditionally approving the PPA amendment transaction, but only granting Consumers Energy recovery of \$136.6 million of the \$172 million requested early termination payment. As a result, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy continues to operate Palisades under the current PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades nuclear power plant permanently no later than May 31, 2022. As a result of the increase in the expected operating life of the plant, the expected probability-weighted undiscounted net cash flows as of September 30, 2017 exceeded the carrying value of the plant and related assets. Accordingly, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets incurred at Palisades after September 30, 2017 are no longer charged to expense as incurred, but recorded as assets and depreciated or amortized, subject to the typical periodic impairment reviews prescribed in the accounting rules. See Note 9 to the financial statements for discussion of the associated asset retirement obligation revision, see Note 14 to the financial statements for discussion of the impairment charges associated with the decision to cease operations at Palisades, and see Note 19 to the financial statements for discussion of the updated calculation of the PPA liability amortization.

On July 30, 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in Entergy Nuclear Palisades, LLC, the owner of Palisades and the Big Rock Point Site. The sale of Entergy Nuclear Palisades will include the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. At the closing of the sale transaction, the Holtec

subsidiary will pay \$1,000 (subject to adjustment for net liabilities and other amounts) for the equity interests in Entergy Nuclear Palisades.

The Palisades transaction is subject to certain closing conditions, including: the permanent shutdown of Palisades and the transfer of all nuclear fuel from the reactor vessel to the spent nuclear fuel pool; NRC regulatory approval for the transfer of the Palisades and Big Rock Point operating and independent spent fuel storage installation licenses; receipt of a favorable private letter ruling from the IRS; the market value of the nuclear decommissioning trust for Palisades, less the hypothetical income tax on the aggregate unrealized gain of such fund assets at closing, equaling or exceeding a specified minimum amount; and, the Pilgrim transaction having closed.

Subject to the above conditions, the Palisades transaction is expected to close by the end of 2022. As of December 31, 2019, Entergy's adjusted net investment in Palisades was \$60 million. The primary variables in the ultimate loss or gain that Entergy will incur on the transaction are the values of the nuclear decommissioning trust and the asset retirement obligations at closing, the financial results from plant operations until the closing, and the level of any unrealized deferred tax balances at closing.

### **Costs Associated with Exit of the Entergy Wholesale Commodities Business**

Entergy incurred approximately \$91 million in costs in 2019, \$139 million in costs in 2018, and \$113 million in costs in 2017 associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business, primarily employee retention and severance expenses and other benefits-related costs, and contracted economic development contributions. Entergy expects to incur employee retention and severance expenses of approximately \$75 million in 2020, and a total of approximately \$55 million from 2021 through 2022 associated with the exit from the merchant power business. See Note 13 to the financial statements for further discussion of these costs.

Entergy Wholesale Commodities incurred \$100 million in 2019, \$532 million in 2018, and \$538 million in 2017 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, expenditures for capital assets, and asset retirement obligation revisions. These costs were charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business. Entergy expects to continue to incur costs associated with nuclear fuel-related spending and expenditures for capital assets and, except for Palisades, expects to continue to charge these costs to expense as incurred because Entergy expects the value of the plants to continue to be impaired. See Note 14 to the financial statements for further discussion of these impairment charges.

### **Liquidity and Capital Resources**

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

#### **Capital Structure**

Entergy's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due to the settlement of equity forwards in 2019, partially offset by the issuance of long-term debt in 2019. See Note 7 to the financial statements for a discussion of the equity forward sale agreements and Note 5 to the financial statements for a discussion of long-term debt.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Debt to capital	65.5%	66.7%
Effect of excluding securitization bonds	(0.4%)	(0.6%)
Debt to capital, excluding securitization bonds (a)	65.1%	66.1%
Effect of subtracting cash	(0.5%)	(0.6%)
Net debt to net capital, excluding securitization bonds (a)	64.6%	65.5%

- (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, finance 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. 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.

Long-term debt, including the currently maturing portion, makes up most of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2019. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2019. The amounts below include payments on System Energy's Grand Gulf sale-leaseback transaction, which are included in long-term debt on the balance sheet.

<b>Long-term debt maturities and estimated interest payments</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023-2024</b>	<b>after 2024</b>
	(In Millions)				
Utility	\$1,100	\$1,889	\$1,034	\$3,451	\$18,836
Entergy Wholesale Commodities	5	144	—	—	—
Parent and Other	531	65	703	511	788
Total	\$1,636	\$2,098	\$1,737	\$3,962	\$19,624

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in September 2024. The facility includes fronting commitments for the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% 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 year ended December 31, 2019 was 3.77% on the drawn portion of the facility.

As of December 31, 2019, amounts outstanding and capacity available under the \$3.5 billion credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$440	\$6	\$3,054

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. One such difference is that it excludes the effects, among other things, of certain impairments related to the Entergy Wholesale Commodities nuclear generation assets. 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 Entergy Corporation credit facility's maturity date may occur.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of December 31, 2019, Entergy Corporation had \$1.947 billion of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2019 was 2.71%.

Finance lease obligations are a minimal part of Entergy's overall capital structure. Following are Entergy's payment obligations under those leases.

	2020	2021	2022	2023-2024	after 2024
(In Millions)					
Finance lease payments	\$14	\$12	\$11	\$19	\$20

Leases are discussed in Note 10 to the financial statements.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2019 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2019	Letters of Credit Outstanding as of December 31, 2019
Entergy Arkansas	April 2020	\$20 million (b)	2.92%	—	—
Entergy Arkansas	September 2024	\$150 million (c)	2.92%	—	—
Entergy Louisiana	September 2024	\$350 million (c)	2.92%	—	—
Entergy Mississippi	May 2020	\$10 million (d)	3.30%	—	—
Entergy Mississippi	May 2020	\$35 million (d)	3.30%	—	—
Entergy Mississippi	May 2020	\$37.5 million (d)	3.30%	—	—
Entergy New Orleans	November 2021	\$25 million (c)	2.92%	\$20 million	\$0.8 million
Entergy Texas	September 2024	\$150 million (c)	3.30%	—	\$1.3 million

- (a) The interest rate is the estimated interest rate as of December 31, 2019 that would have been applied to outstanding borrowings under the facility.
- (b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.

- (c) The credit facility includes fronting commitments for the issuance of letters of credit against a portion of the borrowing capacity of the facility as follows: \$5 million for Entergy Arkansas; \$15 million for Entergy Louisiana; \$10 million for Entergy New Orleans; and \$30 million for Entergy Texas.
- (d) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

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 to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2019:

<u>Company</u>	<u>Amount of Uncommitted Facility</u>	<u>Letter of Credit Fee</u>	<u>Letters of Credit Issued as of December 31, 2019</u>
Entergy Arkansas	\$25 million	0.70%	\$1 million
Entergy Louisiana	\$125 million	0.70%	\$12.3 million
Entergy Mississippi	\$64 million	0.70%	\$1.8 million (a)
Entergy New Orleans	\$15 million	1.00%	\$5.6 million
Entergy Texas	\$50 million	0.70%	\$12.1 million

- (a) As of December 31, 2019, letters of credit posted with MISO covered financial transmission right exposure of \$0.2 million for Entergy Mississippi. See Note 15 to the financial statements for discussion of financial transmission rights.

In January 2019, Entergy Nuclear Vermont Yankee was transferred to NorthStar and its credit facility was assumed by Vermont Yankee Asset Retirement Management, LLC, Entergy Nuclear Vermont Yankee's parent company that remains an Entergy subsidiary after the transfer. The credit facility has a borrowing capacity of \$139 million and expires in December 2021. As of December 31, 2019, \$139 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the year ended December 31, 2019 was 3.93% on the drawn portion of the facility. See Note 14 to the financial statements for discussion of the transfer of Entergy Nuclear Vermont Yankee to NorthStar.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition, results of operations, or cash flows. Following are Entergy's payment obligations as of December 31, 2019 on non-cancelable operating leases with a term over one year:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2024</u>	<u>after 2024</u>
	(In Millions)				
Operating lease payments	\$62	\$56	\$48	\$68	\$29

Leases are discussed in Note 10 to the financial statements.

Summary of Contractual Obligations of Consolidated Entities

Contractual Obligations	2020	2021-2022	2023-2024	after 2024	Total
	(In Millions)				
Long-term debt (a)	\$1,636	\$3,835	\$3,962	\$19,624	\$29,057
Finance lease payments (b)	\$14	\$23	\$19	\$20	\$76
Operating leases (b) (c)	\$62	\$104	\$68	\$29	\$263
Purchase obligations (d)	\$1,371	\$2,228	\$1,863	\$4,326	\$9,788

- (a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.
- (c) Does not include power purchase agreements that are accounted for as leases that are included in purchase obligations.
- (d) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Almost all of the total are fuel and purchased power obligations.

In addition to the contractual obligations stated above, Entergy currently expects to contribute approximately \$216.3 million to its pension plans and approximately \$49.1 million to other postretirement plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, Entergy has \$1,542 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

**Capital Expenditure Plans and Other Uses of Capital**

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2020 through 2022.

Planned construction and capital investments	2020	2021	2022
	(In Millions)		
Utility:			
Generation	\$1,410	\$1,475	\$1,355
Transmission	955	820	630
Distribution	880	690	620
Utility Support	865	925	1,025
Total	4,110	3,910	3,630
Entergy Wholesale Commodities	35	10	5
Total	\$4,145	\$3,920	\$3,635

Planned construction and capital investments refer to amounts Entergy plans to spend on routine capital projects that are necessary to support reliability of its service, equipment, or systems and to support normal customer growth. In addition to routine capital projects, they also refer to amounts Entergy plans to spend on non-routine capital investments for which Entergy is either contractually obligated, has Board approval, or otherwise expects to make to satisfy regulatory or legal requirements. Amounts include the following types of construction and capital investments:

- Investments, including the Lake Charles Power Station, Washington Parish Energy Center, Sunflower Solar



Facility, New Orleans Power Station, Montgomery County Power Station, and Searcy Solar Facility, each discussed below, and potential construction of additional generation.

- Investments in Entergy's Utility nuclear fleet.
- Transmission spending to enhance reliability, reduce congestion, and enable economic growth.
- Distribution spending to enhance reliability and improve service to customers, including investment to support advanced metering.
- Entergy Wholesale Commodities investments such as component replacements, software and security, and dry cask storage.

For the next several years, the Utility's owned generating capacity is projected to be adequate to meet MISO reserve requirements; however, in the longer-term additional supply resources will be needed, and its supply plan initiative will continue to seek to transform its generation portfolio with new generation resources. Opportunities resulting from the supply plan initiative, including new projects or the exploration of alternative financing sources, could result in increases or decreases in the capital expenditure estimates given above. Estimated capital expenditures are also subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints and requirements, environmental regulations, business opportunities, market volatility, economic trends, changes in project plans, and the ability to access capital.

#### Lake Charles Power Station

In November 2016, Entergy Louisiana filed an application with the LPSC seeking certification that the public convenience and necessity would be served by the construction of the Lake Charles Power Station, a nominal 994 megawatt combined-cycle generating unit in Westlake, Louisiana, on land adjacent to the existing Nelson plant in Calcasieu Parish. The current estimated cost of the Lake Charles Power Station is \$872 million, including estimated costs of transmission interconnection and other related costs. In May 2017 the parties to the proceeding agreed to an uncontested stipulation finding that construction of the Lake Charles Power Station is in the public interest and authorizing an in-service rate recovery plan. In July 2017 the LPSC issued an order unanimously approving the stipulation and approved certification of the unit. Construction is in progress and commercial operation is expected to occur by mid-2020.

#### Washington Parish Energy Center

In April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. Calpine will construct the plant, which will consist of two natural gas-fired combustion turbine units with a total nominal capacity of approximately 361 MW. The plant, named the Washington Parish Energy Center, will be located in Bogalusa, Louisiana. Subject to regulatory approvals, Entergy Louisiana will purchase the plant once it is complete for an estimated total investment of approximately \$261 million, including transmission and other related costs. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. In April 2018 the parties reached a settlement recommending certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy Louisiana. The LPSC issued an order approving the settlement in May 2018. Construction is in progress and commercial operation is expected to occur by the end of 2020.

#### Sunflower Solar Facility

In November 2018, Entergy Mississippi announced that it signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. The estimated base purchase price is approximately \$138.4 million. The estimated total investment, including the base purchase price and other related costs, for Entergy Mississippi to acquire the Sunflower Solar Facility is approximately \$153.2 million. The purchase is contingent upon, among other things, obtaining necessary approvals, including full cost recovery, from applicable federal and state regulatory and permitting

agencies. The project will be built by Sunflower County Solar Project, LLC, a sub-subsubsidiary of Recurrent Energy, LLC. Entergy Mississippi will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. In December 2018, Entergy Mississippi filed a joint petition with Sunflower Solar Project at the MPSC for Sunflower Solar Project to construct and for Entergy Mississippi to acquire and thereafter own, operate, improve, and maintain the solar facility. Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism, the interim capacity rate adjustment mechanism, in the formula rate plan to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the annual ownership costs of the Sunflower Solar Facility. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism. The MPSC must approve recovery through the interim capacity rate adjustment for each new resource. In August 2019 consultants retained by the Mississippi Public Utilities Staff filed a report expressing concerns regarding the project economics and recommended that, should the MPSC wish to approve the project, Entergy Mississippi should be required to guarantee the energy output of the unit. Entergy Mississippi and the Staff are engaged in settlement discussions to address these concerns. A hearing before the MPSC is targeted to occur by the second quarter of 2020. Closing is expected to occur by the end of 2021.

#### New Orleans Power Station

In March 2018 the City Council adopted a resolution approving construction of the New Orleans Power Station, a 128 MW unit composed of natural gas-fired reciprocating engines, and a related cost recovery plan. The cost estimate for the plant, which will be located at the site of the Michoud generating facility that was retired in May 2016, is \$210 million. Entergy New Orleans had previously filed an application with the City Council seeking a public interest determination and authorization to construct a 226 MW advanced combustion turbine power station. In January 2017 several intervenors filed testimony opposing the construction of the New Orleans Power Station on various grounds. In July 2017, Entergy New Orleans submitted a supplemental and amending application to the City Council seeking approval to construct either the originally proposed 226 MW advanced combustion turbine power station, or alternatively, the 128 MW power station. In addition, the application renewed the commitment to pursue up to 100 MW of renewable resources to serve New Orleans.

In April 2018 intervenors opposing the construction of the New Orleans Power Station filed with the City Council a request for rehearing, which was subsequently denied, and a petition for judicial review of the City Council's decision, and also filed a lawsuit challenging the City Council's approval based on Louisiana's open meeting law. In May 2018 the City Council announced that it would initiate an investigation into allegations that Entergy New Orleans, Entergy, or some other entity paid or participated in paying certain attendees and speakers in support of the New Orleans Power Station to attend or speak at certain meetings organized by the City Council. In October 2018 investigators for the City Council released their report, concluding that individuals were paid to attend or speak in support of the New Orleans Power Station and that Entergy New Orleans "knew or should have known that such conduct occurred or reasonably might occur." The City Council issued a resolution requiring Entergy New Orleans to show cause why it should not be fined \$5 million as a result of the findings in the report. In November 2018, Entergy New Orleans submitted its response to the show cause resolution, disagreeing with certain characterizations and omissions of fact in the report and asserting that the City Council could not legally impose the proposed fine. Simultaneous with the filing of its response to the show cause resolution, Entergy New Orleans sent a letter to the City Council re-asserting that the City Council's imposition of the proposed fine would be unlawful, but acknowledging that the actions of a subcontractor, which was retained by an Entergy New Orleans contractor without the knowledge or contractually-required consent of Entergy New Orleans, were contrary to Entergy's values. In that letter, Entergy New Orleans offered to donate \$5 million to the City Council to resolve the show cause proceeding. In January 2019, Entergy New Orleans submitted a new settlement proposal to the City Council. The proposal retains the components of the first offer but adds to it a commitment to make reasonable efforts to limit the costs of the project to the \$210 million cost estimate with advanced notification of anticipated cost overruns, additional reporting requirements for cost and environmental items, and a commitment regarding reliability investment and to work with the New Orleans Sewerage and Water Board to provide a reliable source of power. In February 2019 the City Council approved a resolution approving the settlement proposal and allowing the construction of the New Orleans Power Station to commence.

Also in February 2019 certain intervenors in the City Council proceeding on the New Orleans Power Station filed suit in Louisiana state court challenging the Louisiana Department of Environmental Quality's issuance of the New Orleans Power Station's air permit. Entergy New Orleans intervened in that lawsuit and, along with the Louisiana Department of Environmental Quality, filed exceptions seeking dismissal of the lawsuit. In June 2019 the state court judge sustained the exceptions and dismissed the plaintiffs' petition with prejudice.

Also in June 2019, a state court judge in New Orleans affirmed the City Council's approval of the New Orleans Power Station and dismissed the petition for judicial review that had been filed in April 2018. The petitioners have filed an appeal of that ruling. Also in June 2019, with regard to the lawsuit challenging the City Council's decision on the basis of a violation of the open meetings law, the same state court judge in New Orleans ruled that there was a violation of the open meetings law at the February 2018 meeting of the City Council's Utility Committee at which that Committee considered the New Orleans Power Station approval, and further ruled that, although there was no violation of the open meetings law at the March 2018 full City Council meeting at which the New Orleans Power Station was approved, both the approval of the Utility Committee and the approval of the full City Council were void. The City Council and Entergy New Orleans each filed a suspensive appeal of the open meetings law ruling. A suspensive appeal suspends the effect of the judgment in the open meetings law proceeding while the appeal is being taken. The petitioners sought in the state appellate court, and then at the Louisiana Supreme Court, to terminate the suspension of the effect of the judgment, but both courts declined to do so. Appellate briefing on the merits both in the open meetings law appeal and in the judicial review appeal occurred in November and December 2019 and oral argument in both cases was heard in January 2020. In February 2020 the state appellate court reversed the lower court's ruling that the City Council's approval of the New Orleans Power Station was void due to a violation of the open meetings law at the City Council's Utility Committee meeting in February 2018. The state appellate court ruled that there was no violation of the open meetings law at the full City Council meeting in March 2018 and that the lower court erred in voiding the City Council resolution approving the New Orleans Power Station. The appellate court's decision on the appeal of the judicial review decision that affirmed the City Council's approval of the New Orleans Power Station as in the public interest is still pending. Construction of the plant is on schedule, with commercial operation expected in mid-2020.

#### Montgomery County Power Station

In October 2016, Entergy Texas filed an application with the PUCT seeking certification that the public convenience and necessity would be served by the construction of the Montgomery County Power Station, a nominal 993 MW combined-cycle generating unit in Willis, Texas, on land adjacent to the existing Lewis Creek plant. The current estimated cost of the Montgomery County Power Station is \$937 million, including approximately \$111 million of transmission interconnection and network upgrades and other related costs. The independent monitor, who oversaw the request for proposal process, filed testimony and a report affirming that the Montgomery County Power Station was selected through an objective and fair request for proposal process that showed no undue preference to any proposal. In June 2017 parties to the proceeding filed an unopposed stipulation and settlement agreement. The stipulation contemplates that Entergy Texas's level of cost-recovery for generation construction costs for Montgomery County Power Station is capped at \$831 million, subject to certain exclusions such as force majeure events. Transmission interconnection and network upgrades and other related costs are not subject to the \$831 million cap. In July 2017 the PUCT approved the stipulation. Subject to the timely receipt of other permits and approvals, commercial operation is estimated to occur by mid-2021.

#### Searcy Solar Facility

In March 2019, Entergy Arkansas announced that it signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar energy facility that will be sited on approximately 800 acres in White County near Searcy, Arkansas. The purchase is contingent upon, among other things, obtaining necessary approvals from applicable federal and state regulatory and permitting agencies. The project will be constructed by a subsidiary of NextEra Energy Resources. Entergy Arkansas will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. Closing is expected to occur by the end of 2021. In May 2019, Entergy Arkansas filed

a petition with the APSC seeking a finding that the transaction is in the public interest and requesting all necessary approvals. In September 2019 other parties filed testimony largely supporting the resource acquisition but disputing Entergy Arkansas's proposed method of cost recovery. Entergy Arkansas filed its rebuttal testimony in October 2019. In February 2020, Entergy Arkansas, the Attorney General, and the APSC general staff filed a partial settlement agreement asking the APSC to approve, based on the record in the proceeding, all issues except certain issues that are submitted to the APSC for determination.

### Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon 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 January 2020 meeting, the Board declared a dividend of \$0.93 per share. Entergy paid \$712 million in 2019, \$648 million in 2018, and \$629 million in 2017 in cash dividends on its common stock.

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

In addition to the authority to fund grant exercises, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a \$500 million share repurchase program. As of December 31, 2019, \$350 million of authority remains under the \$500 million share repurchase program. The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities, or if limitations in the credit markets continue for a prolonged period.

### **Sources of Capital**

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

- internally generated funds;
- cash on hand (\$426 million as of December 31, 2019);
- debt and equity issuances in the capital markets;
- bank financing under new or existing facilities or commercial paper; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. Entergy Corporation expects to finance up to 10% of the amount of the Utility's capital expenditure plans through equity issuances in the capital markets.

Provisions within the organizational documents relating to preferred stock or membership interests of certain of Entergy Corporation's subsidiaries could restrict the payment of cash dividends or other distributions on their common and preferred equity. All debt and preferred equity issuances by the Registrant Subsidiaries require prior regulatory approval and their debt issuances are also subject to issuance tests set forth in bond indentures and other agreements. Entergy believes that the Registrant Subsidiaries have sufficient capacity under these tests to meet foreseeable capital needs.

The FERC has jurisdiction over securities issuances by the Utility operating companies and System Energy. The City Council has concurrent jurisdiction over Entergy New Orleans's securities issuances with maturities longer

than one year. The APSC has concurrent jurisdiction over Entergy Arkansas's issuances of securities secured by Arkansas property, including first mortgage bond issuances. No regulatory approvals are necessary for Entergy Corporation to issue securities. The current FERC-authorized short-term borrowing limits and long-term borrowing limits for Entergy New Orleans are effective through October 2021. The current FERC-authorized short-term borrowing limits and long-term financing authorization for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy are effective through November 2020. Entergy Arkansas has obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2020. Entergy New Orleans also has obtained long-term financing authorization from the City Council that extends through October 2021. Entergy Arkansas, Entergy Louisiana, and System Energy each have obtained long-term financing authorization from the FERC that extends through November 2020 for issuances by the nuclear fuel company variable interest entities. In addition to borrowings from commercial banks, the Registrant Subsidiaries may also borrow from the Entergy System money pool and from other internal short-term borrowing arrangements. The money pool and the other internal borrowing arrangements are inter-company borrowing arrangements designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short-term borrowings combined may not exceed the FERC-authorized limits. See Notes 4 and 5 to the financial statements for further discussion of Entergy's borrowing limits, authorizations, and amounts outstanding.

### Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	2019	2018	2017
	(In Millions)		
Cash and cash equivalents at beginning of period	\$481	\$781	\$1,188
Net cash provided by (used in):			
Operating activities	2,817	2,385	2,624
Investing activities	(4,510)	(4,106)	(3,841)
Financing activities	1,638	1,421	810
Net decrease in cash and cash equivalents	(55)	(300)	(407)
Cash and cash equivalents at end of period	\$426	\$481	\$781

### 2019 Compared to 2018

#### Operating Activities

Net cash flow provided by operating activities increased by \$432 million in 2019 primarily due to:

- the decrease in the return of unprotected excess accumulated deferred income taxes to Utility customers. See Note 2 to the financial statements for a discussion of the regulatory activity regarding the Tax Cuts and Jobs Act;
- an increase due to the timing of recovery of fuel and purchased power costs in 2019 as compared to the prior year. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- an increase of \$109 million due to Vermont Yankee decommissioning spending in 2018, partially offset by Pilgrim decommissioning spending in 2019; and
- a decrease of \$87 million in spending on nuclear refueling outages in 2019 as compared to the prior year.

The increase was partially offset by:

- an increase of \$98 million in severance and retention payments in 2019 as compared to prior year. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**” above for a discussion of management’s strategy to exit the Entergy Wholesale Commodities’ merchant power business; and
- lower Entergy Wholesale Commodities revenues in 2019.

#### Investing Activities

Net cash flow used in investing activities increased by \$404 million in 2019 primarily due to:

- an increase of \$334 million in construction expenditures in the Utility business, as discussed below;
- the purchase of the Choctaw Generating Station in October 2019 for approximately \$305 million. See Note 14 to the financial statements for further discussion of the Choctaw Generating Station purchase; and
- a decrease of \$57 million in proceeds received from the DOE in 2019 as compared to the prior year resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

The increase was partially offset by:

- a decrease of \$174 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle; and
- a decrease of \$85 million primarily due to changes in collateral posted to provide credit support to secure its obligations under agreements to sell power produced by Entergy Wholesale Commodities’ power plants.

The increase in construction expenditures in the Utility business is primarily due to:

- an increase of \$211 million in transmission construction expenditures due to a higher scope of work performed in 2019 on various projects;
- an increase of \$188 million primarily due to investment in the infrastructure of the distribution system, including increased spending on advanced metering infrastructure; and
- an increase of \$91 million in storm spending in 2019.

The increase in construction expenditures in the Utility business was partially offset by:

- a decrease of \$62 million in fossil-fueled generation construction expenditures primarily due to lower spending in 2019 on self-build projects in the Utility business and a lower scope of work performed in 2019 on various projects;
- a decrease of \$39 million in nuclear construction expenditures primarily due to lower spending in 2019 on various nuclear projects; and
- a decrease of \$33 million in information technology capital expenditures primarily due to lower spending in 2019 on critical infrastructure protection.

#### Financing Activities

Net cash flow provided by financing activities increased by \$217 million in 2019 primarily due to:

- long-term debt activity providing approximately \$1,685 million of cash in 2019 compared to providing approximately \$1,070 million in 2018;

- net repayments of short-term borrowings of \$111 million in 2018 by the nuclear fuel company variable interest entities; and
- an increase of \$108 million in proceeds from the issuance of common stock as a result of the settlement of equity forwards in 2019 and 2018. See Note 7 to the financial statements for discussion of the equity forward sale agreements.

The increase was partially offset by:

- a decrease of \$471 million in net issuances of commercial paper in 2019 compared to 2018;
- an increase of \$64 million in common stock dividends paid as a result of an increase in the shares outstanding and an increase in the dividend paid in 2019 compared to 2018; and
- the issuance of \$35 million aggregate liquidation value 5.375% Series A preferred stock in 2019 by Entergy Texas compared to the issuance of \$73 million aggregate liquidation value 6.75% Series C preferred membership interests in 2018 by Entergy Utility Holding Company.

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. See Note 5 to the financial statements for details of long-term debt.

### 2018 Compared to 2017

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow Activity**” in Entergy’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

### **Rate, Cost-recovery, and Other Regulation**

#### **State and Local Rate Regulation and Fuel-Cost Recovery**

The rates that the Utility operating companies and System Energy charge for their services significantly influence Entergy’s financial position, results of operations, and liquidity. These companies are regulated and the rates charged to their customers are determined in regulatory proceedings. Governmental agencies, including the APSC, the LPSC, the MPSC, the City Council, the PUCT, and the FERC, are primarily responsible for approval of the rates charged to customers. Following is a summary of the Utility operating companies’ authorized returns on common equity:

<b>Company</b>	<b>Authorized Return on Common Equity</b>
Entergy Arkansas	9.25% - 10.25%
Entergy Louisiana	9.2% - 10.4% Electric; 9.45% - 10.45% Gas
Entergy Mississippi	9.33% - 11.35%
Entergy New Orleans	8.85% - 9.85%
Entergy Texas	9.65%

The Utility operating companies’ base rate, fuel and purchased power cost recovery, and storm cost recovery proceedings are discussed in Note 2 to the financial statements.

#### **Federal Regulation**

The FERC regulates wholesale sales of electricity rates and interstate transmission of electricity, including rates for System Energy’s sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana,

Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. The current return on equity and capital structure of System Energy are currently the subject of complaints filed by certain of the operating companies' retail regulators. The current return on equity under the Unit Power Sales Agreement is 10.94%. Prior to each operating company's termination of participation in the System Agreement (Entergy Arkansas in December 2013, Entergy Mississippi in November 2015, and Entergy Louisiana, Entergy New Orleans, and Entergy Texas each in August 2016), the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which was a rate schedule approved by the FERC. Certain of the Utility operating companies' retail regulators are pursuing litigation involving the System Agreement at the FERC and in federal courts. See Note 2 to the financial statements for discussion of the System Agreement proceedings, the complaints filed with the FERC challenging System Energy's return on equity, and the amendments to the Unit Power Sales Agreement approved by the FERC in 2018.

### **Market and Credit Risk Sensitive Instruments**

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

- The commodity price risk associated with the sale of electricity by the Entergy Wholesale Commodities business.
- The interest rate and equity price risk associated with Entergy's investments in pension and other postretirement benefit trust funds. See Note 11 to the financial statements for details regarding Entergy's pension and other postretirement benefit trust funds.
- The interest rate and equity price risk associated with Entergy's investments in nuclear plant decommissioning trust funds, particularly in the Entergy Wholesale Commodities business. See Note 16 to the financial statements for details regarding Entergy's decommissioning trust funds.
- The interest rate risk associated with changes in interest rates as a result of Entergy's outstanding indebtedness. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

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 commodity and financial 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.

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

### **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. Entergy Wholesale Commodities also 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 may also use a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. 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 December 31, 2019.

**Entergy Wholesale Commodities Nuclear Portfolio**

	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Energy</b>			
Percent of planned generation under contract (a):			
Unit-contingent (b)	97%	92%	66%
Planned generation (TWh) (c) (d)	17.8	9.6	2.8
Average revenue per MWh on contracted volumes:			
Expected based on market prices as of December 31, 2019	\$41.3	\$56.6	\$58.8
<b>Capacity</b>			
Percent of capacity sold forward (e):			
Bundled capacity and energy contracts (f)	37%	68%	97%
Capacity contracts (g)	32%	—%	—%
Total	69%	68%	97%
Planned net MW in operation (average) (d)	2,195	1,158	338
Average revenue under contract per kW per month (applies to capacity contracts only)	\$2.8	\$—	\$—
<b>Total Energy and Capacity Revenues (h)</b>			
Expected sold and market total revenue per MWh	\$44.3	\$54.3	\$46.6
Sensitivity: +/- \$10 per MWh market price change	\$44.1 - \$44.5	\$53.5 - \$55.1	\$43.2 - \$50.1

- (a) Percent of planned generation output sold or purchased forward under contracts, forward physical contracts, forward financial contracts, or options that mitigate price uncertainty. 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 the 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) Amount of output expected to be generated by Entergy Wholesale Commodities nuclear resources considering plant operating characteristics and outage schedules.
- (d) Assumes the planned shutdown of Indian Point 2 on April 30, 2020, planned shutdown of Indian Point 3 on April 30, 2021, and planned shutdown of Palisades on May 31, 2022. For a discussion regarding the planned shutdown of the Indian Point 2, Indian Point 3, and Palisades plants, see "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" above.
- (e) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
- (f) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
- (g) A contract for the sale of an installed capacity product in a regional market.

- (h) Includes assumptions on converting a portion of the portfolio to contracted with fixed price and excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, 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 the respective year-end market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of \$4 million in 2020 and would have had a corresponding effect on pre-tax income of \$6 million in 2019. A negative \$10 per MWh change in the annual average energy price in the markets based on the respective year-end market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of (\$4) million in 2020 and would have had a corresponding effect on pre-tax income of (\$6) million in 2019.

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 guarantee. Cash and letters of credit are also acceptable forms of credit support. At December 31, 2019, based on power prices at that time, Entergy had liquidity exposure of \$78 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$19 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 December 31, 2019, Entergy would have been required to provide approximately \$30 million of additional cash or letters of credit under some of the agreements. As of December 31, 2019, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$90 million for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of December 31, 2019, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

### **Nuclear Matters**

Entergy's Utility and Entergy Wholesale Commodities businesses include the ownership and operation of nuclear generating plants and are, therefore, subject to the risks related to such ownership and operation. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems and the Fukushima event; the implementation of plans to exit the Entergy Wholesale Commodities merchant power business by 2022 and the post-shutdown decommissioning of these plants; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license renewal and amendments, and decommissioning; the performance and capacity factors of these nuclear plants; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident.

### **NRC Reactor Oversight Process**

The NRC's Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC's inspection program

and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC's Reactor Oversight Process Action Matrix columns: "licensee response column," or Column 1, "regulatory response column," or Column 2, "degraded cornerstone column," or Column 3, and "multiple/repetitive degraded cornerstone column," or Column 4. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC with, in general, progressively increasing levels of associated costs. Nuclear generating plants owned and operated by Entergy's Utility and Entergy Wholesale Commodities businesses are currently in Column 1.

### **Critical Accounting Estimates**

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

### **Nuclear Decommissioning Costs**

Entergy subsidiaries own nuclear generation facilities in both the Utility and Entergy Wholesale Commodities operating segments. Regulations require Entergy subsidiaries to decommission the nuclear power plants after each facility is taken out of service, and cash is deposited in trust funds during the facilities' operating lives in order to provide for this obligation. Entergy conducts periodic decommissioning cost studies to estimate the costs that will be incurred to decommission the facilities. The following key assumptions have a significant effect on these estimates.

- **Timing** - In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated for those plants that do not have an announced shutdown date. The estimate may include assumptions regarding the possibility that the plant may have an operating life shorter than the operating license expiration. Second, an assumption must be made regarding whether all decommissioning activity will proceed immediately upon plant retirement, or whether the plant will be placed in SAFSTOR status. SAFSTOR is decommissioning a facility by placing it in a safe, stable condition that is maintained until it is subsequently decontaminated and dismantled to levels that permit license termination, normally within 60 years from permanent cessation of operations. A change of assumption regarding either the period of continued operation, the use of a SAFSTOR period, or whether Entergy will continue to hold the plant or the plant is held for sale can change the present value of the asset retirement obligation.
- **Cost Escalation Factors** - Entergy's current decommissioning cost studies include an assumption that decommissioning costs will escalate over present cost levels by factors ranging from approximately 2% to 3% annually. A 50-basis point change in this assumption could change the estimated present value of the decommissioning liabilities by approximately 6% to 18%. The timing assumption influences the significance of the effect of a change in the estimated inflation or cost escalation rate because the effect increases with the length of time assumed before decommissioning activity ends.
- **Spent Fuel Disposal** - Federal law requires the DOE to provide for the permanent storage of spent nuclear fuel, and legislation has been passed by Congress to develop a repository at Yucca Mountain, Nevada. The DOE has not yet begun accepting spent nuclear fuel and is in non-compliance with federal law. The DOE continues to delay meeting its obligation and Entergy's nuclear plant owners are continuing to pursue damage claims against the DOE for its failure to provide timely spent fuel storage. Until a federal site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities during the decommissioning period can have a significant effect (as much as an average of 20% to 30% of total estimated decommissioning costs). Entergy's decommissioning studies include

cost estimates for spent fuel storage. These estimates could change in the future, however, based on the expected timing of when the DOE begins to fulfill its obligation to receive and store spent nuclear fuel. See Note 8 to the financial statements for further discussion of Entergy's spent nuclear fuel litigation.

- **Technology and Regulation** - Over the past several years, more practical experience with the actual decommissioning of nuclear facilities has been gained and that experience has been incorporated into Entergy's current decommissioning cost estimates. Given the long duration of decommissioning projects, additional experience, including technological advancements in decommissioning, could be gained and affect current cost estimates. In addition, if regulations regarding nuclear decommissioning were to change, this could affect cost estimates.
- **Interest Rates** - The estimated decommissioning costs that are the basis for the recorded decommissioning liability are discounted to present value using a credit-adjusted risk-free rate. When the decommissioning liability is revised, increases in cash flows are discounted using the current credit-adjusted risk-free rate. Decreases in estimated cash flows are discounted using the credit-adjusted risk-free rate used previously in estimating the decommissioning liability that is being revised. Therefore, to the extent that a revised cost study results in an increase in estimated cash flows, a change in interest rates from the time of the previous cost estimate will affect the calculation of the present value of the revised decommissioning liability.

Revisions of estimated decommissioning costs that decrease the liability also result in a decrease in the asset retirement cost asset. For the non-rate-regulated portions of Entergy's business for which the plant's value is impaired, these reductions will immediately reduce operating expenses in the period of the revision if the reduction of the liability exceeds the amount of the undepreciated plant asset at the date of the revision. Revisions of estimated decommissioning costs that increase the liability result in an increase in the asset retirement cost asset, which is then depreciated over the asset's remaining economic life. For a plant in the non-rate-regulated portions of Entergy's business for which the plant's value is impaired, however, including a plant that is shutdown, or is nearing its shutdown date, the increase in the liability is likely to immediately increase operating expense in the period of the revision and not increase the asset retirement cost asset. See Note 14 to the financial statements for further discussion of impairment of long-lived assets and Note 9 to the financial statements for further discussion of asset retirement obligations.

### **Utility Regulatory Accounting**

Entergy's Utility operating companies and System Energy are subject to retail regulation by their respective state and local regulators and to wholesale regulation by the FERC. Because these regulatory agencies set the rates the Utility operating companies and System Energy are allowed to charge customers based on allowable costs, including a reasonable return on equity, the Utility operating companies and System Energy apply accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. Regulatory assets represent incurred costs that have been deferred because they are probable of future recovery from customers through regulated rates. Regulatory liabilities represent the excess recovery of costs that have been deferred because it is probable such amounts will be returned to customers through future regulated rates. See Note 2 to the financial statements for a discussion of rate and regulatory matters, including details of Entergy's and the Registrant Subsidiaries' regulatory assets and regulatory liabilities.

For each regulatory jurisdiction in which they conduct business, the Utility operating companies and System Energy assess whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. If the assessments made by the Utility operating companies and System Energy are ultimately different than actual regulatory outcomes, it could materially affect the results of operations, financial position, and cash flows of Entergy or the Registrant Subsidiaries.

### **Impairment of Long-lived Assets and Trust Fund Investments**

Entergy has significant investments in long-lived assets in both of its operating segments, and Entergy evaluates

these assets against the market economics and under the accounting rules for impairment when there are indications that an impairment may exist. This evaluation involves a significant degree of estimation and uncertainty. In the Entergy Wholesale Commodities business, Entergy's investments in merchant generation assets are subject to impairment if adverse market or regulatory conditions arise, particularly if it leads to a decision or an expectation that Entergy will operate or own a plant for a shorter period than previously expected; if there is a significant adverse change in the physical condition of a plant; or, if capital investment in a plant significantly exceeds previously-expected amounts.

If an asset is considered held for use, and Entergy concludes that events and circumstances are present indicating that an impairment analysis should be performed under the accounting standards, the sum of the expected undiscounted future cash flows from the asset are compared to the asset's carrying value. The carrying value of the asset includes any capitalized asset retirement cost associated with the decommissioning liability; therefore, changes in assumptions that affect the decommissioning liability can increase or decrease the carrying value of the asset subject to impairment. If the expected undiscounted future cash flows exceed the carrying value, no impairment is recorded. If the expected undiscounted future cash flows are less than the carrying value and the carrying value exceeds the fair value, Entergy is required to record an impairment charge to write the asset down to its fair value. If an asset is considered held for sale, an impairment is required to be recognized if the fair value (less costs to sell) of the asset is less than its carrying value.

The expected future cash flows are based on a number of key assumptions, including:

- Future power and fuel prices - Electricity and gas prices can be very volatile. This volatility increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.
- Market value of generation assets - Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, these transactions are relatively infrequent, the market for such assets is volatile, and the value of individual assets is affected by factors unique to those assets.
- Future operating costs - Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant effect on operations could cause a significant change in these assumptions.
- Timing and the life of the asset - Entergy assumes an expected life of the asset. A change in the timing assumption, whether due to management decisions regarding operation of the plant, the regulatory process, or operational or other factors, could have a significant effect on the expected future cash flows and result in a significant effect on operations.

See Note 14 to the financial statements for a discussion of impairment conclusions related to the Entergy Wholesale Commodities nuclear plants.

Entergy evaluates the available-for-sale debt securities in the Entergy Wholesale Commodities' nuclear decommissioning trust funds with unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary-impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Effective January 1, 2018 with the adoption of ASU 2016-01, unrealized losses and gains on investments in equity securities held by Entergy Wholesale Commodities' nuclear decommissioning trust funds are recorded in earnings as they occur. See Note 16 to the financial statements for details on the decommissioning trust funds.

## **Taxation and Uncertain Tax Positions**

Management exercises significant judgment in evaluating the potential tax effects of Entergy's operations, transactions, and other events. Entergy accounts for uncertain income tax positions using a recognition model under a two-step approach with a more likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Management evaluates each tax position based on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether available information supports the assertion that the recognition threshold has been met. Additionally, measurement of unrecognized tax benefits to be recorded in the consolidated financial statements is based on the probability of different potential outcomes. Income tax expense and tax positions recorded could be significantly affected by events such as additional transactions contemplated or consummated by Entergy as well as audits by taxing authorities of the tax positions taken in transactions. Management believes that the financial statement tax balances are accounted for and adjusted appropriately each quarter as necessary in accordance with applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable effects on the consolidated financial statements. Entergy's income taxes, including unrecognized tax benefits, open audits, and other significant tax matters are discussed in Note 3 to the financial statements.

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Income Tax Legislation**" above and Note 3 to the financial statements for discussion of the effects of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017.

## **Qualified Pension and Other Postretirement Benefits**

Entergy sponsors qualified, defined benefit pension plans that cover substantially all employees, including cash balance plans and final average pay plans. Additionally, Entergy currently provides other postretirement health care and life insurance benefits for substantially all full-time employees whose most recent date of hire or rehire is before July 1, 2014 and who reach retirement age and meet certain eligibility requirements while still working for Entergy.

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

### Assumptions

Key actuarial assumptions utilized in determining qualified pension and other postretirement health care and life insurance costs include discount rates, projected healthcare cost rates, expected long-term rate of return on plan assets, rate of increase in future compensation levels, retirement rates, expected timing and form of payments, and mortality rates.

Annually, Entergy reviews and, when necessary, adjusts the assumptions for the pension and other postretirement plans. Every three-to-five years, a formal actuarial assumption experience study that compares assumptions to the actual experience of the pension and other postretirement health care and life insurance plans is conducted. The interest rate environment over the past few years and volatility in the financial equity markets have affected Entergy's funding and reported costs for these benefits.

## Discount rates

In selecting an assumed discount rate to calculate benefit obligations, Entergy uses a yield curve based on high-quality corporate debt with cash flows matching the expected plan benefit payments. In estimating the service cost and interest cost components of net periodic benefit cost, Entergy discounts the expected cash flows by the applicable spot rates.

## Projected health care cost trend rates

Entergy's health care cost trend is affected by both medical cost inflation, and with respect to capped costs under the plan, the effects of general inflation. Entergy reviews actual recent cost trends and projected future trends in establishing its health care cost trend rates.

## Expected long-term rate of return on plan assets

In determining its expected long-term rate of return on plan assets used in the calculation of benefit plan costs, Entergy reviews past performance, current and expected future asset allocations, and capital market assumptions of its investment consultant and some of its investment managers. Entergy conducts periodic asset/liability studies in order to set its target asset allocations.

In 2017, Entergy confirmed its liability-driven investment strategy for its pension assets, which recommended that the target asset allocation adjust dynamically over time, based on the funded status of the plan, to an ultimate allocation of 35% equity securities and 65% fixed income securities. The ultimate asset allocation is expected to be attained when the plan is 100% funded. The target pension asset allocation for 2019 was 58% equity and 42% fixed income securities.

In 2017, Entergy implemented a new asset allocation strategy for its non-taxable and taxable other postretirement assets, based on the funded status of each sub-account within each trust. The new strategy no longer focuses on targeting an overall asset allocation for each trust, but rather a target asset allocation for each sub-account within each trust that adjusts dynamically based on the funded status. The 2019 weighted average target postretirement asset allocation is 45% equity and 55% fixed income securities. See Note 11 to the financial statements for discussion of the current asset allocations for Entergy's pension and other postretirement assets.

Costs and Sensitivities

The estimated 2020 and actual 2019 qualified pension and other postretirement costs and related underlying assumptions and sensitivities are shown below:

<b>Costs</b>	<b>Estimated 2020</b>	<b>2019</b>
	(In millions)	
Qualified pension cost	\$339.5	\$277.0 (a)
Other postretirement income	(\$2.2)	(\$5.6)
<b>Assumptions</b>	<b>2020</b>	<b>2019</b>
<b>Discount rates</b>		
Qualified pension		
Service cost	3.42%	4.57%
Interest cost	2.99%	4.15%
Other postretirement		
Service cost	3.48%	4.62%
Interest cost	2.79%	4.01%
<b>Expected long-term rates of return</b>		
Qualified pension assets	7.00%	7.25%
Other postretirement - non-taxable assets	6.25% - 7.00%	6.50% - 7.25%
Other postretirement - taxable assets - after tax rate	5.25%	5.50%
<b>Weighted-average rate of increase in future compensation</b>	<b>3.98% - 4.40%</b>	<b>3.98%</b>
<b>Assumed health care cost trend rates</b>		
Pre-65 retirees	6.13%	6.59%
Post-65 retirees	6.25%	7.15%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond		
Pre-65 retirees	2027	2027
Post-65 retirees	2027	2026

(a) In 2019, qualified pension cost included settlement charges of \$23.5 million.

Actual asset returns have an effect on Entergy's qualified pension and other postretirement costs. In 2019, Entergy's actual average annual return on qualified pension assets was approximately 21% and for other postretirement assets was approximately 17%, as compared with the 2019 expected long-term rates of return discussed above.



The following chart reflects the sensitivity of qualified pension cost and qualified pension projected benefit obligation to changes in certain actuarial assumptions (dollars in millions):

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$23	\$237
Rate of return on plan assets	(0.25%)	\$15	\$—
Rate of increase in compensation	0.25%	\$8	\$41

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in millions):

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$2	\$37
Health care cost trend	0.25%	\$3	\$26

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

#### Accounting Mechanisms

In accordance with pension accounting standards, Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into expense only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees. Additionally, accounting standards allow for the deferral of prior service costs/credits arising from plan amendments that attribute an increase or decrease in benefits to employee service in prior periods. Prior service costs/credits are then amortized into expense over the average future working life of active employees. Certain decisions, including workforce reductions, plan amendments, and plant shutdowns may significantly reduce the expense amortization period and result in immediate recognition of certain previously-deferred costs and gains/losses in the form of curtailment gains or losses. Similarly, payments made to settle benefit obligations, including lump sum benefit payments, can also result in accelerated recognition in the form of settlement losses or gains.

Entergy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. In general, Entergy determines the MRV of its pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns and for its other postretirement benefit plan assets Entergy uses fair value.

Accounting standards require an employer to recognize in its balance sheet the funded status of its benefit plans. See Note 11 to the financial statements for a further discussion of Entergy's funded status.

#### Employer Contributions

Entergy contributed \$399.4 million to its qualified pension plans in 2019. Entergy estimates pension contributions will be approximately \$216.3 million in 2020; although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Minimum required funding calculations as determined under Pension Protection Act guidance are performed annually as of January 1 of each year and are based on measurements of the assets and funding liabilities as measured at that date. Any excess of the funding liability over the calculated fair market value of assets results in a funding shortfall that, under the Pension Protection Act, must be funded over a seven-year rolling period. The Pension Protection Act also imposes certain plan limitations if the funded percentage, which is based on calculated fair market values of assets divided by funding liabilities, does not meet certain thresholds. For funding purposes, asset gains and losses are smoothed in to the calculated fair market value of assets. The funding liability is based upon a weighted average 24-month corporate bond rate published by the U.S. Treasury which is generally subject to a corridor of the 25-year average of prior segment rates. Periodic changes in asset returns and interest rates can affect funding shortfalls and future cash contributions.

Entergy contributed \$46.6 million to its postretirement plans in 2019 and plans to contribute \$49.1 million in 2020.

### **Other Contingencies**

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

### Environmental

Entergy must comply with environmental laws and regulations applicable to air emissions, water discharges, solid waste (including coal combustion residuals), hazardous waste, toxic substances, protected species, and other environmental matters. Under these various laws and regulations, Entergy could incur substantial costs to comply or address any impacts to the environment. Entergy conducts studies to determine the extent of any required remediation and has recorded liabilities based upon its evaluation of the likelihood of loss and expected dollar amount for each issue. Additional sites or issues could be identified which require environmental remediation or corrective action for which Entergy could be liable. The amounts of environmental liabilities recorded can be significantly affected by the following external events or conditions.

- Changes to existing federal, state, or local regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.
- The identification of additional impacts, sites, issues, or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.
- The resolution or progression of existing matters through the court system or resolution by the EPA or relevant state or local authority.

### Litigation

Entergy is regularly named as a defendant in a number of lawsuits involving employment, customers, and injuries and damages issues, among other matters. Entergy periodically reviews the cases in which it has been named as defendant and assesses the likelihood of loss in each case as probable, reasonably possible, or remote and records liabilities for cases that have a probable likelihood of loss and the loss can be estimated. Given the environment in which Entergy operates, and the unpredictable nature of many of the cases in which Entergy is named as a defendant, the ultimate outcome of the litigation to which Entergy is exposed has the potential to materially affect the results of operations, financial position, and cash flows of Entergy or the Registrant Subsidiaries.

**New Accounting Pronouncements**

See Note 1 to the financial statements for discussion of new accounting pronouncements.

**ENERGY CORPORATION AND SUBSIDIARIES  
REPORT OF MANAGEMENT**

Management of Entergy Corporation and its subsidiaries has prepared and is responsible for the financial statements and related financial information included in this document. To meet this responsibility, management establishes and maintains a system of internal controls over financial reporting designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles. This system includes communication through written policies and procedures, an employee Code of Entegrity, and an organizational structure that provides for appropriate division of responsibility and training of personnel. This system is also tested by a comprehensive internal audit program.

Entergy management assesses the design and effectiveness of Entergy's internal control over financial reporting on an annual basis. In making this assessment, management uses the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. The 2013 COSO Framework was utilized for management's assessment. Management acknowledges, however, that all internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Entergy Corporation's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Entergy Corporation's internal control over financial reporting as of December 31, 2019.

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

Based on management's assessment of internal controls using the 2013 COSO criteria, management believes that Entergy and each of the Registrant Subsidiaries maintained effective internal control over financial reporting as of December 31, 2019. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's and each of the Registrant Subsidiaries' financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

LEO P. DENAULT  
Chairman of the Board and Chief Executive Officer of Entergy Corporation

ANDREW S. MARSH  
Executive Vice President and Chief Financial Officer of Entergy Corporation, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc.

LAURA R. LANDREAUX  
Chair of the Board, President, and Chief Executive Officer of Entergy Arkansas, LLC

PHILLIP R. MAY, JR.  
Chairman of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC

HALEY R. FISACKERLY  
Chairman of the Board, President, and Chief Executive Officer of Entergy Mississippi, LLC

DAVID D. ELLIS  
Chairman of the Board, President, and Chief Executive Officer of Entergy New Orleans, LLC

SALLIE T. RAINER  
Chair of the Board, President, and Chief Executive Officer of Entergy Texas, Inc.

RODERICK K. WEST  
Chairman of the Board, President, and Chief Executive Officer of System Energy Resources, Inc.

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

	2019	2018	2017	2016	2015
(In Thousands, Except Percentages and Per Share Amounts)					
Operating revenues	\$10,878,673	\$11,009,452	\$11,074,481	\$10,845,645	\$11,513,251
Net income (loss)	\$1,258,244	\$862,555	\$425,353	(\$564,503)	(\$156,734)
Earnings (loss) per share:					
Basic	\$6.36	\$4.68	\$2.29	(\$3.26)	(\$0.99)
Diluted	\$6.30	\$4.63	\$2.28	(\$3.26)	(\$0.99)
Dividends declared per share	\$3.66	\$3.58	\$3.50	\$3.42	\$3.34
Return on common equity	13.02%	10.08%	5.12%	(6.73%)	(1.83%)
Book value per share, year-end	\$51.34	\$46.78	\$44.28	\$45.12	\$51.89
Total assets	\$51,723,912	\$48,275,066	\$46,707,149	\$45,904,434	\$44,647,681
Long-term obligations (a)	\$17,351,449	\$15,758,083	\$14,535,077	\$14,695,422	\$13,456,742

(a) Includes long-term debt (excluding currently maturing debt), non-current finance lease obligations, and subsidiary preferred stock without sinking fund that is not presented as equity on the balance sheet.

	2019	2018	2017	2016	2015
(Dollars In Millions)					
<b>Utility electric operating revenues:</b>					
Residential	\$3,532	\$3,566	\$3,355	\$3,288	\$3,518
Commercial	2,476	2,426	2,480	2,362	2,516
Industrial	2,541	2,499	2,584	2,327	2,462
Governmental	228	226	231	217	223
Total billed retail	8,777	8,717	8,650	8,194	8,719
Sales for resale	286	300	253	236	249
Other	367	367	376	437	341
Total	\$9,430	\$9,384	\$9,279	\$8,867	\$9,309

<b>Utility billed electric energy sales (GWh):</b>					
Residential	36,094	37,107	33,834	35,112	36,068
Commercial	28,755	29,426	28,745	29,197	29,348
Industrial	48,483	48,384	47,769	45,739	44,382
Governmental	2,579	2,581	2,511	2,547	2,514
Total retail	115,911	117,498	112,859	112,595	112,312
Sales for resale	13,210	11,715	11,550	11,054	9,274
Total	129,121	129,213	124,409	123,649	121,586

<b>Entergy Wholesale Commodities:</b>					
Operating revenues	\$1,295	\$1,469	\$1,657	\$1,850	\$2,062
Billed electric energy sales (GWh)	28,088	29,875	30,501	35,881	39,745

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2019, and the related notes (collectively, referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2020, expressed an unqualified opinion on the Corporation’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on the Corporation’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Impact of Rate Regulation on the Financial Statements-Entergy Corporation and Subsidiaries-Refer to Note 2 to the financial statements***

#### *Critical Audit Matter Description*

The Corporation is subject to rate regulation by the Arkansas Public Service Commission, Louisiana Public Service Commission, Mississippi Public Service Commission, City Council of New Orleans, Louisiana, and Public Utility

Commission of Texas (the “Commissions”), which have jurisdiction with respect to the rates of electric companies in Arkansas, Louisiana, Mississippi, Texas, and the City of New Orleans, and to wholesale rate regulation by the Federal Energy Regulatory Commission (FERC). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation expense.

The Corporation’s rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the Commissions and the FERC set the rates, the Corporation is allowed to charge customers based on allowable costs, including a reasonable return on equity, and the Corporation applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Corporation assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Corporation has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions and the FERC will not approve: (1) full recovery of the costs of providing utility service or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of all or a portion of the cost of plant under construction, and (3) a refund to customers. Auditing management’s judgments regarding the outcome of future decisions by the Commissions and the FERC involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate-setting process.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertainty of future decisions by the Commissions and the FERC included the following, among others:

- We tested the effectiveness of management’s controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets; and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management’s controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Corporation’s disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions and the FERC for the Corporation and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedence of the Commissions’ and the FERC’s treatment of similar costs under similar circumstances. We evaluated the external information and compared to management’s recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Corporation’s filings with the Commissions and the FERC, including the annual formula rate plan filings, base rate case filings, and open complaints filed with the FERC, and considered the filings with the Commissions and the FERC by intervenors that may impact the Corporation’s future rates, for any evidence that might contradict management’s assertions.
- We obtained an analysis from management and letters from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities

not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

***Uncertain Tax Positions-Entergy Corporation and Subsidiaries-Refer to Note 3 to the financial statements***

*Critical Audit Matter Description*

The Corporation accounts for uncertain income tax positions under a two-step approach with a more likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement. The Corporation has uncertain tax positions related to internal restructuring transactions, which require management to make significant judgments and assumptions related to the technical merits and facts and circumstances of each position, as well as the probability of different potential outcomes. Uncertain tax positions could be significantly affected by events such as additional transactions contemplated or consummated by the Corporation as well as audits by taxing authorities of the tax positions. The net unrecognized tax benefit of \$1.5 billion at December 31, 2019, includes uncertain tax positions related to internal restructuring transactions.

Given the subjectivity of estimating the uncertain tax positions related to the technical merits applied to internal restructuring transactions, auditing the uncertain tax positions on the internal restructuring transactions involved especially subjective judgment.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertain tax positions on internal restructuring transactions included the following, among others:

- We tested the effectiveness of controls related to uncertain tax positions on internal restructuring transactions, including those over the recognition and measurement of the income tax benefits.
- We evaluated the Corporation's disclosures, and the balances recorded, related to uncertain tax positions on internal restructuring transactions.
- We evaluated the methods and assumptions used by management to estimate the uncertain tax positions on internal restructuring transactions by testing the underlying data that served as the basis for the uncertain tax position on internal restructuring transactions.
- With the assistance of our income tax specialists, we assessed the technical merits of the uncertain tax positions on internal restructuring transactions and management's key estimates and judgments made by:
  - Assessing the technical merits of the uncertain tax positions by comparing to similar cases filed with the Internal Revenue Service
  - Evaluating the reasonableness and consistency of the probabilities applied to the uncertain tax position on internal restructuring transactions by comparing to probabilities used on similar internal restructuring transaction uncertain tax positions
  - Considering the impact of changes or settlements in the tax environment on management's methods and assumptions used to estimate the uncertain tax positions on internal restructuring transactions.

***Nuclear Decommissioning Costs-Entergy Corporation and Subsidiaries-Refer to Note 9 to the financial statements***

*Critical Audit Matter Description*

The Corporation owns nuclear generation facilities in both the Utility and Entergy Wholesale Commodities operating segments where regulation requires the Corporation to decommission its nuclear power plants after each facility is taken out of service. The Corporation periodically conducts decommissioning cost studies, which requires management to make significant judgments and assumptions, specifically related to future dismantlement cost, site restoration, spent fuel management, and license termination. The liability for nuclear decommissioning was \$6.2 billion at December 31, 2019.



Auditing management's judgments regarding the costs for nuclear decommissioning, including estimates for future dismantlement, site restoration, spent fuel management, and license termination, involved especially subjective judgment in evaluating the appropriateness of the estimates and assumptions.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the underlying costs for nuclear decommissioning included the following, among others:

- We tested the effectiveness of controls over nuclear decommissioning, including those over the future dismantlement cost, site restoration, spent fuel management, and license termination.
- We evaluated the Corporation's disclosures related to the nuclear decommissioning cost estimates, including the balances recorded and changes in assumptions.
- We evaluated management's ability to accurately estimate the costs for nuclear decommissioning by comparing the cost estimates to actual settlements of similar asset retirement obligations at the Corporation.
- We evaluated the methods and assumptions used by management to estimate the cost of nuclear decommissioning by:
  - Testing the reasonableness of the underlying data that served as the basis for the estimate
  - Comparing to management's prior-year assumptions and testing significant changes in judgments or assumptions
  - Comparing changes in cost estimates to other similar cost estimates recorded at the Corporation to confirm consistent assumptions and methods applied across all of the Corporation's nuclear decommissioning cost estimates.
- With the assistance of our environmental specialists, we:
  - Evaluated the methods used by management to estimate the underlying costs for nuclear decommissioning
  - Developed a range of independent estimates for the cost of nuclear decommissioning based on peer industry data and compared to management's estimate
  - Completed a search of environmental regulations to identify any regulatory changes that may affect the nuclear decommissioning cost estimates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Corporation's auditor since 2001.

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

	For the Years Ended December 31,		
	2019	2018	2017
(In Thousands, Except Share Data)			
<b>OPERATING REVENUES</b>			
Electric	\$9,429,978	\$9,384,111	\$9,278,895
Natural gas	153,954	156,436	138,856
Competitive businesses	1,294,741	1,468,905	1,656,730
<b>TOTAL</b>	<b>10,878,673</b>	<b>11,009,452</b>	<b>11,074,481</b>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	2,029,638	2,147,793	1,991,589
Purchased power	1,192,860	1,658,799	1,427,950
Nuclear refueling outage expenses	204,927	153,826	168,151
Other operation and maintenance	3,272,381	3,346,397	3,306,694
Asset write-offs, impairments, and related charges	290,027	532,321	538,372
Decommissioning	400,802	388,508	405,685
Taxes other than income taxes	643,745	641,952	617,556
Depreciation and amortization	1,480,016	1,369,442	1,389,978
Other regulatory charges (credits) - net	(26,220)	301,049	(131,901)
<b>TOTAL</b>	<b>9,488,176</b>	<b>10,540,087</b>	<b>9,714,074</b>
<b>OPERATING INCOME</b>	<b>1,390,497</b>	<b>469,365</b>	<b>1,360,407</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	144,974	129,602	95,088
Interest and investment income	547,912	63,864	288,197
Miscellaneous - net	(252,539)	(129,754)	(113,426)
<b>TOTAL</b>	<b>440,347</b>	<b>63,712</b>	<b>269,859</b>
<b>INTEREST EXPENSE</b>			
Interest expense	807,382	768,322	707,212
Allowance for borrowed funds used during construction	(64,957)	(60,974)	(44,869)
<b>TOTAL</b>	<b>742,425</b>	<b>707,348</b>	<b>662,343</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>1,088,419</b>	<b>(174,271)</b>	<b>967,923</b>
Income taxes	(169,825)	(1,036,826)	542,570
<b>CONSOLIDATED NET INCOME</b>	<b>1,258,244</b>	<b>862,555</b>	<b>425,353</b>
Preferred dividend requirements of subsidiaries	17,018	13,894	13,741
<b>NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION</b>	<b>\$1,241,226</b>	<b>\$848,661</b>	<b>\$411,612</b>
Earnings per average common share:			
Basic	\$6.36	\$4.68	\$2.29
Diluted	\$6.30	\$4.63	\$2.28
Basic average number of common shares outstanding	195,195,858	181,409,597	179,671,797
Diluted average number of common shares outstanding	196,999,284	183,378,513	180,535,893

See Notes to Financial Statements.



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

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>Net Income</b>	\$1,258,244	\$862,555	\$425,353
<b>Other comprehensive income (loss)</b>			
Cash flow hedges net unrealized gain (loss)			
(net of tax expense (benefit) of \$28,516, \$5,830, and (\$22,570))	115,026	22,098	(41,470)
Pension and other postretirement liabilities			
(net of tax expense (benefit) of (\$6,539), \$30,299, and (\$4,057))	(25,150)	90,143	(61,653)
Net unrealized investment gains (losses)			
(net of tax expense of \$14,023, \$6,393, and \$80,069)	27,183	(28,771)	115,311
Foreign currency translation			
(net of tax benefit of \$-, \$-, and \$403)	—	—	(748)
Other comprehensive income	117,059	83,470	11,440
<b>Comprehensive Income</b>	1,375,303	946,025	436,793
Preferred dividend requirements of subsidiaries	17,018	13,894	13,741
<b>Comprehensive Income Attributable to Entergy Corporation</b>	<b>\$1,358,285</b>	<b>\$932,131</b>	<b>\$423,052</b>

See Notes to Financial Statements.

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

	For the Years Ended December 31,		
	2019	2018	2017
	(In Thousands)		
<b>OPERATING ACTIVITIES</b>			
<b>Consolidated net income</b>	\$1,258,244	\$862,555	\$425,353
<b>Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:</b>			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	2,182,313	2,040,555	2,078,578
Deferred income taxes, investment tax credits, and non-current taxes accrued	193,950	(256,848)	529,053
Asset write-offs, impairments, and related charges	226,678	491,739	357,251
Changes in working capital:			
Receivables	(101,227)	98,546	(97,637)
Fuel inventory	(28,173)	45,839	(3,043)
Accounts payable	(71,898)	97,312	101,802
Taxes accrued	(20,784)	39,272	33,853
Interest accrued	937	5,220	742
Deferred fuel costs	172,146	(25,829)	56,290
Other working capital accounts	(3,108)	(164,173)	(4,331)
Changes in provisions for estimated losses	19,914	35,706	(3,279)
Changes in other regulatory assets	(545,559)	189,193	595,504
Changes in other regulatory liabilities	(14,781)	(803,323)	2,915,795
Deferred tax rate change recognized as regulatory liability / asset	—	—	(3,665,498)
Changes in pensions and other postretirement liabilities	187,124	(304,941)	(130,686)
Other	(639,149)	34,424	(566,247)
<b>Net cash flow provided by operating activities</b>	<b>2,816,627</b>	<b>2,385,247</b>	<b>2,623,500</b>
<b>INVESTING ACTIVITIES</b>			
Construction/capital expenditures	(4,197,667)	(3,942,010)	(3,607,532)
Allowance for equity funds used during construction	144,862	130,195	96,000
Nuclear fuel purchases	(128,366)	(302,584)	(377,324)
Payment for purchase of plant or assets	(305,472)	(26,623)	(16,762)
Proceeds from sale of assets	28,932	24,902	100,000
Insurance proceeds received for property damages	7,040	18,270	26,157
Changes in securitization account	3,298	(5,844)	1,323
Payments to storm reserve escrow account	(8,038)	(6,551)	(2,878)
Receipts from storm reserve escrow account	—	—	11,323
Decrease (increase) in other investments	30,319	(54,500)	1,078
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	2,369	59,643	25,493
Proceeds from nuclear decommissioning trust fund sales	4,121,351	6,484,791	3,162,747
Investment in nuclear decommissioning trust funds	(4,208,870)	(6,485,676)	(3,260,674)
<b>Net cash flow used in investing activities</b>	<b>(4,510,242)</b>	<b>(4,105,987)</b>	<b>(3,841,049)</b>

See Notes to Financial Statements.

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

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>FINANCING ACTIVITIES</b>			
<b>Proceeds from the issuance of:</b>			
Long-term debt	9,304,396	8,035,536	1,809,390
Preferred stock of subsidiary	33,188	73,330	14,399
Treasury stock	93,862	103,315	80,729
Common stock	607,650	499,272	—
Retirement of long-term debt	(7,619,380)	(6,965,738)	(1,585,681)
Repurchase / redemptions of preferred stock	(50,000)	(53,868)	(20,599)
Changes in credit borrowings and commercial paper - net	4,389	364,031	1,163,296
Other	(7,732)	26,453	(7,731)
<b>Dividends paid:</b>			
Common stock	(711,573)	(647,704)	(628,885)
Preferred stock	(16,438)	(14,185)	(13,940)
<b>Net cash flow provided by financing activities</b>	<b>1,638,362</b>	<b>1,420,442</b>	<b>810,978</b>
<b>Net decrease in cash and cash equivalents</b>	(55,253)	(300,298)	(406,571)
<b>Cash and cash equivalents at beginning of period</b>	480,975	781,273	1,187,844
<b>Cash and cash equivalents at end of period</b>	\$425,722	\$480,975	\$781,273
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$778,209	\$734,845	\$678,371
Income taxes	(\$40,435)	\$19,825	(\$13,375)

See Notes to Financial Statements.

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

	December 31,	
	2019	2018
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$34,242	\$56,690
Temporary cash investments	391,480	424,285
Total cash and cash equivalents	425,722	480,975
Accounts receivable:		
Customer	595,509	558,494
Allowance for doubtful accounts	(7,404)	(7,322)
Other	219,870	167,722
Accrued unbilled revenues	400,617	395,511
Total accounts receivable	1,208,592	1,114,405
Deferred fuel costs	—	27,251
Fuel inventory - at average cost	145,476	117,304
Materials and supplies - at average cost	824,989	752,843
Deferred nuclear refueling outage costs	157,568	230,960
Prepayments and other	283,645	234,326
<b>TOTAL</b>	<b>3,045,992</b>	<b>2,958,064</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Decommissioning trust funds	6,404,030	6,920,164
Non-utility property - at cost (less accumulated depreciation)	332,864	304,382
Other	496,452	437,265
<b>TOTAL</b>	<b>7,233,346</b>	<b>7,661,811</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Electric	54,271,467	49,831,486
Natural gas	547,110	496,150
Construction work in progress	2,823,291	2,888,639
Nuclear fuel	677,181	861,272
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>58,319,049</b>	<b>54,077,547</b>
Less - accumulated depreciation and amortization	23,136,356	22,103,101
<b>PROPERTY, PLANT, AND EQUIPMENT - NET</b>	<b>35,182,693</b>	<b>31,974,446</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$239,219 as of December 31, 2019 and \$360,790 as of December 31, 2018)	5,292,055	4,746,496
Deferred fuel costs	239,892	239,496
Goodwill	377,172	377,172
Accumulated deferred income taxes	64,461	54,593
Other	288,301	262,988
<b>TOTAL</b>	<b>6,261,881</b>	<b>5,680,745</b>
<b>TOTAL ASSETS</b>	<b>\$51,723,912</b>	<b>\$48,275,066</b>

See Notes to Financial Statements.

**ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	December 31,	
	2019	2018
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$795,012	\$650,009
Notes payable and commercial paper	1,946,727	1,942,339
Accounts payable	1,499,861	1,496,058
Customer deposits	409,171	411,505
Taxes accrued	233,455	254,241
Interest accrued	194,129	193,192
Deferred fuel costs	197,687	52,396
Pension and other postretirement liabilities	66,184	61,240
Current portion of unprotected excess accumulated deferred income taxes	76,457	248,127
Other	201,780	134,437
<b>TOTAL</b>	<b>5,620,463</b>	<b>5,443,544</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	4,401,190	4,107,152
Accumulated deferred investment tax credits	207,113	213,101
Regulatory liability for income taxes-net	1,633,159	1,817,021
Other regulatory liabilities	1,961,005	1,620,254
Decommissioning and asset retirement cost liabilities	6,159,212	6,355,543
Accumulated provisions	534,028	514,107
Pension and other postretirement liabilities	2,798,265	2,616,085
Long-term debt (includes securitization bonds of \$297,981 as of December 31, 2019 and \$423,858 as of December 31, 2018)	17,078,643	15,518,303
Other	852,749	1,006,249
<b>TOTAL</b>	<b>35,625,364</b>	<b>33,767,815</b>
<b>Commitments and Contingencies</b>		
Subsidiaries' preferred stock without sinking fund	219,410	219,402
<b>EQUITY</b>		
Common stock, \$.01 par value, authorized 500,000,000 shares; issued 270,035,180 shares in 2019 and 261,587,009 shares in 2018	2,700	2,616
Paid-in capital	6,564,436	5,951,431
Retained earnings	9,257,609	8,721,150
Accumulated other comprehensive loss	(446,920)	(557,173)
Less - treasury stock, at cost (70,886,400 shares in 2019 and 72,530,866 shares in 2018)	5,154,150	5,273,719
<b>Total common shareholders' equity</b>	<b>10,223,675</b>	<b>8,844,305</b>
Subsidiaries' preferred stock without sinking fund	35,000	—
<b>TOTAL</b>	<b>10,258,675</b>	<b>8,844,305</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 51,723,912</b>	<b>\$ 48,275,066</b>

See Notes to Financial Statements.



**ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	Common Shareholders' Equity						Total
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
	(In Thousands)						
<b>Balance at December 31, 2016</b>	\$—	\$2,548	(\$5,498,584)	\$5,417,245	\$8,195,571	(\$34,971)	\$8,081,809
Consolidated net income (a)	13,741	—	—	—	411,612	—	425,353
Other comprehensive income	—	—	—	—	—	11,440	11,440
Common stock issuances related to stock plans	—	—	100,947	16,188	—	—	117,135
Common stock dividends declared	—	—	—	—	(628,885)	—	(628,885)
Subsidiaries' capital stock redemptions	—	—	—	—	(596)	—	(596)
Preferred dividend requirements of subsidiaries (a)	(13,741)	—	—	—	—	—	(13,741)
<b>Balance at December 31, 2017</b>	<u>—</u>	<u>2,548</u>	<u>(5,397,637)</u>	<u>5,433,433</u>	<u>7,977,702</u>	<u>(23,531)</u>	<u>7,992,515</u>
Implementation of accounting standards	—	—	—	—	576,257	(632,617)	(56,360)
<b>Balance at January 1, 2018</b>	<u>—</u>	<u>2,548</u>	<u>(5,397,637)</u>	<u>5,433,433</u>	<u>8,553,959</u>	<u>(656,148)</u>	<u>7,936,155</u>
Consolidated net income (a)	13,894	—	—	—	848,661	—	862,555
Other comprehensive income	—	—	—	—	—	83,470	83,470
Settlement of equity forwards through common stock issuance	—	68	—	499,932	—	—	500,000
Common stock issuance costs	—	—	—	(728)	—	—	(728)
Common stock issuances related to stock plans	—	—	123,918	18,794	—	—	142,712
Common stock dividends declared	—	—	—	—	(647,704)	—	(647,704)
Subsidiaries' capital stock redemptions	—	—	—	—	(1,723)	—	(1,723)
Preferred dividend requirements of subsidiaries (a)	(13,894)	—	—	—	—	—	(13,894)
Reclassification pursuant to ASU 2018-02	—	—	—	—	(32,043)	15,505	(16,538)
<b>Balance at December 31, 2018</b>	<u>—</u>	<u>2,616</u>	<u>(5,273,719)</u>	<u>5,951,431</u>	<u>8,721,150</u>	<u>(557,173)</u>	<u>8,844,305</u>
Implementation of accounting standards	—	—	—	—	6,806	(6,806)	—
<b>Balance at January 1, 2019</b>	<u>—</u>	<u>2,616</u>	<u>(5,273,719)</u>	<u>5,951,431</u>	<u>8,727,956</u>	<u>(563,979)</u>	<u>8,844,305</u>
Consolidated net income (a)	17,018	—	—	—	1,241,226	—	1,258,244
Other comprehensive income	—	—	—	—	—	117,059	117,059
Settlement of equity forwards through common stock issuance	—	84	—	607,566	—	—	607,650
Common stock issuance costs	—	—	—	(7)	—	—	(7)
Common stock issuances related to stock plans	—	—	119,569	5,446	—	—	125,015
Common stock dividends declared	—	—	—	—	(711,573)	—	(711,573)
Subsidiary's preferred stock issuance	35,000	—	—	—	—	—	35,000
Preferred dividend requirements of subsidiaries (a)	(17,018)	—	—	—	—	—	(17,018)
<b>Balance at December 31, 2019</b>	<u>\$35,000</u>	<u>\$2,700</u>	<u>(\$5,154,150)</u>	<u>\$6,564,436</u>	<u>\$9,257,609</u>	<u>(\$446,920)</u>	<u>\$10,258,675</u>

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries include \$16.5 million for 2019, \$13.9 million for 2018, and \$13.7 million for 2017 of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

## ENERGY CORPORATION AND SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its subsidiaries. As required by generally accepted accounting principles in the United States of America, all intercompany transactions have been eliminated in the consolidated financial statements. Entergy's Registrant Subsidiaries (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy) also include their separate financial statements in this Form 10-K. The Registrant Subsidiaries and many other Entergy subsidiaries also maintain accounts in accordance with FERC and other regulatory guidelines.

#### **Use of Estimates in the Preparation of Financial Statements**

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

#### **Revenues and Fuel Costs**

See Note 19 to the financial statements for a discussion of Entergy's and the Registrant Subsidiaries' revenues and fuel costs.

#### **Property, Plant, and Equipment**

Property, plant, and equipment is stated at original cost less regulatory disallowances and impairments. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives of the various classes of property. For the Registrant Subsidiaries, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Certain combined-cycle gas turbine generating units are maintained under long-term service agreements with third-party service providers. The costs under these agreements are split between operating expenses and capital additions based upon the nature of the work performed. Substantially all of the Registrant Subsidiaries' plant is subject to mortgage liens.

Electric plant includes the portions of Grand Gulf and Waterford 3 that were sold and leased back in prior periods. For financial reporting purposes, these sale and leaseback arrangements are reflected as financing transactions. In March 2016, Entergy Louisiana completed the first step in a two-step transaction to purchase the undivided interests in Waterford 3 that were previously being leased by acquiring a beneficial interest in the Waterford 3 leased assets. In February 2017 the leases were terminated and the leased assets transferred to Entergy Louisiana. See Note 10 to the financial statements for further discussion of Entergy Louisiana's purchase of the Waterford 3 leased assets.

Net property, plant, and equipment for Entergy (including property under lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2019 and 2018, is shown below:

2019	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
(In Millions)				
<b>Production</b>				
Nuclear	\$7,439	\$7,369	\$70	\$—
Other	5,253	5,139	114	—
Transmission	7,383	7,383	—	—
Distribution	8,972	8,972	—	—
Other	2,636	2,620	8	8
Construction work in progress	2,823	2,814	9	—
Nuclear fuel	677	614	63	—
Property, plant, and equipment - net	<u>\$35,183</u>	<u>\$34,911</u>	<u>\$264</u>	<u>\$8</u>

2018	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
(In Millions)				
<b>Production</b>				
Nuclear	\$7,096	\$6,964	\$132	\$—
Other	4,171	4,069	102	—
Transmission	6,592	6,590	2	—
Distribution	8,343	8,343	—	—
Other	2,022	2,011	2	9
Construction work in progress	2,889	2,815	74	—
Nuclear fuel	861	754	107	—
Property, plant, and equipment - net	<u>\$31,974</u>	<u>\$31,546</u>	<u>\$419</u>	<u>\$9</u>

Depreciation rates on average depreciable property for Entergy approximated 2.8% in 2019, 2.8% in 2018, and 3% in 2017. Included in these rates are the depreciation rates on average depreciable Utility property of 2.6% in 2019, 2.6% in 2018, and 2.6% in 2017, and the depreciation rates on average depreciable Entergy Wholesale Commodities property of 18.3% in 2019, 18.6% in 2018, and 22.3% in 2017. The depreciation rates for Entergy Wholesale Commodities reflect the significantly reduced remaining estimated operating lives associated with management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. The decrease in the depreciation rate in 2018 for Entergy Wholesale Commodities is due to the decision in the third quarter 2017 to continue operating Palisades until May 31, 2022.

Entergy amortizes nuclear fuel using a units-of-production method. Nuclear fuel amortization is included in fuel expense in the income statements. Because the values of their long-lived assets are impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, charge nuclear fuel costs directly to expense when incurred because their undiscounted cash flows are insufficient to recover the carrying amount of these capital additions.

Non-utility property - at cost (less accumulated depreciation) for Entergy is reported net of accumulated depreciation of \$184 million as of December 31, 2019 and \$177 million as of December 31, 2018.

Construction expenditures included in accounts payable is \$406 million as of December 31, 2019 and \$311 million as of December 31, 2018.

Net property, plant, and equipment for the Registrant Subsidiaries (including property under lease and associated accumulated amortization) by company and functional category, as of December 31, 2019 and 2018, is shown below:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Millions)						
Production						
Nuclear	\$1,611	\$4,042	\$—	\$—	\$—	\$1,716
Other	785	2,789	845	192	528	—
Transmission	1,966	2,944	1,136	96	1,202	39
Distribution	2,457	3,078	1,489	505	1,443	—
Other	454	884	309	270	256	30
Construction work in progress	198	1,384	88	202	760	165
Nuclear fuel	196	268	—	—	—	150
Property, plant, and equipment - net	\$7,667	\$15,389	\$3,867	\$1,265	\$4,189	\$2,100
2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Millions)						
Production						
Nuclear	\$1,494	\$3,725	\$—	\$—	\$—	\$1,745
Other	820	2,029	509	196	515	—
Transmission	1,792	2,571	1,046	78	1,063	40
Distribution	2,329	2,882	1,342	471	1,319	—
Other	311	699	242	233	193	39
Construction work in progress	244	1,865	128	147	325	70
Nuclear fuel	221	298	—	—	—	235
Property, plant, and equipment - net	\$7,211	\$14,069	\$3,267	\$1,125	\$3,415	\$2,129

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

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
2019	2.5%	2.4%	3.2%	3.2%	3.0%	2.1%
2018	2.5%	2.3%	3.2%	3.5%	2.7%	1.9%
2017	2.5%	2.3%	3.1%	3.5%	2.6%	2.8%

Non-utility property - at cost (less accumulated depreciation) for Entergy Louisiana is reported net of accumulated depreciation of \$168.5 million as of December 31, 2019 and \$161.2 million as of December 31, 2018. Non-utility property - at cost (less accumulated depreciation) for Entergy Mississippi is reported net of accumulated depreciation of \$0.5 million as of December 31, 2019 and \$0.5 million as of December 31, 2018. Non-utility property

- at cost (less accumulated depreciation) for Entergy Texas is reported net of accumulated depreciation of \$4.9 million as of December 31, 2019 and \$4.9 million as of December 31, 2018.

As of December 31, 2019, construction expenditures included in accounts payable are \$67.9 million for Entergy Arkansas, \$115.1 million for Entergy Louisiana, \$34.2 million for Entergy Mississippi, \$18.4 million for Entergy New Orleans, \$88.1 million for Entergy Texas, and \$23.2 million for System Energy. As of December 31, 2018, construction expenditures included in accounts payable are \$35.7 million for Entergy Arkansas, \$104.6 million for Entergy Louisiana, \$13.6 million for Entergy Mississippi, \$5.8 million for Entergy New Orleans, \$55.6 million for Entergy Texas, and \$26.3 million for System Energy.

### **Jointly-Owned Generating Stations**

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. All parties are required to provide their own financing. The investments, fuel expenses, and other operation and maintenance expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2019, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel Type	Total Megawatt Capability (a)	Ownership	Investment	Accumulated Depreciation
(In Millions)						
<b>Utility business:</b>						
Entergy Arkansas -						
Independence	Unit 1	Coal	826	31.50%	\$142	\$104
Independence	Common Facilities	Coal		15.75%	\$35	\$29
White Bluff	Units 1 and 2	Coal	1,638	57.00%	\$555	\$380
Ouachita (b)	Common Facilities	Gas		66.67%	\$173	\$153
Union (c)	Units 1 and 2 Common Facilities	Gas		50.00%	\$0.4	\$0.1
Union (c)	Common Facilities	Gas		25.00%	\$29	\$6
Entergy Louisiana -						
Roy S. Nelson	Unit 6	Coal	525	40.25%	\$286	\$207
Roy S. Nelson	Unit 6 Common Facilities	Coal		19.95%	\$20	\$9
Big Cajun 2	Unit 3	Coal	576	24.15%	\$151	\$124
Big Cajun 2	Unit 3 Common Facilities	Coal		8.05%	\$5	\$2
Ouachita (b)	Common Facilities	Gas		33.33%	\$90	\$77
Acadia	Common Facilities	Gas		50.00%	\$20	\$1
Union (c)	Common Facilities	Gas		50.00%	\$57	\$6
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,668	25.00%	\$271	\$163
Entergy New Orleans -						
Union (c)	Units 1 and 2 Common Facilities	Gas		50.00%	\$1	\$0.1
Union (c)	Common Facilities	Gas		25.00%	\$29	\$6
Entergy Texas -						
Roy S. Nelson	Unit 6	Coal	525	29.75%	\$204	\$120
Roy S. Nelson	Unit 6 Common Facilities	Coal		14.75%	\$7	\$3
Big Cajun 2	Unit 3	Coal	576	17.85%	\$113	\$80
Big Cajun 2	Unit 3 Common Facilities	Coal		5.95%	\$4	\$1
System Energy -						
Grand Gulf (d)	Unit 1	Nuclear	1,393	90.00%	\$5,071	\$3,285
<b>Entergy Wholesale Commodities:</b>						
Independence	Unit 2	Coal	842	14.37%	\$74	\$53
Independence	Common Facilities	Coal		7.18%	\$17	\$13
Roy S. Nelson	Unit 6	Coal	525	10.90%	\$115	\$66
Roy S. Nelson	Unit 6 Common Facilities	Coal		5.40%	\$3	\$1

- (a) “Total Megawatt Capability” is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.
- (b) Ouachita Units 1 and 2 are owned 100% by Entergy Arkansas and Ouachita Unit 3 is owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the common facilities and not for the generating units.
- (c) Union Unit 1 is owned 100% by Entergy New Orleans, Union Unit 2 is owned 100% by Entergy Arkansas, Union Units 3 and 4 are owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the specified common facilities and not for the generating units.
- (d) Includes a leasehold interest held by System Energy. System Energy’s Grand Gulf lease obligations are discussed in Note 10 to the financial statements.

### **Nuclear Refueling Outage Costs**

Nuclear refueling outage costs are deferred during the outage and amortized over the estimated period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Because the value of their long-lived assets are impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, charge nuclear refueling outage costs directly to expense when incurred because their undiscounted cash flows are insufficient to recover the carrying amount of these costs.

### **Allowance for Funds Used During Construction (AFUDC)**

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction by the Registrant Subsidiaries. AFUDC increases both the plant balance and earnings and is realized in cash through depreciation provisions included in the rates charged to customers.

### **Income Taxes**

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. In September 2019, Entergy Utility Holding Company, LLC and its regulated wholly owned subsidiaries including Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy New Orleans, LLC became eligible to and joined the Entergy Corporation consolidated federal income tax group. These changes do not affect the accrual or allocation of income taxes for the Registrant Subsidiaries. Each tax-paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the tax filing entities in accordance with Entergy’s intercompany income tax allocation agreements. Deferred income taxes are recorded for temporary differences between the book and tax basis of assets and liabilities, and for certain losses and credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted. See the “**Other Tax Matters - Tax Cuts and Jobs Act**” section in Note 3 to the financial statements for discussion of the effects of the enactment of the Tax Cuts and Jobs Act in December 2017.

The benefits of investment tax credits are deferred and amortized over the average useful life of the related property, as a reduction of income tax expense, for such credits associated with rate-regulated operations in accordance with ratemaking treatment.

**Earnings (Loss) per Share**

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

	<b>For the Years Ended December 31,</b>					
	<b>2019</b>		<b>2018</b>		<b>2017</b>	
	<b>(In Millions, Except Per Share Data)</b>					
	<b>\$/share</b>		<b>\$/share</b>		<b>\$/share</b>	
Net income attributable to Entergy Corporation	<u>\$1,241.2</u>		<u>\$848.7</u>		<u>\$411.6</u>	
Basic shares and earnings per average common share	195.2	\$6.36	181.4	\$4.68	179.7	\$2.29
Average dilutive effect of:						
Stock options	0.6	(0.02)	0.3	(0.01)	0.2	—
Other equity plans	0.8	(0.03)	0.7	(0.02)	0.6	(0.01)
Equity forwards	0.4	(0.01)	1.0	(0.02)	—	—
Diluted shares and earnings per average common shares	<u>197.0</u>		<u>183.4</u>		<u>180.5</u>	
		<u>\$6.30</u>		<u>\$4.63</u>		<u>\$2.28</u>

The calculation of diluted earnings per share excluded 173,290 options outstanding at December 31, 2019, 956,550 options outstanding at December 31, 2018, and 2,927,512 options outstanding at December 31, 2017 because they were antidilutive.

**Stock-based Compensation Plans**

Entergy grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees of the Entergy subsidiaries under its Equity Ownership Plans, which are shareholder-approved stock-based compensation plans. These plans are described more fully in Note 12 to the financial statements. The cost of the stock-based compensation is charged to income over the vesting period. Awards under Entergy’s plans generally vest over three years. Entergy accounts for forfeitures of stock-based compensation when they occur. Entergy recognizes all income tax effects related to share-based payments through the income statement.

**Accounting for the Effects of Regulation**

Entergy’s Utility operating companies and System Energy are rate-regulated enterprises whose rates meet three criteria specified in accounting standards. The Utility operating companies and System Energy have rates that (i) are approved by a body (its regulator) empowered to set rates that bind customers; (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility’s business, such as the generation or transmission functions, or to specific classes of customers. Because the Utility operating companies and System Energy meet these criteria, each of them capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity’s balance sheet.

An enterprise that ceases to meet the three criteria for all or part of its operations should report that event in its financial statements. In general, the enterprise no longer meeting the criteria should eliminate from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs, it is possible that an impairment may exist that could require further write-offs of plant assets.



Entergy Louisiana does not apply regulatory accounting standards to the Louisiana retail deregulated portion of River Bend, the 30% interest in River Bend formerly owned by Cajun, or its steam business, unless specific cost recovery is provided for in tariff rates. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 15%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Louisiana to sell the electricity from the deregulated assets to Louisiana retail customers at 4.6 cents per kWh or off-system at higher prices, with certain provisions for sharing incremental revenue above 4.6 cents per kWh between customers and shareholders.

### **Regulatory Asset or Liability for Income Taxes**

Accounting standards for income taxes provide that a regulatory asset or liability be recorded if it is probable that the currently determinable future increase or decrease in regulatory income tax expense will be recovered from or returned to customers through future rates. There are two main sources of Entergy's regulatory asset or liability for income taxes. There is a regulatory asset related to the ratemaking treatment of the tax effects of book depreciation for the equity component of AFUDC that has been capitalized to property, plant, and equipment but for which there is no corresponding tax basis. Equity-AFUDC is a component of property, plant, and equipment that is included in rate base when the plant is placed in service. There is a regulatory liability related to the adjustment of Entergy's net deferred income taxes that was required by the enactment in December 2017 of a change in the federal corporate income tax rate, which is discussed in Note 2 and 3 to the financial statements.

### **Cash and Cash Equivalents**

Entergy considers all unrestricted highly liquid debt instruments with an original maturity of three months or less at date of purchase to be cash equivalents.

### **Securitization Recovery Trust Accounts**

The funds that Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas hold in their securitization recovery trust accounts are not classified as cash and cash equivalents or restricted cash and cash equivalents because of their nature, uses, and restrictions. These funds are classified as part of other current assets and other investments, depending on the timeframe within which the Registrant Subsidiary expects to use the funds.

### **Allowance for Doubtful Accounts**

The allowance for doubtful accounts reflects Entergy's best estimate of losses on the accounts receivable balances. The allowance is based on accounts receivable agings, historical experience, and other currently available evidence. Utility operating company customer accounts receivable are written off consistent with approved regulatory requirements.

### **Investments**

Entergy records decommissioning trust funds on the balance sheet at their fair value. Effective January 1, 2018, with the adoption of ASU 2016-01, unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds are recorded in earnings as they occur rather than in other comprehensive income. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the 30% interest in River Bend formerly owned by Cajun, Entergy Louisiana records an offsetting amount in other deferred credits for the unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains/(losses) recorded on the equity securities in the trust funds are recognized in

earnings. Unrealized gains recorded on the available-for-sale debt securities in the trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity. Unrealized losses (where cost exceeds fair market value) on the available-for-sale debt securities in the trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. A portion of Entergy's decommissioning trust funds are held in a wholly-owned registered investment company, and unrealized gains and losses on both the equity and debt securities held in the registered investment company are recognized in earnings. The assessment of whether an investment in an available-for-sale debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. See Note 16 to the financial statements for details on the decommissioning trust funds.

### **Equity Method Investments**

Entergy owns investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of the investee's comprehensive earnings and losses in income and as an increase or decrease to the investment account. Any cash distributions are charged against the investment account. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount for an investee plus any advances made or commitments to provide additional financial support.

### **Derivative Financial Instruments and Commodity Derivatives**

The accounting standards for derivative instruments and hedging activities require that all derivatives be recognized at fair value on the balance sheet, either as assets or liabilities, unless they meet various exceptions including the normal purchase/normal sale criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. Due to regulatory treatment, an offsetting regulatory asset or liability is recorded for changes in fair value of recognized derivatives for the Registrant Subsidiaries.

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

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified to earnings in the periods when the underlying transactions actually occur. Prior to 2019, the ineffective portions of all hedges are recognized in current-period earnings. Effective January 1, 2019 with the adoption of ASU 2017-12 there will no longer be separate recognition of the ineffective portion of highly effective hedges. Changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded in current-period earnings on a mark-to-market basis.

Entergy has determined that contracts to purchase uranium do not meet the definition of a derivative under the accounting standards for derivative instruments because they do not provide for net settlement and the uranium markets

are not sufficiently liquid to conclude that forward contracts are readily convertible to cash. If the uranium markets do become sufficiently liquid in the future and Entergy begins to account for uranium purchase contracts as derivative instruments, the fair value of these contracts would be accounted for consistent with Entergy's other derivative instruments. See Note 15 to the financial statements for further details on Entergy's derivative instruments and hedging activities.

### **Fair Values**

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not affect net income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. See Note 15 to the financial statements for further discussion of fair value.

### **Impairment of Long-lived Assets**

Entergy periodically reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such operations and assets. Projected net cash flows depend on the expected operating life of the assets, the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy and capacity over the remaining life of the assets. Because the values of their long-lived assets are impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, are charging additional expenditures for capital assets directly to expense when incurred because their undiscounted cash flows are insufficient to recover the carrying amount of these capital additions. See Note 14 to the financial statements for further discussions of the impairments of the Entergy Wholesale Commodities nuclear plants.

### **River Bend AFUDC**

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

### **Reacquired Debt**

The premiums and costs associated with reacquired debt of Entergy's Utility operating companies and System Energy (except that portion allocable to the deregulated operations of Entergy Louisiana) are included in regulatory assets and are being amortized over the life of the related new issuances, or over the life of the original debt issuance if the debt is not refinanced, in accordance with ratemaking treatment.

### **Taxes Imposed on Revenue-Producing Transactions**

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

**New Accounting Pronouncements**

In June 2016 the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The ASU requires entities to record a valuation allowance on financial instruments recorded at amortized cost or classified as available-for-sale debt securities for the total credit losses expected over the life of the instrument. Increases and decreases in the valuation allowance will be recognized immediately in earnings. Entergy adopted ASU 2016-13 in the first quarter 2020. Adoption of ASU 2016-13 did not materially affect Entergy’s results of operations, financial position, or cash flows.

In September 2018 the FASB issued ASU No. 2018-15, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service.” The ASU requires entities to capitalize implementation costs associated with cloud computing arrangements classified as hosting arrangements and amortize those costs over the contract term. These costs are required to be capitalized in the same line as prepayments of the costs, and subsequently amortized in the same lines as the hosting service element of the arrangement. Entergy adopted ASU 2018-15 in the first quarter 2020. Entergy adopted ASU 2018-15 on a prospective basis, which will affect its statement of financial position by presenting implementation costs for hosting arrangements as prepayments rather than utility plant, and will affect its results of operations by amortizing those costs as operation and maintenance expense, rather than depreciation and amortization, over the contract term of the arrangement.

**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**

Regulatory assets represent probable future revenues associated with costs that Entergy expects to recover from customers through the regulatory ratemaking process under which the Utility business operates. Regulatory liabilities represent probable future reductions in revenues associated with amounts that Entergy expects to benefit customers through the regulatory ratemaking process under which the Utility business operates. In addition to the regulatory assets and liabilities that are specifically disclosed on the face of the balance sheets, the tables below provide detail of “Other regulatory assets” and “Other regulatory liabilities” that are included on Entergy’s and the Registrant Subsidiaries’ balance sheets as of December 31, 2019 and 2018:

**Other Regulatory Assets**

Entergy

	2019	2018
	(In Millions)	
<b>Pension &amp; postretirement costs (Note 11 – <u>Qualified Pension Plans, Other Postretirement Benefits, and Non-Qualified Pension Plans</u>) (a)</b>	\$2,942.4	\$2,611.5
<b>Asset retirement obligation</b> - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	920.4	814.3
<b>Removal costs</b> - recovered through depreciation rates (Note 9)	421.0	375.8
<b>Storm damage costs, including hurricane costs</b> - recovered through securitization and retail rates (Note 2 – <u>Storm Cost Recovery Filings with Retail Regulators</u> ) (Note 5)	372.8	452.7
<b>Retired electric and gas meters</b> - recovered through retail rates as determined by retail regulators (Note 2 - <u>Advanced Metering Infrastructure (AMI) Filings</u> )	205.6	—
<b>Opportunity Sales</b> - recovery will be determined after final order in proceeding (Note 2 - <u>Entergy Arkansas Opportunity Sales Proceeding</u> ) (b)	116.3	116.3
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	66.6	74.5
<b>Little Gypsy costs</b> – recovered through securitization (Note 5 – <u>Entergy Louisiana Securitization Bonds - Little Gypsy</u> )	29.9	52.1
<b>Attorney General litigation costs</b> (Note 2 - Mississippi Attorney General Complaint) (b)	29.5	23.6
<b>New nuclear generation development costs</b> (Note 2 - <u>New Nuclear Generation Development Costs</u> ) (b)	21.6	29.0
<b>Retail rate deferrals</b> - recovered through rate riders as rates are redetermined by retail regulators	15.7	39.0
<b>Other</b>	150.3	157.7
<b>Entergy Total</b>	<u>\$5,292.1</u>	<u>\$4,746.5</u>

Entergy Arkansas

	2019	2018
	(In Millions)	
<b>Pension &amp; postretirement costs</b> (Note 11 – <b>Qualified Pension Plans, Other Postretirement Benefits, and Non-Qualified Pension Plans</b> ) (a)	\$796.5	\$747.2
<b>Asset retirement obligation</b> - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	433.0	381.7
<b>Removal costs</b> - recovered through depreciation rates (Note 9)	168.9	138.3
<b>Opportunity sales</b> - recovery will be determined after final order in proceeding (Note 2 - <b>Entergy Arkansas Opportunity Sales Proceeding</b> ) (b)	116.3	116.3
<b>Retired electric meters</b> - recovered over 15-year period through March 2034 (Note 2 - <b>Advanced Metering Infrastructure (AMI) Filings</b> )	50.4	—
<b>Storm damage costs</b> - recovered either through securitization or retail rates (Note 5 - <b>Entergy Arkansas Securitization Bonds</b> )	46.1	60.7
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	18.3	21.2
<b>ANO Fukushima and Flood Barrier costs</b> - recovered through retail rates through February 2026 (Note 2 - <b>Retail Rate Proceedings</b> ) (b)	10.9	12.6
<b>Retail rate deferrals</b> - recovered through rate riders as rates are redetermined annually (b)	2.3	20.5
<b>Other</b>	24.2	36.5
<b>Entergy Arkansas Total</b>	<u>\$1,666.9</u>	<u>\$1,535.0</u>

Entergy Louisiana

	2019	2018
	(In Millions)	
<b>Pension &amp; postretirement costs</b> (Note 11 – <b>Qualified Pension Plans and Non-Qualified Pension Plans</b> ) (a)	\$787.7	\$711.8
<b>Asset Retirement Obligation</b> - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	262.5	232.9
<b>Retired electric meters</b> - recovered over a 22-year period through July 2041 (Note 2 - <b>Advanced Metering Infrastructure (AMI) Filings</b> )	101.1	—
<b>Storm damage costs</b> - recovered through retail rates (Note 2 - <b>Storm Cost Recovery Filings with Retail Regulators</b> )	45.7	17.9
<b>Little Gypsy costs</b> – recovered through securitization (Note 5 – <b>Entergy Louisiana Securitization Bonds - Little Gypsy</b> )	27.6	49.8
<b>New nuclear generation development costs</b> - recovery through formula rate plan December 2014 through November 2022 (Note 2 - <b>New Nuclear Generation Development Costs</b> ) (b)	21.2	28.5
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	20.4	22.5
<b>Business combination external costs deferral</b> - recovery through formula rate plan December 2015 through November 2025 (b)	10.8	12.4
<b>River Bend AFUDC</b> - recovered through August 2025 (Note 1 – <b>River Bend AFUDC</b> )	9.1	11.0
<b>Other</b>	29.1	18.3
<b>Entergy Louisiana Total</b>	<u>\$1,315.2</u>	<u>\$1,105.1</u>

Entergy Mississippi

	2019	2018
	(In Millions)	
<b>Pension &amp; postretirement costs</b> (Note 11 – <b>Qualified Pension Plans, Other Postretirement Benefits, and Non-Qualified Pension Plans</b> ) (a)	\$234.4	\$215.9
<b>Removal costs</b> - recovered through depreciation rates (Note 9)	80.8	63.5
<b>Attorney General litigation costs</b> (Note 2 - Mississippi Attorney General Complaint) (b)	29.5	23.6
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	14.9	16.2
<b>Asset retirement obligation</b> - recovery dependent upon timing of dismantlement of non-nuclear power plants (Note 9) (a)	7.8	7.2
<b>Retail rate deferrals</b> - recovered through rate riders as rates are redetermined annually	7.6	16.6
<b>Other</b>	3.0	—
<b>Entergy Mississippi Total</b>	<u>\$378.0</u>	<u>\$343.0</u>

Entergy New Orleans

	2019	2018
	(In Millions)	
<b>Pension &amp; postretirement costs</b> (Note 11 – <b>Qualified Pension Plans, Other Postretirement Benefits, and Non-Qualified Pension Plans</b> ) (a)	\$85.9	\$96.2
<b>Storm damage costs, including hurricane costs</b> - recovered through retail rates and securitization (Note 2 - <b>Storm Cost Recovery Filings with Retail Regulators</b> )	59.6	70.4
<b>Removal costs</b> - recovered through depreciation rates (Note 9)	52.9	49.3
<b>Retired meters</b> - recovered over a 12-year period through July 2031 (Note 2 - <b>Advanced Metering Infrastructure (AMI) Filings</b> ) (b)	24.6	—
<b>Retired plant costs</b> - recovered over a 20-year period through July 2039 (Note 2 - <b>Retail Rate Proceedings</b> )	10.0	—
<b>Rate case costs</b> - recovered over a 3-year period through July 2022 (Note 2 - <b>Retail Rate Proceedings</b> )	7.0	—
<b>Asset retirement obligation</b> - recovery dependent upon timing of dismantlement of non-nuclear power plants (Note 9) (a)	4.9	4.5
<b>Algiers customer migration costs</b> - recovered over a 5-year period through July 2024 (Note 2 - <b>Retail Rate Proceedings</b> )	4.9	—
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	2.3	2.6
<b>Other</b>	7.3	6.8
<b>Entergy New Orleans Total</b>	<u>\$259.4</u>	<u>\$229.8</u>

Entergy Texas

	<b>2019</b>	<b>2018</b>
	(In Millions)	
<b>Storm damage costs, including hurricane costs</b> - recovered through securitization and retail rates (Note 5 - <b>Entergy Texas Securitization Bonds</b> )	\$221.4	\$303.6
<b>Pension &amp; postretirement costs</b> (Note 11 - <b>Qualified Pension Plans, Other Postretirement Benefits, and Non-Qualified Pension Plans</b> ) (a)	167.7	171.8
<b>Removal costs</b> - recovered through depreciation rates (Note 9)	42.5	50.9
<b>Retired electric meters</b> - recovered over 13-year period through February 2032 (Note 2 - <b>Advanced Metering Infrastructure (AMI) Filings</b> )	28.4	—
<b>Neches and Sabine costs</b> - recovered over a 10-year period through September 2028 (Note 2 - <b>Retail Rate Proceedings</b> )	21.2	23.6
<b>Transition to competition costs</b> - recovered over a 15-year period through February 2021	14.9	26.7
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	7.7	8.2
<b>Other</b>	8.8	13.2
<b>Entergy Texas Total</b>	<b>\$512.6</b>	<b>\$598.0</b>

System Energy

	<b>2019</b>	<b>2018</b>
	(In Millions)	
<b>Asset retirement obligation</b> - recovery dependent upon timing of decommissioning (Note 9) (a)	\$210.9	\$186.9
<b>Pension &amp; postretirement costs</b> (Note 11 - <b>Qualified Pension Plans</b> and <b>Other Postretirement Benefits</b> ) (a)	200.3	179.3
<b>Removal costs</b> - recovered through depreciation rates (Note 9)	75.9	76.4
<b>Unamortized loss on reacquired debt</b> - recovered over term of debt	3.0	3.8
<b>System Energy Total</b>	<b>\$490.1</b>	<b>\$446.4</b>

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

(b) Does not earn a return on investment.



**Other Regulatory Liabilities**

Entergy

	<b>2019</b>	<b>2018</b>
	(In Millions)	
<b>Unrealized gains on nuclear decommissioning trust funds</b> (Note 16) (a)	\$1,300.1	\$815.9
<b>Vidalia purchased power agreement</b> (Note 8) (b)	127.3	139.7
<b>Louisiana Act 55 financing savings obligation</b> (Note 2 - <b>Storm Cost Recovery Filings with Retail Regulators</b> ) (b)	97.1	111.1
<b>Retail rate rider over-recovery</b> - refunded through rate riders as rates are redetermined annually	62.3	84.6
<b>Grand Gulf sale-leaseback</b> - (Note 5 - <b>Grand Gulf Sale-Leaseback Transactions</b> )	55.6	55.6
<b>Future formula rate plan revenue reductions</b> (Note 2 - <b>Retail Rate Proceedings</b> )	51.1	44.4
<b>Entergy Arkansas's accumulated accelerated Grand Gulf amortization</b> - will be returned to customers when approved by the APSC and the FERC	44.4	44.4
<b>Asset retirement obligation</b> - return to customers dependent upon timing of decommissioning (Note 9) (a)	37.2	39.1
<b>Business combination guaranteed customer benefits</b> - returned to customers through retail rates and fuel rates December 2015 through November 2024	35.7	50.8
<b>Internal restructuring guaranteed customer credits</b> (Note 2 - <b>Retail Rate Proceedings</b> )	33.0	39.6
<b>Advanced metering system (AMS) surcharge</b> - return to customers dependent upon AMS spend (Note 2 - <b>Advanced Metering Infrastructure (AMI) Filings</b> )	25.3	16.5
<b>Excess decommissioning recovery for Willow Glen</b> - (Note 14 - <b>Dispositions</b> )	21.2	31.9
<b>Entergy Mississippi's accumulated accelerated Grand Gulf amortization</b> - amortized and credited through the Unit Power Sales Agreement	17.8	25.0
<b>Income tax rate change</b> - returned to electric and gas customers through retail rates (Note 2 - <b>Retail Rate Proceedings</b> )	13.9	74.7
<b>Removal costs</b> - returned to customers through depreciation rates (Note 9)	2.4	18.8
<b>Other</b>	36.6	28.2
<b>Entergy Total</b>	<b>\$1,961.0</b>	<b>\$1,620.3</b>

Entergy Arkansas

	<b>2019</b>	<b>2018</b>
	(In Millions)	
<b>Unrealized gains on nuclear decommissioning trust funds</b> (Note 16) (a)	\$460.3	\$297.2
<b>Future formula rate plan revenue reductions</b> (Note 2 - <b>Retail Rate Proceedings</b> )	46.6	35.1
<b>Internal restructuring guaranteed customer credits</b> (Note 2 - <b>Retail Rate Proceedings</b> )	33.0	39.6
<b>Retail rate rider over-recovery</b> - refunded through rate riders as rates are redetermined annually	19.7	30.8
<b>Entergy Arkansas Total</b>	<b>\$559.6</b>	<b>\$402.7</b>

Entergy Louisiana

	2019	2018
	(In Millions)	
<b>Unrealized gains on nuclear decommissioning trust funds</b> (Note 16) (a)	\$436.5	\$274.1
<b>Vidalia purchased power agreement</b> (Note 8) (b)	127.3	139.7
<b>Louisiana Act 55 financing savings obligation</b> (Note 2 - <b>Storm Cost Recovery Filings with Retail Regulators</b> ) (b)	97.1	111.1
<b>Asset Retirement Obligation</b> - return to customers dependent upon timing of decommissioning (Note 9) (a)	37.1	39.1
<b>Business combination guaranteed customer benefits</b> - returned to customers through retail rates and fuel rates December 2015 through November 2024	35.7	50.8
<b>Excess decommissioning recovery for Willow Glen</b> - returned over one-year period through retail rates (Note 14 - <b>Dispositions</b> )	21.2	31.9
<b>Removal costs</b> - returned to customers through depreciation rates (Note 9)	2.4	18.8
<b>Income tax rate change</b> - returned to electric customers through retail rates September 2018 through August 2019 (Note 2 - <b>Retail Rate Proceedings</b> )	—	49.9
<b>Other</b>	36.8	33.4
<b>Entergy Louisiana Total</b>	<u>\$794.1</u>	<u>\$748.8</u>

Entergy Mississippi

	2019	2018
	(In Millions)	
<b>Retail rate deferrals</b> - returned to customers through rate riders as rates are redetermined annually	\$14.6	\$1.3
<b>Future formula rate plan revenue reductions</b> (Note 2 - <b>Retail Rate Proceedings</b> )	4.5	9.3
<b>Grand Gulf Over-Recovery</b> - returned to customers through rate riders as rates are redetermined annually	2.4	22.6
<b>Other</b>	—	0.4
<b>Entergy Mississippi Total</b>	<u>\$21.5</u>	<u>\$33.6</u>

Entergy Texas

	2019	2018
	(In Millions)	
<b>Advanced metering system (AMS) surcharge</b> - returned to customers dependent upon AMS spend (Note 2 - <b>Advanced Metering Infrastructure (AMI) Filings</b> )	\$25.3	\$16.5
<b>Income tax rate change</b> - refunded through a rate rider (Note 2 - <b>Retail Rate Proceedings</b> )	10.4	23.1
<b>Transition to competition costs</b> - returned to customers through rate riders when rates are redetermined periodically	3.8	4.2
<b>Other</b>	2.6	4.1
<b>Entergy Texas Total</b>	<u>\$42.1</u>	<u>\$47.9</u>

System Energy

	2019	2018
	(In Millions)	
<b>Unrealized gains on nuclear decommissioning trust funds</b> (Note 16) (a)	\$403.3	\$244.6
<b>Grand Gulf sale-leaseback</b> - (Note 5 - <b>Grand Gulf Sale-Leaseback Transactions</b> )	55.6	55.6
<b>Entergy Arkansas's accumulated accelerated Grand Gulf amortization</b> - will be returned to customers when approved by the APSC and the FERC	44.4	44.4
<b>Entergy Mississippi's accumulated accelerated Grand Gulf amortization</b> - amortized and credited through the Unit Power Sales Agreement	17.8	25.0
<b>Other</b>	12.3	12.3
<b>System Energy Total</b>	<u>\$533.4</u>	<u>\$381.9</u>

- (a) Offset by related asset.
- (b) As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21% effective January 2018, the Vidalia purchased power agreement regulatory liability was reduced by \$30.5 million and the Louisiana Act 55 financing savings obligation regulatory liabilities were reduced by \$25.0 million, with corresponding increases to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

**Regulatory activity regarding the Tax Cuts and Jobs Act**

See the "**Other Tax Matters - Tax Cuts and Jobs Act**" section in Note 3 to the financial statements for discussion of the effects of the December 2017 enactment of the Tax Cuts and Jobs Act, including its effects on Entergy's and the Registrant Subsidiaries' regulatory asset/liability for income taxes.

Entergy Arkansas

Consistent with its previously stated intent to return unprotected excess accumulated deferred income taxes to customers as expeditiously as possible, Entergy Arkansas initiated a tariff proceeding in February 2018 proposing to establish a tax adjustment rider to provide retail customers with certain tax benefits of \$467 million associated with the Tax Act. For the residential customer class, unprotected excess accumulated deferred income taxes were returned to customers over a 21-month period from April 2018 through December 2019. For all other customer classes, unprotected excess accumulated deferred income taxes were returned to customers over a nine-month period from April 2018 through December 2018. A true-up provision also was included in the rider, with any over- or under-returned unprotected excess accumulated deferred income taxes credited or billed to customers during the billing month of January 2020, with any residual amounts of over- or under-returned unprotected excess accumulated deferred income taxes to be flowed through Entergy Arkansas's energy cost recovery rider. In March 2018 the APSC approved the tax adjustment rider effective with the first billing cycle of April 2018.

As discussed below, in July 2018, Entergy Arkansas made its formula rate plan filing to set its formula rate for the 2019 calendar year. A hearing was held in May 2018 regarding the APSC's inquiries into the effects of the Tax Act, including Entergy Arkansas's proposal to utilize its formula rate plan rider for its customers to realize the remaining benefits of the Tax Act. Entergy Arkansas's formula rate plan rider included a netting adjustment that compared actual annual results to the allowed rate of return on common equity. In July 2018 the APSC issued an order agreeing with Entergy Arkansas's proposal to have the effects of the Tax Act on current income tax expense flow through Entergy Arkansas's formula rate plan rider and with Entergy Arkansas's treatment of protected and unprotected excess accumulated deferred income taxes. The APSC also directed Entergy Arkansas to submit in the tax adjustment rider proceeding, discussed above, the adjustments to all other riders affected by the Tax Act and to include an amendment

for a true up mechanism where a rider affected by the Tax Act does not already contain a true-up mechanism. Pursuant to a 2018 settlement agreement in Entergy Arkansas's formula rate plan proceeding, Entergy Arkansas also removed the net operating loss accumulated deferred income tax asset caused by the Tax Act from Entergy Arkansas's tax adjustment rider. Entergy Arkansas's compliance tariff filings were accepted by the APSC in October 2018.

#### Entergy Louisiana

In an electric formula rate plan settlement approved by the LPSC in April 2018 the parties agreed that Entergy Louisiana would return to customers one-half of its eligible unprotected excess deferred income taxes from May 2018 through December 2018 and return to customers the other half from January 2019 through August 2022. In addition, the settlement provided that in order to flow back to customers certain other tax benefits created by the Tax Act, Entergy Louisiana established a regulatory liability effective January 1, 2018 in the amount of \$9.1 million per month to reflect these tax benefits already included in retail rates until new base rates under the formula rate plan were established in September 2018, and this regulatory liability was returned to customers over the September 2018 through August 2019 formula rate plan rate-effective period. The LPSC staff and intervenors in the settlement reserved the right to obtain data from Entergy Louisiana to confirm the determination of excess accumulated deferred income taxes resulting from the Tax Act and the analysis thereof as part of the formula rate plan review proceeding for the 2017 test year filing which, as discussed below, Entergy Louisiana filed in June 2018.

#### Entergy Mississippi

Entergy Mississippi filed its 2018 formula rate plan in March 2018 and included a proposal to return all of its unprotected excess accumulated deferred income taxes to customers through rates or in exchange for other assets, or a combination of both, by the end of 2018. In June 2018 the MPSC approved a stipulation filed by Entergy Mississippi and the Mississippi Public Utilities Staff in Entergy Mississippi's formula rate plan filing that addressed Entergy Mississippi's 2018 formula rate plan evaluation report and the ratemaking effects of the Tax Act. The stipulation provided for incorporating the reduction of the statutory federal income tax rate through Entergy Mississippi's formula rate plan. The stipulation approved in June 2018 provided for the flow-back of protected excess accumulated deferred income taxes over the remaining lives of the assets through the formula rate plan. The stipulation also provided for the offset of unprotected excess accumulated deferred income taxes of \$127.2 million against net utility plant and \$2.2 million against other regulatory assets, and the return to customers of the remaining balance of unprotected excess accumulated deferred income taxes as recovery of a portion of fuel oil inventory and customer bill credits over a three-month period from July 2018 through September 2018, with an insignificant true-up reflected in the November 2018 power management rider filing. Entergy Mississippi recorded the reduction against net utility plant and other regulatory assets in June 2018. In third quarter 2018, Entergy Mississippi returned unprotected excess accumulated deferred income taxes of \$25.8 million through customer bill credits and \$5.8 million through the sale of fuel oil inventory.

#### Entergy New Orleans

After enactment of the Tax Act the City Council passed a resolution ordering Entergy New Orleans to, effective January 1, 2018, record deferred regulatory liabilities to account for the Tax Act's effect on Entergy New Orleans's revenue requirement and to make a filing by mid-March 2018 regarding the Tax Act's effects on Entergy New Orleans's operating income and rate base and potential mechanisms for customers to receive benefits of the Tax Act. The City Council's resolution also directed Entergy New Orleans to request that Entergy Services file with the FERC for revisions of the Unit Power Sales Agreement and MSS-4 replacement tariffs to address the return of excess accumulated deferred income taxes. Entergy submitted filings of this type to the FERC.

In March 2018, Entergy New Orleans filed its response to the resolution stating that the Tax Act reduced income tax expense from what was then reflected in rates by approximately \$8.2 million annually for electric operations and by approximately \$1.3 million annually for gas operations. In the filing, Entergy New Orleans proposed to return to customers from June 2018 through August 2019 the benefits of the reduction in income tax expense and its unprotected excess accumulated deferred income taxes through a combination of bill credits and investments in energy efficiency

programs, grid modernization, and Smart City projects. Entergy New Orleans submitted supplemental information in April 2018 and May 2018. Shortly thereafter, Entergy New Orleans and the City Council's advisors reached an agreement in principle that provides for benefits that will be realized by Entergy New Orleans customers through bill credits that started in July 2018 and offsets to future investments in energy efficiency programs, grid modernization, and Smart City projects, as well as additional benefits related to the filings made at the FERC. The agreement in principle was approved by the City Council in June 2018.

### Entergy Texas

After enactment of the Tax Act the PUCT issued an order requiring most utilities, including Entergy Texas, beginning January 25, 2018, to record a regulatory liability for the difference between revenues collected under existing rates and revenues that would have been collected had existing rates been set using the new federal income tax rates and also for the balance of excess accumulated deferred income taxes. Entergy Texas had previously provided information to the PUCT staff and stated that it expected the PUCT to address the lower tax expense as part of Entergy Texas's rate case expected to be filed in May 2018. Entergy Texas also stated that it would be inappropriate for the PUCT to require a refund of the reduction in income tax expense in 2018 resulting from the Act on a retroactive basis and without a comprehensive review of Entergy Texas's cost of service and earned return on equity.

In May 2018, Entergy Texas filed its 2018 base rate case with the PUCT. Entergy Texas's proposed rates and revenues reflected the inclusion of the federal income tax reductions due to the Tax Act. The PUCT issued an order in December 2018 establishing that 1) \$25 million be credited to customers through a rider to reflect the lower federal income tax rate applicable to Entergy Texas from January 2018 through the date new rates were implemented, 2) \$242.5 million of protected excess accumulated deferred income taxes be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and 3) \$185.2 million of unprotected excess accumulated deferred income taxes be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider includes carrying charges and is in effect over a period of 12 months for larger customers and over a period of four years for other customers.

### System Energy

In a filing made with the FERC in March 2018, Entergy proposed revisions to the Unit Power Sales Agreement, among other agreements, to reflect the effects of the Tax Act. In the filing System Energy proposed to return all of its unprotected excess accumulated deferred income taxes to its customers by the end of 2018. In May 2018 the FERC accepted System Energy's proposed tax revisions with an effective date of June 1, 2018, subject to refund and the outcome of settlement and hearing procedures. Settlement discussions terminated in April 2019, and the hearing is scheduled for March 2020. The retail regulators of the Utility operating companies that are parties to the Unit Power Sales Agreement are challenging whether there are excess tax liabilities associated with uncertain tax positions related to nuclear decommissioning.

### **Fuel and purchased power cost recovery**

The Utility operating companies are allowed to recover fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is generally recorded as "Deferred fuel costs" on the Utility operating companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2019 and 2018 that Entergy expects to recover (or return to customers) through fuel mechanisms, subject to subsequent regulatory review.

	2019	2018
	(In Millions)	
Entergy Arkansas (a)	\$14.0	\$86.5
Entergy Louisiana (b)	\$112.5	\$136.7
Entergy Mississippi	(\$70.4)	\$8.0
Entergy New Orleans (b)	(\$0.8)	\$2.8
Entergy Texas	(\$13.0)	(\$19.7)

- (a) Includes \$67.7 million in 2019 and \$67.3 million in 2018 of fuel and purchased power costs whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.
- (b) Includes \$168.1 million in both years for Entergy Louisiana and \$4.1 million in both years for Entergy New Orleans of fuel, purchased power, and capacity costs, which do not currently earn a return on investment and whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.

### Entergy Arkansas

#### Production Cost Allocation Rider

The APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of the System Agreement proceedings, which are discussed in the “**System Agreement Cost Equalization Proceedings**” section below.

#### Energy Cost Recovery Rider

Entergy Arkansas’s retail rates include an energy cost recovery rider to recover fuel and purchased energy costs in monthly customer bills. The rider utilizes the prior calendar-year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over- or under-recovery, including carrying charges, of the energy costs for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs.

In January 2014, Entergy Arkansas filed a motion with the APSC relating to its upcoming energy cost rate redetermination filing that was made in March 2014. In that motion, Entergy Arkansas requested that the APSC authorize Entergy Arkansas to exclude from the redetermination of its 2014 energy cost rate \$65.9 million of incremental fuel and replacement energy costs incurred in 2013 as a result of the ANO stator incident. Entergy Arkansas requested that the APSC authorize Entergy Arkansas to retain that amount in its deferred fuel balance, with recovery to be reviewed in a later period after more information was available regarding various claims associated with the ANO stator incident. In February 2014 the APSC approved Entergy Arkansas’s request to retain that amount in its deferred fuel balance. In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the \$65.9 million of deferred fuel and purchased energy costs previously noted, subject to certain timelines and conditions set forth in the settlement agreement. See the “**ANO Damage, Outage, and NRC Reviews**” section in Note 8 to the financial statements for further discussion of the ANO stator incident.

In March 2017, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01164 per kWh to \$0.01547 per kWh. The APSC staff filed testimony in March 2017 recommending that the redetermined rate be implemented with the first billing cycle of April 2017 under the normal operation of the tariff. Accordingly, the redetermined rate went into effect on

March 31, 2017 pursuant to the tariff. In July 2017 the Arkansas Attorney General requested additional information to support certain of the costs included in Entergy Arkansas's 2017 energy cost rate redetermination.

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01547 per kWh to \$0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Act. Entergy Arkansas replied to the Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Act are appropriately considered in the APSC's separate proceeding regarding potential implications of the tax law. The APSC general staff filed a reply to the Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. The redetermined rate became effective with the first billing cycle of April 2018. Subsequently in April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation at that time of the issues suggested by the Attorney General in the proceeding. Following a period of discovery, the Attorney General filed a supplemental response in October 2018 raising new issues with Entergy Arkansas's March 2018 rate redetermination and asserting that \$45.7 million of the increase should be collected subject to refund pending further investigation. Entergy Arkansas filed to dismiss the Attorney General's supplemental response, the APSC general staff filed a motion to strike the Attorney General's filing, and the Attorney General filed a supplemental response disputing Entergy Arkansas and the APSC staff's filing. Applicable APSC rules and processes authorize its general staff to initiate periodic audits of Entergy Arkansas's energy cost recovery rider. In late-2018 the APSC general staff notified Entergy Arkansas it has initiated an audit of the 2017 fuel costs. The time in which the audit will be complete is uncertain at this time.

In March 2019, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01882 per kWh to \$0.01462 per kWh and became effective with the first billing cycle in April 2019. In March 2019 the Arkansas Attorney General filed a response to Entergy Arkansas's annual adjustment and included with its filing a motion for investigation of alleged overcharges to customers in connection with the FERC's October 2018 order in the opportunity sales proceeding. Entergy Arkansas filed its response to the Attorney General's motion in April 2019 in which Entergy Arkansas stated its intent to initiate a proceeding to address recovery issues related to the October 2018 FERC order. In May 2019, Entergy Arkansas initiated the opportunity sales recovery proceeding, discussed below, and requested that the APSC establish that proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC October 2018 order and related FERC orders in the opportunity sales proceeding. In June 2019 the APSC granted Entergy Arkansas's request and also denied the Attorney General's motion in the energy cost recovery proceeding seeking an investigation into Entergy Arkansas's annual energy cost recovery rider adjustment and referred the evaluation of such matters to the opportunity sales recovery proceeding.

#### Entergy Louisiana

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

In July 2014 the LPSC authorized its staff to initiate an audit of the fuel adjustment clause filings by Entergy Gulf States Louisiana, whose business was combined with Entergy Louisiana in 2015. The audit includes a review of the reasonableness of charges flowed through Entergy Gulf States Louisiana's fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately \$900,000, plus interest, to customers based

upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require no refund to customers.

In July 2014 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 by Entergy Louisiana through its fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff issued its audit report recommending that Entergy Louisiana refund approximately \$7.3 million, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require a refund to customers of approximately \$4.3 million, plus interest, as compared to the LPSC staff's recommendation of \$7.3 million, plus interest. Responsive testimony was filed by the LPSC staff and intervenors in September 2019; all parties either agreed with or did not oppose Entergy Louisiana's alternative calculation of replacement power costs.

In November 2019 the pending LPSC proceedings for the 2010-2013 Entergy Louisiana and Entergy Gulf States Louisiana audits were consolidated to facilitate a settlement of both fuel audits. In December 2019 an unopposed settlement was reached that requires a refund to legacy Entergy Louisiana customers of approximately \$2.3 million, including interest, and no refund to legacy Entergy Gulf States Louisiana customers. The LPSC approved the settlement in January 2020.

In June 2016 the LPSC issued notice of audits of Entergy Louisiana's fuel adjustment clause filings and purchased gas adjustment clause filings for the period 2014 through 2015. In recognition of the business combination that occurred in 2015, the audit notice was issued to Entergy Louisiana and also includes a review of charges to legacy Entergy Gulf States Louisiana customers prior to the business combination. The audits include a review of the reasonableness of charges flowed through Entergy Louisiana's fuel adjustment clause for the period from 2014 through 2015 and charges flowed through Entergy Louisiana's purchased gas adjustment clause for the period from 2012 through 2015. Discovery commenced in March 2017. No report of audit has been issued.

In May 2018 the LPSC staff provided notice of audits of Entergy Louisiana's purchased gas adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's purchased gas adjustment clause for the period from 2016 through 2017. Discovery commenced in September 2018. No report of audit has been issued.

### Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider that is adjusted annually to reflect accumulated over- or under-recoveries. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

In January 2017 the MPSC certified to the Mississippi Legislature the audit reports of its independent auditors for the fuel year ending September 30, 2016. In November 2017 the Mississippi Public Utilities Staff separately engaged a consultant to review the September 2016 outage at the Grand Gulf Nuclear Station and to review ongoing operations at Grand Gulf. This engagement continues, and subsequently, was expanded to include all outages at Grand Gulf that occurred through 2019.

In November 2017, 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 an under-recovery of approximately



\$61.5 million as of September 30, 2017. In January 2018 the MPSC approved the proposed energy cost factors effective for February 2018 bills.

In November 2018, 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 an under-recovery of approximately \$57 million as of September 30, 2018. In January 2019 the MPSC approved the proposed energy cost factor effective for February 2019 bills.

In November 2019, 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 an over-recovery of approximately \$39.6 million as of September 30, 2019. In January 2020 the MPSC approved the proposed energy cost factor effective for February 2020 bills.

#### Mississippi Attorney General Complaint

The Mississippi Attorney General filed a complaint in state court in December 2008 against Entergy Corporation, Entergy Mississippi, Entergy Services, and Entergy Power alleging, among other things, violations of Mississippi statutes, fraud, and breach of good faith and fair dealing, and requesting an accounting and restitution. The complaint is wide ranging and relates to tariffs and procedures under which Entergy Mississippi purchases power not generated in Mississippi to meet electricity demand. Entergy believes the complaint is unfounded. In December 2008 the defendant Entergy companies removed the Attorney General's lawsuit to U.S. District Court in Jackson, Mississippi. In June 2010 the MPSC authorized the deferral of certain legal expenses associated with this litigation until it is resolved. As of December 31, 2019, Entergy Mississippi has a regulatory asset of \$29.5 million for these deferred legal expenses. In April 2019 the District Court remanded the Attorney General's lawsuit to the Hinds County Chancery Court. A hearing on procedural and dispositive motions was held in August 2019. In December 2019 the Hinds County Chancery Court issued its ruling granting the motion for summary judgment filed by the Entergy defendants. The Chancery Court found it lacked subject matter jurisdiction, and that the claims fall under the purview of the FERC. In February 2020 the Chancery Court entered a final order dismissing all claims. The order was approved by counsel for the Attorney General, and dismisses with prejudice all claims and matters in dispute and states that the plaintiff will not seek an appeal or further relief and that all matters in dispute have been resolved.

#### Entergy New Orleans

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

#### Entergy Texas

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, not recovered in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT. A fuel reconciliation is required to be filed at least once every three years and outside of a base rate case filing.

In July 2015 certain parties filed briefs in a PUCT 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 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. The pending appeals did 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. In June 2016, Entergy Texas filed an unopposed settlement agreement that added additional over-recovered fuel costs for the months of March and April 2016. The settlement resulted in a \$68 million refund. The ALJ approved the refund on an interim basis and it was made to most customers over a four-month period beginning with the first billing cycle of July 2016. In July 2016 the PUCT issued an order approving the interim refund. The federal appeal of the PUCT's January 2016 decision was heard in December 2016, and the Federal District Court granted Entergy Texas's requested relief. In January 2017 the PUCT and an intervenor filed petitions for appeal of the Federal District Court ruling to the U.S. Court of Appeals for the Fifth Circuit. Oral argument was held before the Fifth Circuit in February 2018. In April 2018 the Fifth Circuit reversed the decision of the Federal District Court, reinstating the original PUCT decision. In October 2018, Entergy Texas filed notice of nonsuit in its appeal to the Travis County District Court regarding the PUCT's January 2016 decision.

In July 2016, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period April 1, 2013 through March 31, 2016. During the reconciliation period, Entergy Texas incurred approximately \$1.77 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an over-recovery balance of approximately \$19.3 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2016. Entergy Texas also noted, however, that the estimated \$19.3 million over collection was being refunded to customers as a portion of the interim fuel refund beginning with the first billing cycle of July 2016, discussed above. Entergy Texas also requested a prudence finding for each of the fuel-related contracts and arrangements entered into or modified during the reconciliation period that have not been reviewed by the PUCT in a prior proceeding. In December 2016, Entergy Texas entered into a stipulation and settlement agreement resulting in a \$6 million disallowance not associated with any particular issue raised and a refund of the over-recovery balance of \$21 million as of November 30, 2016, to most customers beginning April 2017 through June 2017. This settlement was developed concurrently with the stipulation and settlement agreement in the 2016 transmission cost recovery factor rider amendment discussed below, and the terms and conditions in both settlements are interdependent. The fuel reconciliation settlement was approved by the PUCT in March 2017 and the refunds were made.

In June 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.7 million for the months of December 2016 through April 2017. For most customers, the refunds flowed through bills for the months of July 2017 through September 2017. The fuel refund was approved by the PUCT in August 2017.

In December 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.5 million for the months of May 2017 through October 2017. Also in December 2017, the PUCT's ALJ approved the refund on an interim basis. For most customers, the refunds flowed through bills from January 2018 through March 2018. The fuel refund was approved by the PUCT in March 2018.

In September 2019, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period from April 2016 through March 2019. During the reconciliation period, Entergy Texas incurred approximately \$1.6 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an under-recovery balance of approximately \$25.8 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2019. The proceeding is currently pending.

## **Retail Rate Proceedings**

### **Filings with the APSC (Entergy Arkansas)**

#### **Retail Rates**

##### 2017 Formula Rate Plan Filing

In July 2017, Entergy Arkansas filed with the APSC its 2017 formula rate plan filing showing Entergy Arkansas's projected earned return on common equity for the twelve months ended December 31, 2018 test period to be below the formula rate plan bandwidth. The filing projected a \$129.7 million revenue requirement increase to achieve Entergy Arkansas's target earned return on common equity of 9.75%. Entergy Arkansas's formula rate plan is subject to a four percent annual revenue constraint and the projected annual revenue requirement increase exceeded the four percent, resulting in a proposed increase for the 2017 formula rate plan of \$70.9 million. In October 2017, Entergy Arkansas filed with the APSC revised formula rate plan attachments that projected a \$126.2 million revenue requirement increase based on acceptance of certain adjustments and recommendations made by the APSC staff and other intervenors. The revised formula rate plan filing included a proposed \$71.1 million revenue requirement increase based on a revision to the four percent constraint calculation. In October 2017, Entergy Arkansas and the parties to the proceeding filed a joint motion to approve a unanimous settlement agreement resolving all issues in the proceeding and providing for recovery of certain 2017 and 2018 nuclear costs. In December 2017 the APSC approved the settlement agreement and the \$71.1 million revenue requirement increase, as well as Entergy Arkansas's formula rate plan compliance tariff, and the rates became effective with the first billing cycle of January 2018.

##### 2018 Formula Rate Plan Filing

In July 2018, Entergy Arkansas filed with the APSC its 2018 formula rate plan filing to set its formula rate for the 2019 calendar year. The filing showed Entergy Arkansas's projected earned return on common equity for the twelve months ended December 31, 2019 test period to be below the formula rate plan bandwidth. Additionally, the filing included the first netting adjustment under the current formula rate plan for the historical test year 2017, reflecting the change in formula rate plan revenues associated with actual 2017 results when compared to the allowed rate of return on equity. The filing included a projected \$73.4 million revenue deficiency for 2019 and a \$95.6 million revenue deficiency for the 2017 historical test year, for a total revenue requirement of \$169 million for this filing. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase was limited to four percent of total revenue, which originally was \$65.4 million but was increased to \$66.7 million based upon the APSC staff's updated calculation of 2018 revenue. In October 2018, Entergy Arkansas and the parties to the proceeding filed joint motions to approve a partial settlement agreement as to certain factual issues and agreed to brief contested legal issues. In November 2018 the APSC held a hearing and was briefed on a contested legal issue. In December 2018 the APSC issued a decision related to the initial legal brief, approved the partial settlement agreement and \$66.7 million revenue requirement increase, as well as Entergy Arkansas's formula rate plan, with updated rates going into effect for the first billing cycle of January 2019.

##### 2019 Formula Rate Plan Filing

In July 2019, Entergy Arkansas filed with the APSC its 2019 formula rate plan filing to set its formula rate for the 2020 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2020 and a netting adjustment for the historical year 2018. The total proposed formula rate plan rider revenue change designed to produce a target rate of return on common equity of 9.75% is \$15.3 million, which is based upon a deficiency of approximately \$61.9 million for the 2020 projected year, netted with a credit of approximately \$46.6 million in the 2018 historical year netting adjustment. During 2018 Entergy Arkansas experienced higher-than expected sales volume, and actual costs were lower than forecasted. These changes, coupled with a reduced income tax rate resulting from the Tax Cuts and Jobs Act, resulted in the credit for the historical year netting adjustment. In the fourth quarter 2018,

Entergy Arkansas recorded a provision of \$35.1 million that reflected the estimate of the historical year netting adjustment that was expected to be included in the 2019 filing. In 2019, Entergy Arkansas recorded additional provisions totaling \$11.5 million to reflect the updated estimate of the historical year netting adjustment included in the 2019 filing. In October 2019 other parties in the proceeding filed their errors and objections requesting certain adjustments to Entergy Arkansas's filing that would reduce or eliminate Entergy Arkansas's proposed revenue change. Entergy Arkansas filed its response addressing the requested adjustments in October 2019. In its response, Entergy Arkansas accepted certain of the adjustments recommended by the General Staff of the APSC that would reduce the proposed formula rate plan rider revenue change to \$14 million. Entergy Arkansas disputed the remaining adjustments proposed by the parties. In October 2019, Entergy Arkansas filed a unanimous settlement agreement with the other parties in the proceeding seeking APSC approval of a revised total formula rate plan rider revenue change of \$10.1 million. In its July 2019 formula rate plan filing, Entergy Arkansas proposed to recover an \$11.2 million regulatory asset, amortized over five years, associated with specific costs related to the potential construction of scrubbers at the White Bluff plant. Although Entergy Arkansas does not concede that the regulatory asset lacks merit, for purposes of reaching a settlement on the total formula rate plan rider amount, Entergy Arkansas agreed not to include the White Bluff scrubber regulatory asset cost in the 2019 formula rate plan filing or future filings. Entergy Arkansas recorded a write-off in 2019 of the \$11.2 million White Bluff scrubber regulatory asset. In December 2019 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2020.

### Internal Restructuring

In November 2017, Entergy Arkansas filed an application with the APSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Arkansas to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. In July 2018, Entergy Arkansas filed a settlement, reached by all parties in the APSC proceeding, resolving all issues. The APSC approved the settlement agreement and restructuring in August 2018. Pursuant to the settlement agreement, Entergy Arkansas will credit retail customers \$39.6 million over six years, beginning in 2019. Entergy Arkansas also received the required FERC and NRC approvals.

In November 2018, Entergy Arkansas undertook a multi-step restructuring, including the following:

- Entergy Arkansas, Inc. redeemed its outstanding preferred stock at the aggregate redemption price of approximately \$32.7 million.
- Entergy Arkansas, Inc. converted from an Arkansas corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Arkansas, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Arkansas Power, LLC, a Texas limited liability company (Entergy Arkansas Power), and Entergy Arkansas Power assumed substantially all of the liabilities of Entergy Arkansas, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Arkansas, Inc. remained in existence and held the membership interests in Entergy Arkansas Power.
- Entergy Arkansas, Inc. contributed the membership interests in Entergy Arkansas Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Arkansas Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Arkansas, Inc. changed its name to Entergy Utility Property, Inc., and Entergy Arkansas Power then changed its name to Entergy Arkansas, LLC. Entergy Arkansas, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Arkansas, Inc. The transaction was accounted for as a transaction between entities under common control.

**Filings with the LPSC (Entergy Louisiana)**Retail Rates - Electric

## 2016 Formula Rate Plan Filing

In May 2017, Entergy Louisiana filed its formula rate plan evaluation report for its 2016 calendar year operations. The evaluation report reflected an earned return on common equity of 9.84%. As such, no adjustment to base formula rate plan revenue was required. Adjustments, however, were required under the formula rate plan; the 2016 formula rate plan evaluation report showed a decrease in formula rate plan revenue of approximately \$16.9 million, comprised of a decrease in legacy Entergy Louisiana formula rate plan revenue of \$3.5 million, a decrease in legacy Entergy Gulf States Louisiana formula rate plan revenue of \$9.7 million, and a decrease in incremental formula rate plan revenue of \$3.7 million. Additionally, the formula rate plan evaluation report called for a decrease of \$40.5 million in the MISO cost recovery revenue requirement from \$46.8 million to \$6.3 million. Rates reflecting these adjustments were implemented with the first billing cycle of September 2017, subject to refund. In September 2017 the LPSC staff issued its report indicating that no changes to Entergy Louisiana's original formula rate plan evaluation report were required but reserved for several issues, including Entergy Louisiana's September 2017 update to its formula rate plan evaluation report. In July 2018, Entergy Louisiana and the LPSC staff filed an unopposed joint report setting forth a correction to the annualization calculation, the effect of which was a net \$3.5 million revenue requirement reduction and indicating that there are no outstanding issues with the 2016 formula rate plan report, the supplemental report, or the interim updates. In September 2018 the LPSC approved the unopposed joint report.

## Formula Rate Plan Extension Through 2019 Test Year

In August 2017, Entergy Louisiana filed a request with the LPSC seeking to extend its formula rate plan for three years (2017-2019) with limited modifications of its terms. In April 2018 the LPSC approved an unopposed joint motion filed by Entergy Louisiana and the LPSC staff that settled the matter and extended the formula rate plan for three years, providing for rates through at least August 2021. In addition to retaining the major features of the traditional formula rate plan, substantive features of the extended formula rate plan include:

- a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year and for the St. Charles Power Station when it enters commercial operation;
- a 9.8% target earned return on common equity for the 2018 and 2019 test years;
- narrowing of the common equity bandwidth to plus or minus 60 basis points around the target earned return on common equity;
- a cap on potential revenue increase of \$35 million for the 2018 evaluation period, and \$70 million for the cumulative 2018 and 2019 evaluation periods, on formula rate plan cost of service rate increases (the cap excludes rate changes associated with the transmission recovery mechanism described below and rate changes associated with additional capacity);
- a framework for the flow back of certain tax benefits created by the Tax Act to customers, as described in "Regulatory activity regarding the Tax Cuts and Jobs Act" above; and
- a transmission recovery mechanism providing for the opportunity to recover certain transmission-related expenditures in excess of \$100 million annually for projects placed in service up to one month prior to rate change outside of sharing that is designed to operate in a fashion similar to the additional capacity mechanism.

Entergy Louisiana has indicated its intent to seek an extension of its formula rate plan on terms similar to the existing terms.

## 2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. The 2017 test year evaluation report produced an earned return on equity of 8.16%, due in large part to revenue-neutral realignments to other recovery mechanisms. Without these realignments, the evaluation report produces an earned return on equity of 9.88% and a resulting base rider formula rate plan revenue increase of \$4.8 million. Excluding the Tax Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues were further increased by a total of \$98 million as a result of the evaluation report due to adjustments to the additional capacity and MISO cost recovery mechanisms of the formula rate plan, and implementation of the transmission recovery mechanism. In August 2018, Entergy Louisiana filed a supplemental formula rate plan evaluation report to reflect changes from the 2016 test year formula rate plan proceedings, a decrease to the transmission recovery mechanism to reflect lower actual capital additions, and a decrease to evaluation period expenses to reflect the terms of a new power sales agreement. Based on the August 2018 update, Entergy Louisiana recognized a total decrease in formula rate plan revenue of approximately \$17.6 million. Results of the updated 2017 evaluation report filing were implemented with the September 2018 billing month subject to refund and review by the LPSC staff and intervenors. In accordance with the terms of the formula rate plan, in September 2018 the LPSC staff and intervenors submitted their responses to Entergy Louisiana's original formula rate plan evaluation report and supplemental compliance updates. The LPSC staff asserted objections/reservations regarding 1) Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Act and the treatment of accumulated deferred income taxes related to reductions of rate base; 2) Entergy Louisiana's reservation regarding treatment of a regulatory asset related to certain special orders by the LPSC; and 3) test year expenses billed from Entergy Services to Entergy Louisiana. Intervenors also objected to Entergy Louisiana's treatment of the regulatory asset related to certain special orders by the LPSC. A procedural schedule has not yet been established to resolve these issues.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes.

Commercial operation at St. Charles Power Station commenced in May 2019. In May 2019, Entergy Louisiana filed an update to its 2017 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$109.5 million associated with the St. Charles Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of June 2019.

## 2018 Formula Rate Plan Filing

In May 2019, Entergy Louisiana filed its formula rate plan evaluation report for its 2018 calendar year operations. The 2018 test year evaluation report produced an earned return on common equity of 10.61% leading to a base rider formula rate plan revenue decrease of \$8.9 million. While base rider formula rate plan revenue will decrease as a result of this filing, overall formula rate plan revenues will increase by approximately \$118.7 million. This outcome is primarily driven by a reduction to the credits previously flowed through the tax reform adjustment mechanism and an increase in the transmission recovery mechanism, partially offset by reductions in the additional capacity mechanism revenue requirements and extraordinary cost items. The filing is subject to review by the LPSC. Resulting rates were implemented in September 2019, subject to refund.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes. Entergy Louisiana contemplates that any combination of residential rates resulting from this request would be implemented with the results of the 2019 test year formula rate plan filing.

Several parties intervened in the proceeding and the LPSC staff filed its report of objections/reservations in accordance with the applicable provisions of the formula rate plan. In its report the LPSC staff re-urged reservations with respect to the outstanding issues from the 2017 test year formula rate plan filing and disputed the inclusion of certain affiliate costs for test years 2017 and 2018. The LPSC staff objected to Entergy Louisiana's proposal to combine residential rates but proposed the setting of a status conference to establish a procedural schedule to more fully address the issue. The LPSC staff also reserved its right to object to the treatment of the sale of Willow Glen reflected in the evaluation report and to the August 2019 compliance update, which was made primarily to update the capital additions reflected in the formula rate plan's transmission recovery mechanism, based on limited time to review it. Additionally, since the completion of certain transmission projects, the LPSC staff has issued supplemental data requests addressing the prudence of Entergy Louisiana's expenditures in connection with those projects. Entergy Louisiana is in the process of responding to those requests.

#### Investigation of Costs Billed by Entergy Services

In November 2018 the LPSC issued a notice of proceeding initiating an investigation into costs incurred by Entergy Services that are included in the retail rates of Entergy Louisiana. As stated in the notice of proceeding, the LPSC observed an increase in capital construction-related costs incurred by Entergy Services. Discovery was issued and included efforts to seek highly detailed information on a broad range of matters unrelated to the scope of the audit. There has been no further activity in the investigation since May 2019.

#### Waterford 3 Replacement Steam Generator Project

Following the completion of the Waterford 3 replacement steam generator project, the LPSC undertook a prudence review in connection with a filing made by Entergy Louisiana in April 2013 with regard to the following aspects of the replacement project: 1) project management; 2) cost controls; 3) success in achieving stated objectives; 4) the costs of the replacement project; and 5) the outage length and replacement power costs. In July 2014 the LPSC staff filed testimony recommending potential project and replacement power cost disallowances of up to \$71 million, citing a need for further explanation or documentation from Entergy Louisiana. An intervenor filed testimony recommending disallowance of \$141 million of incremental project costs, claiming the steam generator fabricator was imprudent. Entergy Louisiana provided further documentation and explanation requested by the LPSC staff. An evidentiary hearing was held in December 2014. Entergy Louisiana believed that the replacement steam generator costs were prudently incurred and applicable legal principles supported their recovery in rates. Nevertheless, Entergy Louisiana recorded a write-off of \$16 million of Waterford 3's plant balance in December 2014 because of the uncertainty at the time associated with the resolution of the prudence review. In December 2015 the ALJ issued a proposed recommendation, which was subsequently finalized, concluding that Entergy Louisiana prudently managed the Waterford 3 replacement steam generator project, including the selection, use, and oversight of contractors, and could not reasonably have anticipated the damage to the steam generators. Nevertheless, the ALJ concluded that Entergy Louisiana was liable for the conduct of its contractor and subcontractor and, therefore, recommended a disallowance of \$67 million in capital costs. Additionally, the ALJ concluded that Entergy Louisiana did not sufficiently justify the incurrence of \$2 million in replacement power costs during the replacement outage. Although the ALJ's recommendation had not yet been considered by the LPSC, after considering the progress of the proceeding in light of the ALJ recommendation, Entergy Louisiana recorded in the fourth quarter 2015 approximately \$77 million in charges, including a \$45 million asset write-off and a \$32 million regulatory charge, to reflect that a portion of the assets associated with the Waterford 3 replacement steam generator project was no longer probable of recovery. Entergy Louisiana maintained that the ALJ's recommendation contained significant factual and legal errors.

In October 2016 the parties reached a settlement in this matter. The settlement was approved by the LPSC in December 2016. The settlement effectively provided for an agreed-upon disallowance of \$67 million of plant, which had been previously written off by Entergy Louisiana, as discussed above. The refund to customers of approximately \$71 million as a result of the settlement approved by the LPSC was made to customers in January 2017. Of the \$71 million of refunds, \$68 million was credited to customers through Entergy Louisiana's formula rate plan, outside of sharing, and \$3 million through its fuel adjustment clause. Entergy Louisiana had previously recorded a provision of

\$48 million for this refund. The previously-recorded provision included the cumulative revenues recorded through December 2016 related to the \$67 million of disallowed plant. An additional regulatory charge of \$23 million was recorded in fourth quarter 2016 to reflect the effects of the settlement. The settlement also provided that Entergy Louisiana could retain the value associated with potential service credits agreed to by the project contractor, to the extent they are realized in the future. Following a review by the parties, an unopposed joint report of proceedings was filed by the LPSC staff and Entergy Louisiana in May 2017 and the LPSC accepted the joint report of proceedings resolving the matter.

#### Retail Rates - Gas

##### 2016 Rate Stabilization Plan Filing

In January 2017, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2016. The filing of the evaluation report for test year 2016 reflected an earned return on common equity of 6.37%. In April 2017 the LPSC approved a joint report of proceedings and Entergy Louisiana submitted a revised evaluation report reflecting a \$1.2 million annual increase in revenue with rates implemented with the first billing cycle of May 2017.

##### 2017 Rate Stabilization Plan Filing

In January 2018, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2017. The filing of the evaluation report for the test year 2017 reflected an earned return on common equity of 9.06%. This earned return is below the earnings sharing band of the rate stabilization plan and results in a rate increase of \$0.1 million. Due to the enactment in late-December 2017 of the Tax Cuts and Jobs Act, Entergy Louisiana did not have adequate time to reflect the effects of this tax legislation in the rate stabilization plan. In April 2018, Entergy Louisiana filed a supplemental evaluation report for the test year ended September 2017, reflecting the effects of the Tax Act, including a proposal to use the unprotected excess accumulated deferred income taxes to offset approximately \$1.4 million of storm restoration deferred operation and maintenance costs incurred by Entergy Louisiana in connection with the August 2016 flooding disaster in its gas service area. The supplemental filing reflects an earned return on common equity of 10.79%. As-filed rates from the supplemental filing were implemented, subject to refund, with customers receiving a cost reduction of approximately \$0.7 million effective with bills rendered on and after the first billing cycle of May 2018, as well as a \$0.2 million reduction in the gas infrastructure rider effective with bills rendered on and after the first billing cycle of July 2018. In October 2019 the LPSC staff issued its report finding that Entergy Louisiana's filing complied with the terms of the rate stabilization plan but recommending an additional refund of \$0.7 million related to the Tax Act. A procedural schedule has not been established.

##### 2018 Rate Stabilization Plan Filing

In January 2019, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2018. The filing of the evaluation report for the test year 2018 reflected an earned return on common equity of 2.69%. This earned return is below the earning sharing band of the gas rate stabilization plan and results in a rate increase of \$2.8 million. Entergy Louisiana made a compliance filing in April 2019 and rates were implemented during the first billing cycle of May 2019, subject to refund and final LPSC review. The proceeding is currently in its discovery phase.



## Gas Rate Stabilization Plan Extension Request

In August 2019, Entergy Louisiana submitted an application to the LPSC seeking extension of the gas rate stabilization plan for the 2019-2021 test years on the same terms as those approved for the 2018 test year. The LPSC established a procedural schedule to address this request with a hearing scheduled in May 2020. Entergy Louisiana and the LPSC staff recently submitted a joint stipulation that recommends approval of the requested extension with certain modifications to the current terms, including a 9.8% evaluation period cost rate for common equity and provisions for the return of the excess accumulated deferred income tax to customers on a dollar for dollar basis in a manner consistent with IRS normalization rules. The LPSC approved the joint stipulation in January 2020.

## 2019 Rate Stabilization Plan Filing

In January 2020, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2019. The filing of the evaluation report for the test year 2019 reflected an earned return on common equity of 10.78%. This earned return exceeds the earning sharing band of the gas rate stabilization plan leading to a rate reduction of approximately \$256 thousand.

## Filings with the MPSC (Entergy Mississippi)

### Formula Rate Plan Filings

In March 2017, Entergy Mississippi submitted its formula rate plan 2017 test year filing and 2016 look-back filing showing Entergy Mississippi's earned return for the historical 2016 calendar year and projected earned return for the 2017 calendar year to be within the formula rate plan bandwidth, resulting in no change in rates. In June 2017, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a stipulation that confirmed that Entergy Mississippi's earned returns for both the 2016 look-back filing and 2017 test year were within the respective formula rate plan bandwidths. In June 2017 the MPSC approved the stipulation, which resulted in no change in rates.

In March 2018, Entergy Mississippi submitted its formula rate plan 2018 test year filing and 2017 look-back filing showing Entergy Mississippi's earned return for the historical 2017 calendar year and projected earned return for the 2018 calendar year, in large part as a result of the lower federal corporate income tax rate effective in 2018, to be within the formula rate plan bandwidth, resulting in no change in rates. In June 2018, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a stipulation that confirmed that Entergy Mississippi's earned returns for both the 2017 look-back filing and 2018 test year were within the respective formula rate plan bandwidths. In June 2018 the MPSC approved the stipulation, which resulted in no change in rates. See "Regulatory activity regarding the Tax Cuts and Jobs Act" above for additional discussion regarding the treatment of the effects of the lower federal corporate income tax rate.

In October 2018, Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism in the formula rate plan, the interim capacity rate adjustment mechanism, to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the non-fuel annual ownership costs of the Choctaw Generating Station, as well as to allow similar cost recovery treatment for other future capacity acquisitions, such as the Sunflower Solar Facility, that are approved by the MPSC. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism, which Entergy Mississippi began billing in January 2020. The MPSC must approve recovery through the interim capacity rate adjustment for each new resource. In addition, the MPSC approved revisions to the formula rate plan which allows Entergy Mississippi to begin billing rate adjustments effective April 1 of the filing year on a temporary basis subject to refund or credit to customers, subject to final MPSC order. The MPSC also authorized Entergy Mississippi to remove vegetation management costs from the formula rate plan and recover these costs through the establishment of a vegetation management rider.

In March 2019, Entergy Mississippi submitted its formula rate plan 2019 test year filing and 2018 look-back filing showing Entergy Mississippi's earned return for the historical 2018 calendar year to be above the formula rate plan bandwidth and projected earned return for the 2019 calendar year to be below the formula rate plan bandwidth. The 2019 test year filing shows a \$36.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.94% return on rate base, within the formula rate plan bandwidth. The 2018 look-back filing compares actual 2018 results to the approved benchmark return on rate base and shows a \$10.1 million interim decrease in formula rate plan revenues is necessary. In the fourth quarter 2018, Entergy Mississippi recorded a provision of \$9.3 million that reflected the estimate of the difference between the 2018 expected earned rate of return on rate base and an established performance-adjusted benchmark rate of return under the formula rate plan performance-adjusted bandwidth mechanism. In the first quarter 2019, Entergy Mississippi recorded a \$0.8 million increase in the provision to reflect the amount shown in the look-back filing. In June 2019, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2019 test year filing showed that a \$32.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.93% return on rate base, within the formula rate plan bandwidth. Additionally, pursuant to the joint stipulation, Entergy Mississippi's 2018 look-back filing reflected an earned return on rate base of 7.81% in calendar year 2018 which is above the look-back benchmark return on rate base of 7.13%, resulting in an \$11 million decrease in formula rate plan revenues on an interim basis through May 2020. In the second quarter 2019, Entergy Mississippi recorded an additional \$0.9 million increase in the provision to reflect the \$11 million shown in the look-back filing. In June 2019 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2019.

#### Internal Restructuring

In March 2018, Entergy Mississippi filed an application with the MPSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Mississippi to a new entity, which would ultimately be held by an existing Entergy subsidiary holding company. In September 2018, Entergy Mississippi and the Mississippi Public Utilities Staff entered into and filed a joint stipulation regarding the restructuring filing. In September 2018 the MPSC issued an order accepting the stipulation in its entirety and approving the restructuring and credits of \$27 million to retail customers over six years, consisting of annual payments of \$4.5 million for the years 2019-2024. Entergy Mississippi also received the required FERC approval.

In November 2018, Entergy Mississippi undertook a multi-step restructuring, including the following:

- Entergy Mississippi, Inc. redeemed its outstanding preferred stock, at the aggregate redemption price of approximately \$21.2 million.
- Entergy Mississippi, Inc. converted from a Mississippi corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Mississippi, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Mississippi Power and Light, LLC, a Texas limited liability company (Entergy Mississippi Power and Light), and Entergy Mississippi Power and Light assumed substantially all of the liabilities of Entergy Mississippi, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Mississippi, Inc. remained in existence and held the membership interests in Entergy Mississippi Power and Light.
- Entergy Mississippi, Inc. contributed the membership interests in Entergy Mississippi Power and Light to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Mississippi Power and Light is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Mississippi, Inc. changed its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light then changed its name to Entergy Mississippi, LLC. Entergy Mississippi, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Mississippi, Inc. The restructuring was accounted for as a transaction between entities under common control.

In December 2018, Entergy Mississippi filed its notice of intent to implement the restructuring credit rider to allow Entergy Mississippi to return credits of \$27 million to retail customers over six years. In January 2019 the MPSC approved the proposed restructuring credit adjustment factor, which is effective for bills rendered beginning February 2019.

### **Filings with the City Council (Entergy New Orleans)**

#### Retail Rates

As a provision of the settlement agreement approved by the City Council in May 2015 providing for the transfer from Entergy Louisiana to Entergy New Orleans of certain assets that supported the provision of service to Entergy Louisiana's customers in Algiers, it was agreed that, with limited exceptions, no action may be taken with respect to Entergy New Orleans's base rates until rates are implemented from a base rate case that must be filed for its electric and gas operations in 2018. This provision eliminated the formula rate plan applicable to Algiers operations. The limited exceptions included continued implementation of the then-remaining two years of the four-year phased-in rate increase for the Algiers area and certain exceptional cost increases or decreases in the base revenue requirement. An additional provision of the settlement agreement allowed for continued recovery of the revenue requirement associated with the capacity and energy from Ninemile 6 received by Entergy New Orleans under a power purchase agreement with Entergy Louisiana (Algiers PPA). The settlement authorized Entergy New Orleans to recover the remaining revenue requirement related to the Algiers PPA through base rates charged to Algiers customers. The settlement also provided for continued implementation of the Algiers MISO recovery rider.

A 2008 rate case settlement included \$3.1 million per year in electric rates to fund the Energy Smart energy efficiency programs. The rate settlement provided an incentive for Entergy New Orleans to meet or exceed energy savings targets set by the City Council and provided a mechanism for Entergy New Orleans to recover lost contribution to fixed costs associated with the energy savings generated from the energy efficiency programs. In January 2015 the City Council approved funding for the Energy Smart program from April 2015 through March 2017 using the remainder of the approximately \$12.8 million of 2014 rough production cost equalization funds, with any remaining costs being recovered through the fuel adjustment clause. This funding methodology was modified in November 2015 when the City Council directed Entergy New Orleans to use a combination of guaranteed customer savings related to a prior agreement with the City Council and rough production cost equalization funds to cover program costs prior to recovering any costs through the fuel adjustment clause. In April 2017 the City Council approved an implementation plan for the Energy Smart program from April 2017 through December 2019. The City Council directed that the \$11.8 million balance reported for Energy Smart funds be used to continue funding the program for Entergy New Orleans's legacy customers and that the Energy Smart Algiers program continue to be funded through the Algiers fuel adjustment clause, until additional customer funding is required for the legacy customers. In September 2017, Entergy New Orleans filed a supplemental plan and proposed several options for an interim cost recovery mechanism necessary to recover program costs during the period between when existing funds directed to Energy Smart programs are depleted and when new rates from the 2018 combined rate case, which includes a cost recovery mechanism for Energy Smart funding, take effect. In December 2017 the City Council approved an energy efficiency cost recovery rider as an interim funding mechanism for Energy Smart, subject to verification that no additional funding sources exist. In June 2018 the City Council also approved a resolution recommending that Entergy New Orleans allocate approximately \$13.5 million of benefits resulting from the Tax Act to Energy Smart. In December 2019, Entergy New Orleans filed an application with the City Council seeking approval of an implementation plan for the Energy Smart program from April 2020 through December 2022. Entergy New Orleans proposed to recover the costs of the program through mechanisms previously approved by the City Council or through the energy efficiency cost recovery rider, which was approved in the 2018 combined rate case resolution. In January 2020 the City Council's advisors recommended that the City Council allow Entergy New Orleans to earn a utility performance incentive of 7% of Energy Smart costs for each year in which Entergy New Orleans achieves 100% of the City Council's savings targets for Energy Smart. The City Council is expected to decide on the matter in February 2020.

In September 2018, Entergy New Orleans filed an electric and gas base rate case with the City Council. The filing requested a 10.5% return on equity for electric operations with opportunity to earn a 10.75% return on equity through a performance adder provision of the electric formula rate plan in subsequent years under a formula rate plan and requested a 10.75% return on equity for gas operations. The proposed electric rates in the revised filing reflect a net reduction of \$20.3 million. The reduction in electric rates includes a base rate increase of \$135.2 million, of which \$131.5 million is associated with moving costs currently collected through fuel and other riders into base rates, plus a request for an advanced metering surcharge to recover \$7.1 million associated with advanced metering infrastructure, offset by a net decrease of \$31.1 million related to fuel and other riders. The filing also included a proposed gas rate decrease of \$142 thousand. Entergy New Orleans's rates reflected the inclusion of federal income tax reductions due to the Tax Act and the provisions of a previously-approved agreement in principle determining how the benefits of the Tax Act would flow. Entergy New Orleans included cost of service studies for electric and gas operations for the twelve months ended December 31, 2017 and the projected twelve months ending December 31, 2018. In addition, Entergy New Orleans included capital additions expected to be placed into service for the period through December 31, 2019. Entergy New Orleans based its request for a change in rates on the projected twelve months ending December 31, 2018.

The filing's major provisions included: (1) a new electric rate structure, which realigns the revenue requirement associated with capacity and long-term service agreement expense from certain existing riders to base revenue, provides for the recovery of the cost of advanced metering infrastructure, and partially blends rates for Entergy New Orleans's customers residing in Algiers with customers residing in the remainder of Orleans Parish through a three-year phase-in; (2) contemporaneous cost recovery riders for investments in energy efficiency/demand response, incremental changes in capacity/long-term service agreement costs, grid modernization investment, and gas infrastructure replacement investment; and (3) formula rate plans for both electric and gas operations. In February 2019 the City Council's advisors and several intervenors filed testimony in response to Entergy New Orleans's application. The City Council's advisors recommended, among other things, overall rate reductions of approximately \$33 million in electric rates and \$3.8 million in gas rates. Certain intervenors recommended overall rate reductions of up to approximately \$49 million in electric rates and \$5 million in gas rates. An evidentiary hearing was held in June 2019, and the record and post-hearing briefs were submitted in July 2019.

In October 2019 the City Council's Utility Committee approved a resolution for a change in electric and gas rates for consideration by the full City Council that included a 9.35% return on common equity, an equity ratio of the lesser of 50% or Entergy New Orleans's actual equity ratio, and a total reduction in revenues that Entergy New Orleans initially estimated to be approximately \$39 million (\$36 million electric; \$3 million gas). At its November 7, 2019 meeting, the full City Council approved the resolution that had previously been approved by the City Council's Utility Committee. Based on the approved resolution, in the fourth quarter 2019 Entergy New Orleans recorded an accrual of \$10 million that reflects the estimate of the revenue billed in 2019 to be refunded to customers in 2020 based on an August 2019 effective date for the rate decrease. Entergy New Orleans also recorded a total of \$12 million in regulatory assets for rate case costs and information technology costs associated with integrating Algiers customers with Entergy New Orleans's legacy system and records. Entergy New Orleans also transferred \$10 million of retired general plant costs to a regulatory asset to be recovered over a 20-year period.

The resolution directed Entergy New Orleans to submit a compliance filing within 30 days of the date of the resolution to facilitate the eventual implementation of rates, including all necessary calculations and conforming rate schedules and riders. The electric formula rate plan rider includes, among other things, 1) a provision for forward-looking adjustments to include known and measurable changes realized up to 12 months after the evaluation period; 2) a decoupling mechanism; and 3) recognition that Entergy New Orleans is authorized to make an in-service adjustment to the formula rate plan to include the non-fuel cost of the New Orleans Power Station in rates, unless the two pending appeals in the New Orleans Power Station proceeding have not concluded. Under this circumstance, Entergy New Orleans shall be permitted to defer the New Orleans Power Station non-fuel costs, including the cost of capital, until Entergy New Orleans commences non-fuel cost recovery. After taking into account the requirements for submission of the compliance filing, the total annual revenue requirement reduction required by the resolution was refined to approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; \$3 million gas). In January

2020 the City Council's advisors found that the rates calculated by Entergy New Orleans and reflected in the December 2019 compliance filing should be implemented, except with respect to the City Council-approved energy efficiency cost recovery rider, which rider calculation should take into account events to be determined by the City Council in the future. Also in response to the resolution, Entergy New Orleans filed timely a petition for appeal and judicial review and for stay of or injunctive relief alleging that the resolution is unlawful in failing to produce just and reasonable rates. Based on the general acceptance of Entergy New Orleans's compliance filing, however, during the pendency of its appeal Entergy New Orleans expects to implement the compliance filing rates in April 2020. A hearing on the requested injunction was scheduled in Civil District Court for February 2020, but by joint motion of the City Council and Entergy New Orleans, the Civil District Court issued an order for a limited remand to the City Council to consider a potential agreement in principle/stipulation at its February 20, 2020 meeting. On February 17, 2020, Entergy New Orleans filed with the City Council an agreement in principle between Entergy New Orleans and the City Council's advisors. On February 20, 2020, the full City Council voted to approve the proposed agreement in principle and issued a resolution modifying the required treatment of certain accumulated deferred income taxes. As a result of the agreement in principle, the total annual revenue requirement reduction will be approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; and \$3 million gas). As a result, Entergy New Orleans will fully implement new rates by April 2020. The merits of the appeal will be subject to a separate procedural schedule issued by the Civil District Court.

#### Internal Restructuring

In July 2016, Entergy New Orleans filed an application with the City Council seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy New Orleans, Inc. to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. In May 2017 the City Council adopted a resolution approving the proposed internal restructuring pursuant to an agreement in principle with the City Council advisors and certain intervenors. Pursuant to the agreement in principle, Entergy New Orleans would credit retail customers \$10 million in 2017, \$1.4 million in the first quarter of the year after the transaction closes, and \$117,500 each month in the second year after the transaction closes until such time as new base rates go into effect as a result of the then-anticipated 2018 base rate case (which has subsequently been filed). Entergy New Orleans began crediting retail customers in June 2017. In June 2017 the FERC approved the transaction and, pursuant to the agreement in principle, Entergy New Orleans will provide additional credits to retail customers of \$5 million in each of the years 2018, 2019, and 2020.

In November 2017, Entergy New Orleans undertook a multi-step restructuring, including the following:

- Entergy New Orleans, Inc. redeemed its outstanding preferred stock at a price of approximately \$21 million, which included a call premium of approximately \$819,000, plus any accumulated and unpaid dividends.
- Entergy New Orleans, Inc. converted from a Louisiana corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy New Orleans, Inc. allocated substantially all of its assets to a new subsidiary, Entergy New Orleans Power, LLC, a Texas limited liability company (Entergy New Orleans Power), and Entergy New Orleans Power assumed substantially all of the liabilities of Entergy New Orleans, Inc., in a transaction regarded as a merger under the TXBOC. Entergy New Orleans, Inc. remained in existence and held the membership interests in Entergy New Orleans Power.
- Entergy New Orleans, Inc. contributed the membership interests in Entergy New Orleans Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy New Orleans Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2017, Entergy New Orleans, Inc. changed its name to Entergy Utility Group, Inc., and Entergy New Orleans Power then changed its name to Entergy New Orleans, LLC. Entergy New Orleans, LLC holds substantially all of the assets, and has assumed substantially all of the liabilities, of Entergy New Orleans, Inc. The restructuring was accounted for as a transaction between entities under common control.

## **Filings with the PUCT and Texas Cities (Entergy Texas)**

### Retail Rates

#### 2018 Base Rate Case

In May 2018, Entergy Texas filed a base rate case with the PUCT seeking an increase in base rates and rider rates of approximately \$166 million, of which \$48 million is associated with moving costs currently being collected through riders into base rates such that the total incremental revenue requirement increase is approximately \$118 million. The base rate case was based on a 12-month test year ending December 31, 2017. In addition, Entergy Texas included capital additions placed into service for the period of April 1, 2013 through December 31, 2017, as well as a post-test year adjustment to include capital additions placed in service by June 30, 2018.

In October 2018 the parties filed an unopposed settlement resolving all issues in the proceeding and a motion for interim rates effective for usage on and after October 17, 2018. The unopposed settlement reflects the following terms: a base rate increase of \$53.2 million (net of costs realigned from riders and including updated depreciation rates), a \$25 million refund to reflect the lower federal income tax rate applicable to Entergy Texas from January 25, 2018 through the date new rates are implemented, \$6 million of capitalized skylining tree hazard costs will not be recovered from customers, \$242.5 million of protected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and \$185.2 million of unprotected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider will include carrying charges and will be in effect over a period of 12 months for large customers and over a period of four years for other customers. The settlement also provides for the deferral of \$24.5 million of costs associated with the remaining book value of the Neches and Sabine 2 plants, previously taken out of service, to be recovered over a ten-year period and the deferral of \$20.5 million of costs associated with Hurricane Harvey to be recovered over a 12-year period, each beginning in October 2018. The settlement provides final resolution of all issues in the matter, including those related to the Tax Act. In October 2018 the ALJ granted the unopposed motion for interim rates to be effective for service rendered on or after October 17, 2018. In December 2018 the PUCT issued an order approving the unopposed settlement.

In January 2019, Entergy Texas filed for recovery of rate case expenses totaling \$7.2 million. The amounts requested primarily include internal and external expenses related to litigating the 2018 base rate case. Parties filed testimony in April 2019 recommending a disallowance ranging from \$3.2 million to \$4.2 million of the \$7.2 million requested. In May 2019, Entergy Texas filed rebuttal testimony responding to the parties' positions. In September 2019 an order was issued abating the procedural schedule and scheduled hearing to allow the finalization of a settlement in principle reached among the parties. The settlement provides for a black box disallowance of \$1.4 million. In the third quarter 2019, Entergy Texas recorded a provision for the 2018 base rate case expenses based on the settlement in principle. In October 2019 the settlement was filed for review by the PUCT. In February 2020 the PUCT approved the settlement.

#### Distribution Cost Recovery Factor (DCRF) Rider

In June 2017, Entergy Texas filed an application to amend its DCRF rider by increasing the total collection from \$8.65 million to approximately \$19 million. In July 2017, Entergy Texas, the PUCT staff, and the two other parties in the proceeding entered into an unopposed stipulation and settlement agreement resulting in an amended DCRF annual revenue requirement of \$18.3 million. In September 2017 the PUCT issued its final order approving the unopposed stipulation and settlement agreement. The amended DCRF rider rates became effective for usage on and after September 1, 2017. DCRF rates were set to zero upon implementation of new base rates on October 17, 2018, as described above in the discussion of the 2018 base rate case.

In March 2019, Entergy Texas filed with the PUCT a request to set a new DCRF rider. The proposed new DCRF rider is designed to collect approximately \$3.2 million annually from Entergy Texas's retail customers based on its capital invested in distribution between January 1, 2018 and December 31, 2018. In September 2019 the PUCT issued an order approving rates, which had been effective on an interim basis since June 2019, at the level proposed in Entergy Texas's application.

#### Transmission Cost Recovery Factor (TCRF) Rider

In September 2016, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed amended TCRF rider was designed to collect approximately \$29.5 million annually from Entergy Texas's retail customers. In December 2016, concurrent with the 2016 fuel reconciliation stipulation and settlement agreement discussed above, Entergy Texas and the PUCT staff reached a settlement agreeing to the amended TCRF annual revenue requirement of \$29.5 million. As discussed above, the terms of the two settlements are interdependent. The PUCT approved the settlement and issued a final order in March 2017. Entergy Texas implemented the amended TCRF rider beginning with bills covering usage on and after March 20, 2017. TCRF rates were set to zero upon implementation of new base rates on October 17, 2018, as described above in the 2018 base rate case discussion.

In December 2018, Entergy Texas filed with the PUCT a request to set a new TCRF rider. The proposed new TCRF rider is designed to collect approximately \$2.7 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and September 30, 2018. In April 2019 parties filed testimony proposing a load growth adjustment, which would fully offset Entergy Texas's proposed TCRF revenue requirement. In July 2019 the PUCT granted Entergy Texas's application as filed to begin recovery of the requested \$2.7 million annual revenue requirement, rejecting opposing parties' proposed adjustment; however, the PUCT found that the question of prudence of the actual investment costs should be determined in Entergy Texas's next rate case similar to the procedure used for the costs recovered through the DCRF rider. In October 2019 the PUCT issued an order on a motion for rehearing, clarifying and affirming its prior order granting Entergy Texas's application as filed. Also in October 2019 a second motion for rehearing was filed, and Entergy Texas filed a response in opposition to the motion. The second motion for rehearing was overruled by operation of law. In December 2019, Texas Industrial Energy Consumers filed an appeal to the PUCT order in district court alleging that the PUCT erred in declining to apply a load growth adjustment.

In August 2019, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed new TCRF rider is designed to collect approximately \$19.4 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and June 30, 2019, which is \$16.7 million in incremental annual revenue above the \$2.7 million approved in the prior pending TCRF proceeding. In November 2019, Entergy Texas filed an unopposed stipulation and settlement agreement providing for recovery of the requested revenue requirement. In January 2020 the PUCT issued an order approving the unopposed settlement.

#### **Advanced Metering Infrastructure (AMI) Filings**

##### **Entergy Arkansas**

In September 2016, Entergy Arkansas filed an application seeking a finding from the APSC that Entergy Arkansas's deployment of AMI is in the public interest. Entergy Arkansas proposed to replace existing meters with advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Arkansas's modernized power grid. The filing included an estimate of implementation costs for AMI of \$208 million and identified a number of quantified and unquantified benefits. Entergy Arkansas proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which began in January 2019. Deployment of the communications network began in 2018. In October 2017 the APSC issued an order finding that Entergy Arkansas's AMI deployment is in the public interest and approving the settlement agreement subject to a minor modification. Entergy Arkansas is recovering the AMI deployment costs and the quantified benefits through its formula rate plan. Entergy Arkansas will

recover the undepreciated balance of its existing meters through a regulatory asset to be amortized over 15 years, as approved by the APSC.

### **Entergy Louisiana**

In November 2016, Entergy Louisiana filed an application seeking a finding from the LPSC that Entergy Louisiana's deployment of advanced electric and gas metering infrastructure is in the public interest. Entergy Louisiana proposed to deploy advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Louisiana's modernized power grid. The filing included an estimate of implementation costs for AMI of \$330 million and identified a number of quantified and unquantified benefits. Entergy Louisiana proposed a 15-year useful life for the new advanced meters, the three-year deployment of which began in 2019. Deployment of the communications network began in 2018. Entergy Louisiana proposed to recover the cost of AMI through the implementation of a customer charge, net of certain benefits, phased in over the period 2019 through 2022. The parties reached an uncontested stipulation permitting implementation of Entergy Louisiana's proposed AMI system, with modifications to the proposed customer charge. In July 2017 the LPSC approved the stipulation. Entergy Louisiana will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized at current depreciation rates, as approved by the LPSC.

### **Entergy Mississippi**

In November 2016, Entergy Mississippi filed an application seeking an order from the MPSC granting a certificate of public convenience and necessity and finding that Entergy Mississippi's deployment of AMI is in the public interest. Entergy Mississippi proposed to replace existing meters with advanced meters that enable two-way data communication; to design and build a secure and reliable network to support such communications; and to implement support systems. AMI is intended to serve as the foundation of Entergy Mississippi's modernized power grid. The filing included an estimate of implementation costs for AMI of \$132 million and identified a number of quantified and unquantified benefits. Entergy Mississippi proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which began in 2019. Deployment of the communications network began in 2018. Entergy Mississippi proposed to include the AMI deployment costs and the quantified benefits in existing rate mechanisms, primarily through future formula rate plan filings and/or future energy cost recovery rider schedule re-determinations, as applicable. In May 2017 the Mississippi Public Utilities Staff and Entergy Mississippi entered into and filed a joint stipulation supporting Entergy Mississippi's filing, and the MPSC issued an order approving the filing without material changes, finding that Entergy Mississippi's deployment of AMI is in the public interest and granting a certificate of public convenience and necessity. The MPSC order also confirmed that Entergy Mississippi shall continue to include in rate base the remaining book value of existing meters that will be retired as part of the AMI deployment and also to depreciate those assets using current depreciation rates. In June 2018, as part of the order approving the joint stipulation between the Mississippi Public Utilities Staff and Entergy Mississippi addressing Entergy Mississippi's 2018 formula rate plan evaluation report and the ratemaking effects of the Tax Act, the MPSC approved the acceleration of the recovery of substantially all of Entergy Mississippi's existing customer meters in anticipation of AMI deployment.

### **Entergy New Orleans**

In October 2016, Entergy New Orleans filed an application seeking a finding from the City Council that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. Entergy New Orleans proposed to deploy advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy New Orleans's modernized power grid. The filing included an estimate of implementation costs for AMI of \$75 million and identified a number of quantified and unquantified benefits. Entergy New Orleans proposed a 15-year depreciable life for the new advanced meters. Deployment of the information technology infrastructure began in 2017 and deployment of the communications network began in 2018. Entergy New Orleans proposed to



recover the cost of AMI through the implementation of a customer charge, net of certain benefits, phased in over the period 2019 through 2022. The City Council's advisors filed testimony in May 2017 recommending the adoption of AMI subject to certain modifications, including the denial of Entergy New Orleans's proposed customer charge as a cost recovery mechanism. In January 2018 a settlement was reached between the City Council's advisors and Entergy New Orleans. In February 2018 the City Council approved the settlement, which deferred cost recovery to the 2018 Entergy New Orleans rate case, but also stated that an adjustment for 2018-2019 AMI costs can be filed in the rate case and that, for all subsequent AMI costs, the mechanism to be approved in the 2018 rate case will allow for the timely recovery of such costs. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to explore the options for accelerating the deployment of AMI. In June 2018 the City Council approved a one-year acceleration of AMI in its service area for an incremental \$4.4 million. Entergy New Orleans began deployment of AMI during the first quarter of 2019 and expects to complete deployment by the end of 2020. Entergy New Orleans will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized on a straight-line basis over 12 years, as approved by the City Council.

### **Entergy Texas**

In April 2017 the Texas legislature enacted legislation that extends statutory support for AMI deployment to Entergy Texas and directs that if Entergy Texas elects to deploy AMI, it shall do so as rapidly as practicable. In July 2017, Entergy Texas filed an application seeking an order from the PUCT approving Entergy Texas's deployment of AMI. Entergy Texas proposed to replace existing meters with advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Texas's modernized power grid. The filing included an estimate of implementation costs for AMI of \$132 million and identified a number of quantified and unquantified benefits. Entergy Texas proposed a seven-year depreciable life for the new advanced meters. Entergy Texas also proposed a surcharge tariff to recover the reasonable and necessary costs it has and will incur under the deployment plan for the full deployment of advanced meters. Further, Entergy Texas sought approval of fees that would be charged to customers who choose to opt out of receiving service through an advanced meter and instead receive electric service with a non-standard meter. In October 2017, Entergy Texas and other parties entered into and filed an unopposed stipulation and settlement agreement permitting deployment of AMI with limited modifications. The PUCT approved the stipulation and settlement agreement in December 2017. Entergy Texas implemented the AMI surcharge tariff beginning with January 2018 bills. As of December 31, 2019, Entergy Texas has a regulatory liability related to the collection of the surcharge from customers. Consistent with the approval, deployment of the communications network began in 2018 and the three-year deployment of the advanced meters began in 2019. Entergy Texas will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized at current depreciation rates, as approved by the PUCT.

### **System Agreement Cost Equalization Proceedings**

Prior to final termination of the System Agreement in 2016, the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of that agreement. Entergy Arkansas terminated participation in the System Agreement in December 2013. Entergy Mississippi terminated participation in the System Agreement in November 2015. The System Agreement terminated with respect to the remaining participants in August 2016.

Although the System Agreement has terminated, certain of the Utility operating companies' retail regulators continue to pursue litigation involving the System Agreement at the FERC and in federal courts. The proceedings include challenges to the allocation of costs as defined by the System Agreement and to other matters.

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

- The FERC's conclusion that the System Agreement no longer roughly equalized total production costs among the Utility operating companies.
- In order to reach rough production cost equalization, the FERC imposed a bandwidth remedy by which each company's total annual production costs would have to be within +/- 11% of Entergy System average total annual production costs.
- The remedy ordered by the FERC in 2005 required no refunds and became effective based on calendar year 2006 production costs with the first reallocation payments made in 2007.

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

The LPSC, APSC, MPSC, and the Arkansas Electric Energy Consumers appealed the FERC's December 2005 decision to the United States Court of Appeals for the D.C. Circuit. Entergy and the City of New Orleans intervened in the various appeals. The D.C. Circuit issued its decision in April 2008. The D.C. Circuit concluded that the FERC's orders had failed to adequately explain both its conclusion that it was prohibited from ordering refunds for the 20-month period from September 13, 2001 - May 2, 2003 and its determination to implement the bandwidth remedy commencing on January 1, 2006, rather than June 1, 2005. The D.C. Circuit remanded the case to the FERC for further proceedings on those two issues.

In October 2011 the FERC issued an order addressing the D.C. Circuit remand on the two issues. On the first issue, the FERC concluded that it did have the authority to order refunds, but decided that it would exercise its equitable discretion and not require refunds for the 20-month period from September 13, 2001 - May 2, 2003. Because the ruling on refunds relied on findings in a separate FERC proceeding, the FERC concluded that this refund ruling would be held in abeyance pending the outcome of the rehearing requests in the other proceeding. On the second issue, the FERC reversed its prior decision and ordered that the prospective bandwidth remedy begin on June 1, 2005 (the date of its initial order in the proceeding) rather than January 1, 2006, as it had previously ordered. Pursuant to the October 2011 order, Entergy was required to calculate bandwidth payments for the period June - December 2005 utilizing the bandwidth formula tariff prescribed by the FERC that was filed in a December 2006 compliance filing and accepted by the FERC in an April 2007 order.

In December 2011, Entergy filed with the FERC its compliance filing that provided the payments and receipts among the Utility operating companies pursuant to the FERC's October 2011 order. The APSC, the LPSC, the PUCT, and other parties intervened in the December 2011 compliance filing proceeding, and the APSC and the LPSC also filed protests. The filing showed the following payments/receipts among the Utility operating companies:

	<b>Payments (Receipts)</b>
	(In Millions)
Entergy Arkansas	\$156
Entergy Louisiana	(\$75)
Entergy Mississippi	(\$33)
Entergy New Orleans	(\$5)
Entergy Texas	(\$43)

Entergy Arkansas made its payment in January 2012. In February 2012, Entergy Arkansas filed for an interim adjustment to its production cost allocation rider requesting that the \$156 million be collected from customers over the 22-month period from March 2012 through December 2013. In March 2012 the APSC issued an order stating that

the payment can be recovered from retail customers through the production cost allocation rider, subject to refund. The LPSC and the APSC requested rehearing of the FERC's October 2011 order.

In February 2014 the FERC issued a rehearing order addressing its October 2011 order. The FERC denied the LPSC's request for rehearing on the issues of whether the bandwidth remedy should be made effective earlier than June 1, 2005, and whether refunds should be ordered for the 20-month refund effective period. The FERC granted the LPSC's rehearing request on the issue of interest on the bandwidth payments/receipts for the June - December 2005 period, requiring that interest be accrued from June 1, 2006 until the date those bandwidth payments/receipts are made. Also in February 2014 the FERC issued an order rejecting the December 2011 compliance filing that calculated the bandwidth payments/receipts for the June - December 2005 period. The FERC order required a new compliance filing that calculates the bandwidth payments/receipts for the June - December 2005 period based on monthly data for the seven individual months including interest pursuant to the February 2014 rehearing order. Entergy sought rehearing of the February 2014 order with respect to the FERC's determinations regarding interest. In April 2014 the LPSC filed a petition for review of the FERC's October 2011 and February 2014 orders with the U.S. Court of Appeals for the D.C. Circuit. In August 2017 the D.C. Circuit issued a decision denying the LPSC's appeal of the FERC's October 2011 and February 2014 orders. On the issue of the FERC's implementation of the prospective remedy as of June 2005 and whether the bandwidth remedy should be extended for an additional 17 months in years 2004-2005, the D.C. Circuit affirmed the FERC's implementation of the remedy and denied the LPSC's appeal. On the issue of whether the operating companies should be required to issue refunds for the 20-month period from September 2001 to May 2003, the D.C. Circuit granted the FERC's request for agency reconsideration and remanded that issue back to the FERC for further proceedings as requested by all parties to the appeal. In response to the D.C. Circuit's remand, various parties filed briefs with the FERC addressing whether the FERC should require the Utility operating companies to issue refunds for the 20-month refund period from September 2001 to May 2003. The LPSC argued in favor of such remands and Entergy has opposed the LPSC's request. In an order issued in November 2019, the FERC ruled that refunds are not appropriate for the 20-month refund period.

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

	<b>Payments (Receipts)</b>
	(In Millions)
Entergy Arkansas	\$68
Entergy Louisiana	(\$10)
Entergy Mississippi	(\$11)
Entergy New Orleans	\$2
Entergy Texas	(\$49)

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

The hearing on the bandwidth calculation for the seven months June 1, 2005 through December 31, 2005 occurred in July 2016. The presiding judge issued an initial decision in November 2016. In the initial decision, the presiding judge agreed with the Utility operating companies' position that: (1) interest on the bandwidth payments for the 2005 test period should be accrued from June 1, 2006 until the date that the bandwidth payments for that calculation are paid, which is consistent with how the Utility operating companies performed the calculation; and (2) a portion of Entergy Louisiana's 2001-vintage Louisiana state net operating loss accumulated deferred income tax that results from the Vidalia tax deduction should be excluded from the 2005 test period bandwidth calculation. Various participants filed briefs on exceptions or briefs opposing exceptions, or both, related to the initial decision, including the LPSC, the APSC, the FERC trial staff, and Entergy Services. In May 2018 the FERC issued an order affirming the initial decision and ordered a comprehensive recalculation of the bandwidth payments/receipts for the seven months June 1,

2005 through December 31, 2005 and a recalculation of the 2006 and 2007 test years as a result of limited revisions. Entergy filed the comprehensive recalculation of the bandwidth payments/receipts for the seven months June 1, 2005 through December 31, 2005 and the 2006 and 2007 test years in July 2018. The filing shows the additional following payments and receipts among the Utility operating companies:

	<b>Payments (Receipts)</b>
	(In Millions)
Entergy Arkansas	(\$4)
Entergy Louisiana	(\$23)
Entergy Mississippi	\$16
Entergy New Orleans	\$5
Entergy Texas	\$6

These payments were made in July 2018. In May 2019, the FERC accepted the July 2018 compliance filing, and the LPSC sought rehearing of that decision in June 2019. In December 2019 the FERC denied the LPSC’s request for rehearing, and the LPSC appealed the FERC’s prior orders to the D.C. Circuit in January 2020.

In the course of these proceedings the FERC rejected the APSC’s protest that Entergy Arkansas should not be subject to the 2014 compliance filing because Entergy Arkansas would be making the payments during a period following its exit from the System Agreement. In January 2018 the D.C. Circuit affirmed the FERC decision that Entergy Arkansas was subject to the compliance filing.

**Rough Production Cost Equalization Rates**

Each May from 2007 through 2016 Entergy filed with the FERC the rates to implement the FERC’s orders in the System Agreement proceeding. These filings showed the following payments/receipts among the Utility operating companies were necessary to achieve rough production cost equalization as defined by the FERC’s orders:

	<b>Payments (Receipts)</b>							
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	(In Millions)							
Entergy Arkansas	\$278	\$252	\$390	\$47	\$77	\$41	\$—	\$—
Entergy Louisiana	(\$203)	(\$160)	(\$247)	(\$25)	(\$12)	(\$41)	\$—	\$—
Entergy Mississippi	(\$34)	(\$20)	(\$24)	(\$21)	(\$40)	\$—	\$—	\$—
Entergy New Orleans	\$—	(\$7)	\$—	(\$1)	(\$25)	\$—	(\$15)	(\$15)
Entergy Texas	(\$41)	(\$65)	(\$119)	\$—	\$—	\$—	\$15	\$15

The Utility operating companies recorded accounts payable or accounts receivable to reflect the rough production cost equalization payments and receipts required to implement the FERC’s remedy. When accounts payable were recorded, a corresponding regulatory asset was recorded for the right to collect the payments from customers. When accounts receivable were recorded, a corresponding regulatory liability was recorded for the obligations to pass the receipts on to customers. No payments were required in 2016 or 2015 to implement the FERC’s remedy based on calendar year 2015 production costs and 2014 production costs, respectively. The System Agreement terminated in August 2016.

The APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas. Entergy Texas recovered its 2013 rough production cost equalization payment over three years beginning April 2014. Entergy Texas included its 2014 rough production cost equalization payment as a component of an interim fuel refund made in 2014. Management believes that any changes in the allocation of production costs resulting from the FERC’s decision and related retail proceedings should result in similar rate changes for retail customers, subject to specific circumstances that have caused trapped costs.

The following rough production cost equalization rate proceedings are still ongoing.

2011 Rate Filing Based on Calendar Year 2010 Production Costs

In May 2011, Entergy filed with the FERC the 2011 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. In July 2011 the FERC accepted Entergy's proposed rates for filing, effective June 1, 2011, subject to refund. After an abeyance of the proceeding schedule, in December 2014 the FERC consolidated the 2011 rate filing with the 2012, 2013, and 2014 rate filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

2012 Rate Filing Based on Calendar Year 2011 Production Costs

In May 2012, Entergy filed with the FERC the 2012 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. In August 2012 the FERC accepted Entergy's proposed rates for filing, effective June 2012, subject to refund. After an abeyance of the proceeding schedule, in December 2014 the FERC consolidated the 2012 rate filing with the 2011, 2013, and 2014 rate filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

2013 Rate Filing Based on Calendar Year 2012 Production Costs

In May 2013, Entergy filed with the FERC the 2013 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. The City Council intervened and filed comments related to including the outcome of a related FERC proceeding in the 2013 cost equalization calculation. In August 2013 the FERC issued an order accepting the 2013 rates, effective June 1, 2013, subject to refund. After an abeyance of the proceeding schedule, in December 2014 the FERC consolidated the 2013 rate filing with the 2011, 2012, and 2014 rate filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

2014 Rate Filing Based on Calendar Year 2013 Production Costs

In May 2014, Entergy filed with the FERC the 2014 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. The City Council intervened and filed comments. In December 2014 the FERC issued an order accepting the 2014 rates, effective June 1, 2014, subject to refund, set the proceeding for hearing procedures, and consolidated the 2014 rate filing with the 2011, 2012, and 2013 rate filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

Consolidated 2011, 2012, 2013, and 2014 Rate Filing Proceedings

As discussed above, in December 2014 the FERC consolidated the 2011, 2012, 2013, and 2014 rate filings for settlement and hearing procedures. In May 2015, Entergy filed direct testimony in the consolidated rate filings and the LPSC filed direct testimony concerning its complaint proceeding that is consolidated with the rate filings, challenging certain components of the pending bandwidth calculations for prior years. Hearings occurred in November 2015, and the ALJ issued an initial decision in July 2016. In the initial decision, the ALJ generally agreed with Entergy's bandwidth calculations with one exception on the accounting related to the Waterford 3 sale/leaseback. In March 2018 the FERC issued an order affirming the initial decision. In April 2018 the LPSC requested rehearing of the FERC's March 2018 order affirming the ALJ's initial decision. Entergy filed in May 2018 the bandwidth true-up payments and receipts for the 2011-2014 rate filings (table does not net to zero due to rounding):

	<b>Payments (Receipts)</b>
	(In Millions)
Entergy Arkansas	\$3
Entergy Louisiana	\$3
Entergy Mississippi	(\$1)
Entergy New Orleans	\$1
Entergy Texas	(\$5)

These payments were made in May 2018. The LPSC request for rehearing is pending.

### **Entergy Arkansas Opportunity Sales Proceeding**

In June 2009 the LPSC filed a complaint requesting 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 allocated 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 prohibited sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC’s complaint challenged sales made beginning in 2002 and requested refunds. In July 2009 the Utility operating companies filed a response to the complaint arguing among other things that the System Agreement contemplates that the Utility operating companies may make sales to third parties for their own account, subject to the requirement that those sales be included in the load (or load shape) for the applicable Utility operating company. The FERC subsequently ordered a hearing in the proceeding.

After a hearing, the ALJ issued an initial decision in December 2010. The ALJ found that the System Agreement allowed for Entergy Arkansas to make the sales to third parties but concluded that the sales should be accounted for in the same manner as joint account sales. The ALJ concluded that “shareholders” should make refunds of the damages to the Utility operating companies, along with interest. Entergy disagreed with several aspects of the ALJ’s initial decision and in January 2011 filed with the FERC exceptions to the decision.

The FERC issued a decision in June 2012 and held that, while the System Agreement is ambiguous, it does provide authority for individual Utility operating companies to make opportunity sales for their own account and Entergy Arkansas made and priced these sales in good faith. The FERC found, however, that the System Agreement does not provide authority for an individual Utility operating company to allocate the energy associated with such opportunity sales as part of its load but provides a different allocation authority. The FERC further found that the after-the-fact accounting methodology used to allocate the energy used to supply the sales was inconsistent with the System Agreement. The FERC in its decision established further hearing procedures to quantify the effect of repricing the opportunity sales in accordance with the FERC’s June 2012 decision. The hearing was held in May 2013 and the ALJ issued an initial decision in August 2013. The LPSC, the APSC, the City Council, and FERC staff filed briefs on exceptions and/or briefs opposing exceptions. Entergy filed a brief on exceptions requesting that the FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

In April 2016 the FERC issued orders addressing requests for rehearing filed in July 2012 and the ALJ’s August 2013 initial decision. The first order denied Entergy’s request for rehearing and affirmed the 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 August 2013 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 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.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order arguing that payments made by Entergy Arkansas should be reduced as a result of the timing of the LPSC's approval of certain contracts. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. In September 2017 the FERC issued an order denying the request for rehearing on the issue of whether any payments by Entergy Arkansas to the other Utility operating companies should be reduced due to the timing of the LPSC's approval of Entergy Arkansas's wholesale baseload contract with Entergy Louisiana. In November 2017 the FERC issued an order denying all of the remaining requests for rehearing of the April 2016 order. In November 2017, Entergy Services filed a petition for review in the D.C. Circuit of the FERC's orders in the first two phases of the opportunity sales case. In December 2017 the D.C. Circuit granted Entergy Services' request to hold the appeal in abeyance pending final resolution of the related proceeding before the FERC. In January 2018 the APSC and the LPSC filed separate petitions for review in the D.C. Circuit, and the D.C. Circuit consolidated the appeals with Entergy Services' appeal and held all of the appeals in abeyance pending final resolution of the related proceeding before the FERC.

The hearing required by the FERC's April 2016 order was held in May 2017. In July 2017 the ALJ issued an initial decision addressing whether a cap on any reduction due to bandwidth payments was necessary and whether to implement the other adjustments to the calculation methodology. In August 2017 the Utility operating companies, the LPSC, the APSC, and FERC staff filed individual briefs on exceptions challenging various aspects of the initial decision. In September 2017 the Utility operating companies, the LPSC, the APSC, the MPSC, the City Council, and FERC staff filed separate briefs opposing exceptions taken by various parties.

Based on testimony previously submitted in the case and its assessment of the April 2016 FERC orders, in the first quarter 2016, Entergy Arkansas recorded a liability of \$87 million, which included interest, for its estimated increased costs and payment to the other Utility operating companies, and a deferred fuel regulatory asset of \$75 million. Following its assessment of the course of the proceedings, including the FERC's denial of rehearing in November 2017 described above, in the fourth quarter 2017, Entergy Arkansas recorded an additional liability of \$35 million and a regulatory asset of \$31 million.

In October 2018 the FERC issued an order addressing the ALJ's July 2017 initial decision. The FERC reversed the ALJ's decision to cap the reduction in Entergy Arkansas's payment to account for the increased bandwidth payments that Entergy Arkansas made to the other operating companies. The FERC also reversed the ALJ's decision that Grand Gulf sales from January through September 2000 should be included in the calculation of Entergy Arkansas's payment. The FERC affirmed on other grounds the ALJ's rejection of the LPSC's claim that certain joint account sales should be accounted for as part of the calculation of Entergy Arkansas's payment. In November 2018 the LPSC requested rehearing of the FERC's October 2018 decision. In December 2019 the FERC denied the LPSC's request for rehearing.

In December 2018, Entergy made a compliance filing in response to the FERC's October 2018 order. The compliance filing provided a final calculation of Entergy Arkansas's payments to the other Utility operating companies, including interest. No protests were filed in response to the December 2018 compliance filing. The December 2018 compliance filing is pending FERC action. Refunds and interest in the following amounts were paid by Entergy Arkansas to the other operating companies in December 2018:

**Total refunds including interest  
Payment/(Receipt)**

	(In Millions)		
	Principal	Interest	Total
Entergy Arkansas	\$68	\$67	\$135
Entergy Louisiana	(\$30)	(\$29)	(\$59)
Entergy Mississippi	(\$18)	(\$18)	(\$36)
Entergy New Orleans	(\$3)	(\$4)	(\$7)
Entergy Texas	(\$17)	(\$16)	(\$33)

Entergy Arkansas previously recognized a regulatory asset with a balance of \$116 million as of December 31, 2018 for a portion of the payments due as a result of this proceeding.

In February 2019 the LPSC filed a new complaint relating to two issues that were raised in the opportunity sales proceeding, but that, in its October 2018 order, the FERC held were outside the scope of the proceeding. In March 2019, Entergy Services filed an answer and motion to dismiss the new complaint. In November 2019 the FERC issued an order denying the LPSC's complaint. The order concluded that the settlement agreement approved by FERC in December 2015 terminating the System Agreement barred the LPSC's new complaint.

In May 2019, Entergy Arkansas filed an application and supporting testimony with the APSC requesting approval of a special rider tariff to recover the costs of these payments from its retail customers over a 24-month period. The application requested that the APSC approve the rider to take effect within 30 days or, if suspended by the APSC as allowed by commission rule, approve the rider to take effect in the first billing cycle of the first month occurring 30 days after issuance of the APSC's order approving the rider. In June 2019 the APSC suspended Entergy Arkansas's tariff and granted Entergy Arkansas's motion asking the APSC to establish the proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC's October 2018 order and related FERC orders in the opportunity sales proceeding. In January 2020 the APSC adopted a procedural schedule with a hearing in April 2020. In January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed a joint motion seeking to dismiss Entergy Arkansas's application alleging that the APSC, in a prior proceeding, ruled on the issues addressed in the application and determined that Entergy Arkansas's requested relief violates the filed rate doctrine and the prohibition against retroactive ratemaking. Entergy Arkansas responded to the joint motion in February 2020 rebutting these arguments, including demonstrating that the claims in this proceeding differ substantially from those the APSC addressed previously and that the payment resulting from a FERC tariff violation for which Entergy Arkansas seeks retail cost recovery in this proceeding differs materially from the refunds resulting from a FERC tariff amendment that the APSC previously rejected on filed rate doctrine and the retroactive ratemaking grounds. In addition, in January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed testimony opposing the recovery by Entergy Arkansas of the opportunity sales payment but also claiming that certain components of the payment should be segregated and refunded to customers.

**Complaints Against System Energy****Return on Equity and Capital Structure Complaints**

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%, which was established in a rate proceeding that became final in July 2001.



The APSC and MPSC complaint alleges that the return on equity is unjust and unreasonable because capital market and other considerations indicate that it is excessive. The complaint requests the FERC to institute proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017 as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes that a return on equity of 8.37% to 8.67% is just and reasonable. The LPSC and the City Council intervened in the proceeding expressing support for the complaint. System Energy is recording a provision against revenue for the potential outcome of this proceeding. In September 2017 the FERC established a refund effective date of January 23, 2017 and directed the parties to engage in settlement proceedings before an ALJ. The parties have been unable to settle the return on equity issue and a FERC hearing judge was assigned in July 2018. The 15-month refund period in connection with the APSC/MPSC complaint expired on April 23, 2018.

In April 2018 the LPSC filed a complaint with the FERC against System Energy seeking an additional 15-month refund period. The LPSC complaint requests similar relief from the FERC with respect to System Energy's return on equity and also requests the FERC to investigate System Energy's capital structure. The APSC, MPSC, and City Council intervened in the proceeding, filed an answer expressing support for the complaint, and asked the FERC to consolidate this proceeding with the proceeding initiated by the complaint of the APSC and MPSC in January 2017. System Energy answered the LPSC complaint in May 2018 and also filed a motion to dismiss the complaint. The 15-month refund period in connection with the LPSC return on equity complaint expired on July 26, 2019.

In August 2018 the FERC issued an order dismissing the LPSC's request to investigate System Energy's capital structure and setting for hearing the return on equity complaint, with a refund effective date of April 27, 2018. The portion of the LPSC's complaint dealing with return on equity was subsequently consolidated with the APSC and MPSC complaint for hearing. The parties are required to address an order (issued in a separate proceeding involving New England transmission owners) that proposed modifying the FERC's standard methodology for determining return on equity. In September 2018, System Energy filed a request for rehearing and the LPSC filed a request for rehearing or reconsideration of the FERC's August 2018 order. The LPSC's request referenced an amended complaint that it filed on the same day raising the same capital structure claim the FERC had earlier dismissed. The FERC initiated a new proceeding for the amended capital structure complaint, and System Energy submitted a response in October 2018. In January 2019 the FERC set the amended complaint for settlement and hearing proceedings. Settlement proceedings in the capital structure proceeding commenced in February 2019. As noted below, in June 2019 settlement discussions were terminated and the amended capital structure complaint was consolidated with the ongoing return on equity proceeding. The 15-month refund period in connection with the capital structure complaint is from September 24, 2018 to December 23, 2019.

In January 2019 the LPSC and the APSC and MPSC filed direct testimony in the return on equity proceeding. For the refund period January 23, 2017 through April 23, 2018, the LPSC argues for an authorized return on equity for System Energy of 7.81% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.24%. For the refund period April 27, 2018 through July 27, 2019, and for application on a prospective basis, the LPSC argues for an authorized return on equity for System Energy of 7.97% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.41%. In March 2019, System Energy submitted answering testimony in the return on equity proceeding. For the first refund period, System Energy's testimony argues for a return on equity of 10.10% (median) or 10.70% (midpoint). For the second refund period, System Energy's testimony shows that the calculated returns on equity for the first period fall within the range of presumptively just and reasonable returns on equity, and thus the second complaint should be dismissed (and the first period return on equity used going forward). If the FERC nonetheless were to set a new return on equity for the second period (and going forward), System Energy argues the return on equity should be either 10.32% (median) or 10.69% (midpoint).

In May 2019 the FERC trial staff filed its direct and answering testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.89% based on the application of FERC's proposed methodology. The FERC trial staff's direct and answering testimony noted that an authorized return on equity of 9.89% for the first refund period was within the range of presumptively

just and reasonable returns on equity for the second refund period, as calculated using a study period ending January 31, 2019 for the second refund period.

In June 2019, System Energy filed testimony responding to the testimony filed by the FERC trial staff. Among other things, System Energy's testimony rebutted arguments raised by the FERC trial staff and provided updated calculations for the second refund period based on the study period ending May 31, 2019. For that refund period, System Energy's testimony shows that strict application of the return on equity methodology proposed by the FERC staff indicates that the second complaint would not be dismissed, and the new return on equity would be set at 9.65% (median) or 9.74% (midpoint). System Energy's testimony argues that these results are insufficient in light of benchmarks such as state returns on equity and treasury bond yields, and instead proposes that the calculated returns on equity for the second period should be either 9.91% (median) or 10.3% (midpoint). System Energy's testimony also argues that, under application of its proposed modified methodology, the 10.10% return on equity calculated for the first refund period would fall within the range of presumptively just and reasonable returns on equity for the second refund period. System Energy is recording a provision against revenue for the potential outcome of this proceeding.

Also in June 2019, the FERC's Chief ALJ issued an order terminating settlement discussions in the amended complaint addressing System Energy's capital structure. The ALJ consolidated the amended capital structure complaint with the ongoing return on equity proceeding and set new procedural deadlines for the consolidated hearing.

In August 2019 the LPSC and the APSC and MPSC filed rebuttal testimony in the return on equity proceeding and direct and answering testimony relating to System Energy's capital structure. The LPSC re-argues for an authorized return on equity for System Energy of 7.81% for the first refund period and 7.97% for the second refund period. The APSC and MPSC argue for an authorized return on equity for System Energy of 8.26% for the first refund period and 8.32% for the second refund period. With respect to capital structure, the LPSC proposes that the FERC establish a hypothetical capital structure for System Energy for ratemaking purposes. Specifically, the LPSC proposes that System Energy's common equity ratio be set to Entergy Corporation's equity ratio of 37% equity and 63% debt. In the alternative, the LPSC argues that the equity ratio should be no higher than 49%, the composite equity ratio of System Energy and the other Entergy operating companies who purchase under the Unit Power Sales Agreement. The APSC and MPSC recommend that 35.98% be set as the common equity ratio for System Energy. As an alternative, the APSC and MPSC propose that System Energy's common equity be set at 46.75% based on the median equity ratio of the proxy group for setting the return on equity.

In September 2019 the FERC trial staff filed its rebuttal testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.40% based on the application of the FERC's proposed methodology and an updated proxy group. For the second refund period, based on the study period ending May 31, 2019, the FERC trial staff rebuttal testimony argues for a return on equity of 9.63%. In September 2019 the FERC trial staff also filed direct and answering testimony relating to System Energy's capital structure. The FERC trial staff argues that the average capital structure of the proxy group used to develop System Energy's return on equity should be used to establish the capital structure. Using this approach, the FERC trial staff calculates the average capital structure for its proposed proxy group of 46.74% common equity, and 53.26% debt.

In October 2019, System Energy filed answering testimony disputing the FERC trial staff's, the LPSC's, and the APSC's and MPSC's arguments for the use of a hypothetical capital structure and arguing that the use of System Energy's actual capital structure is just and reasonable.

In November 2019, in a proceeding that did not involve Entergy, the FERC issued an order addressing the methodology for determining the return on equity applicable to transmission owners in MISO. Thereafter, the participants in the System Energy proceeding agreed to amend the procedural schedule to allow the participants to file testimony addressing the order in the MISO transmission owner proceeding. Under the new schedule, the hearing in the System Energy proceeding will commence in June 2020 and the initial decision will be due in October 2020.

## Grand Gulf Sale-leaseback Renewal Complaint

In May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. The complaint alleges that System Energy violated the filed rate and the FERC's ratemaking and accounting requirements when it included in Unit Power Sales Agreement billings the cost of capital additions associated with the sale-leaseback interest, and that System Energy is double-recovering costs by including both the lease payments and the capital additions in Unit Power Sales Agreement billings. The complaint also claims that System Energy was imprudent in entering into the sale-leaseback renewal because the Utility operating companies that purchase Grand Gulf's output from System Energy could have obtained cheaper capacity and energy in the MISO markets. The complaint further alleges that System Energy violated various other reporting and accounting requirements and should have sought prior FERC approval of the lease renewal. The complaint seeks various forms of relief from the FERC. The complaint seeks refunds for capital addition costs for all years in which they were recorded in allegedly non-formula accounts or, alternatively, the disallowance of the return on equity for the capital additions in those years plus interest. The complaint also asks that the FERC disallow and refund the lease costs of the sale-leaseback renewal on grounds of imprudence, investigate System Energy's treatment of a DOE litigation payment, and impose certain forward-looking procedural protections, including audit rights for retail regulators of the Unit Power Sales Agreement formula rates. The APSC, MPSC, and City Council intervened in the proceeding.

In June 2018, System Energy and Entergy Services filed a motion to dismiss and an answer to the LPSC complaint denying that System Energy's treatment of the sale-leaseback renewal and capital additions violated the terms of the filed rate or any other FERC ratemaking, accounting, or legal requirements or otherwise constituted double recovery. The response also argued that the complaint is inconsistent with a FERC-approved settlement to which the LPSC is a party and that explicitly authorizes System Energy to recover its lease payments. Finally, the response argued that both the capital additions and the sale-leaseback renewal were prudent investments and the LPSC complaint fails to justify any disallowance or refunds. The response also offered to submit formula rate protocols for the Unit Power Sales Agreement similar to the procedures used for reviewing transmission rates under the MISO tariff. In September 2018 the FERC issued an order setting the complaint for hearing and settlement proceedings. The FERC established a refund effective date of May 18, 2018.

In February 2019 the presiding ALJ ruled that the hearing ordered by the FERC includes the issue of whether specific subcategories of accumulated deferred income tax should be included in, or excluded from, System Energy's formula rate. In March 2019 the LPSC, MPSC, APSC and City Council filed direct testimony. The LPSC testimony seeks refunds that include the renewal lease payments (approximately \$17.2 million per year since July 2015), rate base reductions for accumulated deferred income tax associated with uncertain tax positions (claimed to be approximately \$334.5 million as of December 2018), and the cost of capital additions associated with the sale-leaseback interest (claimed to be approximately \$274.8 million), as well as interest on those amounts. The direct testimony of the City Council and the APSC and MPSC address various issues raised by the LPSC. System Energy disputes that any refunds are owed for billings under the Unit Power Sales Agreement.

In June 2019 System Energy filed answering testimony in the sale-leaseback complaint proceeding arguing that the FERC should reject all claims for refunds. Among other things, System Energy argued that claims for refunds of the costs of lease renewal payments and capital additions should be rejected because those costs were recovered consistent with the Unit Power Sales Agreement formula rate, System Energy was not over or double recovering any costs, and ratepayers will save approximately \$850 million over initial and renewal terms of the leases. System Energy argued that claims for refunds associated with liabilities arising from uncertain tax positions should be rejected because the liabilities do not provide cost-free capital, the repayment timing of the liabilities is uncertain, and the outcome of the underlying tax positions is uncertain. System Energy's testimony also challenged the refund calculations supplied by the other parties.

In August 2019 the FERC trial staff filed direct and answering testimony seeking refunds for rate base reductions for liabilities associated with uncertain tax positions (claimed to be up to approximately \$602 million plus interest).

The FERC trial staff also argued that System Energy recovered \$32 million more than it should have in depreciation expense for capital additions. In September 2019, System Energy filed cross-answering testimony disputing the FERC trial staff's arguments for refunds, stating that the FERC trial staff's position regarding depreciation rates for capital additions is not unreasonable and explaining that any change in depreciation expense is only one element of a Unit Power Sales Agreement rebilling calculation. Adjustments to depreciation expense in any rebilling under the Unit Power Sales Agreement formula rate will also involve changes to accumulated depreciation, accumulated deferred income taxes, and other formula elements as needed. In October 2019 the LPSC filed rebuttal testimony increasing the amount of refunds sought for liabilities associated with uncertain tax positions. The LPSC now seeks approximately \$512 million plus interest. At the same time, the FERC trial staff filed rebuttal testimony conceding that it was no longer seeking up to \$602 million related to the uncertain tax positions; instead, it is seeking approximately \$511 million plus interest. The LPSC also argued that adjustments to depreciation rates should affect rate base on a prospective basis only.

A hearing was held before a FERC ALJ in November 2019 and the initial decision is due in April 2020.

### **Unit Power Sales Agreement**

In August 2017, System Energy submitted to the FERC proposed amendments to the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The filing proposes limited amendments to the Unit Power Sales Agreement to adopt (1) updated rates for use in calculating Grand Gulf plant depreciation and amortization expenses and (2) updated nuclear decommissioning cost annual revenue requirements, both of which are recovered through the Unit Power Sales Agreement rate formula. The amendments result in lower charges to the Utility operating companies that buy capacity and energy from System Energy under the Unit Power Sales Agreement. The changes were based on updated depreciation and nuclear decommissioning studies that take into account the renewal of Grand Gulf's operating license for a term through November 1, 2044.

In September 2017 the FERC accepted System Energy's proposed Unit Power Sales Agreement amendments, subject to further proceedings to consider the justness and reasonableness of the amendments. Because the amendments propose a rate decrease, the FERC also initiated an investigation under Section 206 of the Federal Power Act to determine if the rate decrease should be lower than proposed. The FERC accepted the proposed amendments effective October 1, 2017, subject to refund pending the outcome of the further settlement and/or hearing proceedings, and established a refund effective date of October 11, 2017 with respect to the rate decrease. In June 2018, System Energy filed with the FERC an uncontested settlement relating to the updated depreciation rates and nuclear decommissioning cost annual revenue requirements. In August 2018 the FERC issued an order accepting the settlement. In the third quarter 2018, System Energy recorded a reduction in depreciation expense of approximately \$26 million, representing the cumulative difference in depreciation expense resulting from the depreciation rates used from October 11, 2017 through September 30, 2018 and the depreciation rates included in the settlement filing accepted by the FERC.

### **Storm Cost Recovery Filings with Retail Regulators**

#### **Entergy Louisiana**

##### **Hurricane Isaac**

In August 2012, Hurricane Isaac caused extensive damage to Entergy Louisiana's service area. The storm resulted in widespread power outages, significant damage primarily to distribution infrastructure, and the loss of sales during the power outages. In June 2014 the LPSC authorized Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs. Entergy Louisiana committed to pass on to customers a minimum of \$30.8 million of customer benefits through annual customer credits of approximately \$6.2 million for five years. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation (LURC) and the Louisiana State Bond Commission.

In August 2014 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued \$314.85 million in bonds under Louisiana Act 55. From the \$309 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited \$16 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$293 million directly to Entergy Louisiana. Entergy Louisiana used the \$293 million received from the LURC to acquire 2,935,152.69 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1.75 billion.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collects a system restoration charge on behalf of the LURC and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

#### Hurricane Gustav and Hurricane Ike

In September 2008, Hurricane Gustav and Hurricane Ike caused catastrophic damage to Entergy Louisiana's service territory. In December 2009, Entergy Louisiana entered into a stipulation agreement with the LPSC staff regarding its storm costs. In March and April 2010, Entergy Louisiana and other parties to the proceeding filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal to utilize Act 55 financing, which included a commitment to pass on to customers a minimum of \$43.3 million of customer benefits through a prospective annual rate reduction of \$8.7 million for five years. In April 2010 the LPSC approved the settlement and subsequently issued financing orders and a ratemaking order intended to facilitate the implementation of the Act 55 financings. In June 2010 the Louisiana State Bond Commission approved the Act 55 financing. The settlement agreement allowed for an adjustment to the credits if there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Louisiana Act 55 financing savings obligation regulatory liability related to Hurricane Gustav and Hurricane Ike was reduced by \$2.7 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

In July 2010, the LCDA issued two series of bonds totaling \$713.0 million under Act 55. From the \$702.7 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited \$290 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$412.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana used \$412.7 million to acquire 4,126,940.15 Class B preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 9% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2010, and the membership interests have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

Entergy and Entergy Louisiana do not report the bonds issued by the LCDA on their balance sheets because the bonds are the obligation of the LCDA, and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collects a system restoration charge on behalf of the LURC

and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

#### Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to Entergy Louisiana's service territory. In March 2008, Entergy Louisiana and the LURC filed at the LPSC an application requesting that the LPSC grant a financing order authorizing the financing of Entergy Louisiana storm costs, storm reserves, and issuance costs pursuant to Louisiana Act 55. Entergy Louisiana also filed an application requesting LPSC approval for ancillary issues including the mechanism to flow charges and savings to customers via a storm cost offset rider. In April 2008 the Louisiana Public Facilities Authority (LPFA), which is the issuer of the bonds pursuant to the Act 55 financing, approved requests for the Act 55 financing. Also in April 2008, Entergy Louisiana and the LPSC staff filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal under the Act 55 financing, which included a commitment to pass on to customers a minimum of \$40 million of customer benefits through a prospective annual rate reduction of \$8 million for five years. The LPSC subsequently approved the settlement and issued two financing orders and one ratemaking order intended to facilitate implementation of the Act 55 financing. In May 2008 the Louisiana State Bond Commission granted final approval of the Act 55 financing. The settlement agreement allowed for an adjustment to the credits if there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Louisiana Act 55 financing savings obligation regulatory liability related to Hurricanes Katrina and Rita was reduced by \$22.3 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

In July 2008 the LPFA issued \$687.7 million in bonds under the aforementioned Act 55. From the \$679 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited \$152 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$527 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested \$545 million, including \$17.8 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 5,449,861.85 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 10% annual distribution rate. In August 2008, the LPFA issued \$278.4 million in bonds under the aforementioned Act 55. From the \$274.7 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited \$87 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$187.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested \$189.4 million, including \$1.7 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 1,893,918.39 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 10% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2008 and have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

The bonds were repaid in 2018. Entergy and Entergy Louisiana did not report the bonds issued by the LPFA on their balance sheets because the bonds are the obligation of the LPFA, and there was no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collected a system restoration charge on behalf of the LURC and remitted the collections to the bond indenture trustee. Entergy and Entergy Louisiana did not report the collections as revenue because Entergy Louisiana was merely acting as the billing and collection agent for the state.

## **Entergy Mississippi**

Entergy Mississippi has approval from the MPSC to collect a storm damage provision of \$1.75 million per month. If Entergy Mississippi's accumulated storm damage provision balance exceeds \$15 million, the collection of the storm damage provision ceases until such time that the accumulated storm damage provision becomes less than \$10 million. As of July 31, 2017, the balance in Entergy Mississippi's accumulated storm damage provision was less than \$10 million, therefore Entergy Mississippi resumed billing the monthly storm damage provision effective with September 2017 bills. As of June 30, 2018, Entergy Mississippi's storm damage provision balance exceeded \$15 million. Accordingly, the storm damage provision was reset to zero beginning with August 2018 bills. As of May 31, 2019, Entergy Mississippi's storm damage provision balance was less than \$10 million. Accordingly, Entergy Mississippi resumed billing the monthly storm damage provision effective with July 2019 bills.

## **Entergy New Orleans**

In August 2012, Hurricane Isaac caused extensive damage to Entergy New Orleans's service area. In January 2015 the City Council issued a resolution approving the terms of a joint agreement in principle filed by Entergy New Orleans, Entergy Louisiana, and the City Council Advisors determining, among other things, that Entergy New Orleans's prudently-incurred storm recovery costs were \$49.3 million, of which \$31.7 million, net of reimbursements from the storm reserve escrow account, remained recoverable from Entergy New Orleans's electric customers. The resolution also directed Entergy New Orleans to file an application to securitize the unrecovered City Council-approved storm recovery costs of \$31.7 million pursuant to the Louisiana Electric Utility Storm Recovery Securitization Act (Louisiana Act 64). In addition, the resolution found that it was reasonable for Entergy New Orleans to include in the principal amount of its potential securitization the costs to fund and replenish Entergy New Orleans's storm reserve in an amount that achieved the City Council-approved funding level of \$75 million. In January 2015, in compliance with that directive, Entergy New Orleans filed with the City Council an application requesting that the City Council grant a financing order authorizing the financing of Entergy New Orleans's storm costs, storm reserves, and issuance costs pursuant to Louisiana Act 64. In May 2015 the parties entered into an agreement in principle and the City Council issued a financing order authorizing Entergy New Orleans to issue storm recovery bonds in the aggregate amount of \$98.7 million, including \$31.8 million for recovery of Entergy New Orleans's Hurricane Isaac storm recovery costs, including carrying costs, \$63.9 million to fund and replenish Entergy New Orleans's storm reserve, and approximately \$3 million for estimated up-front financing costs associated with the securitization. See Note 5 to the financial statements for discussion of the issuance of the securitization bonds in July 2015.

## **New Nuclear Generation Development Costs**

### **Entergy Louisiana**

Entergy Louisiana and Entergy Gulf States Louisiana were developing a project option for new nuclear generation at River Bend. In March 2010, Entergy Louisiana and Entergy Gulf States Louisiana filed with the LPSC seeking approval to continue the limited development activities necessary to preserve an option to construct a new unit at River Bend. At its June 2012 meeting the LPSC voted to uphold an ALJ recommendation that the request of Entergy Louisiana and Entergy Gulf States Louisiana be declined on the basis that the LPSC's rule on new nuclear development does not apply to activities to preserve an option to develop and on the further grounds that the companies improperly engaged in advanced preparation activities prior to certification. The LPSC directed that Entergy Louisiana and Entergy Gulf States Louisiana be permitted to seek recovery of these costs in their upcoming rate case filings that were subsequently filed in February 2013. In the resolution of the rate case proceeding the LPSC provided for an eight-year amortization of costs incurred in connection with the potential development of new nuclear generation at River Bend, without carrying costs, beginning in December 2014, provided, however, that amortization of these costs shall not result in a future rate increase. As of December 31, 2019, Entergy Louisiana has a regulatory asset of \$21.2 million on its balance sheet related to these new nuclear generation development costs.

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

Income taxes for 2019, 2018, and 2017 for Entergy Corporation and Subsidiaries consist of the following:

	2019	2018	2017
	(In Thousands)		
Current:			
Federal	(\$14,416)	\$36,848	\$29,595
State	6,535	7,274	15,478
Total	(7,881)	44,122	45,073
Deferred and non-current - net	(155,956)	(1,074,416)	505,010
Investment tax credit adjustments - net	(5,988)	(6,532)	(7,513)
Income taxes	<u>(\$169,825)</u>	<u>(\$1,036,826)</u>	<u>\$542,570</u>

Income taxes for 2019, 2018, and 2017 for Entergy's Registrant Subsidiaries consist of the following:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Current:						
Federal	(\$14,549)	(\$20,173)	(\$8,939)	(\$5,822)	\$16,035	\$16,256
State	(714)	(735)	5,823	1,856	663	(2,831)
Total	(15,263)	(20,908)	(3,116)	(3,966)	16,698	13,425
Deferred and non-current - net	(30,278)	147,453	34,579	4,248	(69,963)	422
Investment tax credit adjustments - net	(1,228)	(4,922)	(597)	(96)	(631)	1,502
Income taxes	<u>(\$46,769)</u>	<u>\$121,623</u>	<u>\$30,866</u>	<u>\$186</u>	<u>(\$53,896)</u>	<u>\$15,349</u>
2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Current:						
Federal	(\$23,638)	(\$15,841)	(\$11,275)	(\$10,813)	\$16,190	(\$9,786)
State	(1,617)	(1,122)	(1,066)	545	3,205	(1,821)
Total	(25,255)	(16,963)	(12,341)	(10,268)	19,395	(11,607)
Deferred and non-current - net	(270,586)	(32,725)	(114,738)	7,943	(44,817)	(35,329)
Investment tax credit adjustments - net	(1,226)	(4,923)	1,306	(111)	(821)	(739)
Income taxes	<u>(\$297,067)</u>	<u>(\$54,611)</u>	<u>(\$125,773)</u>	<u>(\$2,436)</u>	<u>(\$26,243)</u>	<u>(\$47,675)</u>





Total income taxes for Entergy Corporation and Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before income taxes. The reasons for the differences for the years 2019, 2018, and 2017 are:

	2019	2018	2017
	(In Thousands)		
Net income (loss) attributable to Entergy Corporation	\$1,241,226	\$848,661	\$411,612
Preferred dividend requirements of subsidiaries	17,018	13,894	13,741
Consolidated net income (loss)	1,258,244	862,555	425,353
Income taxes	(169,825)	(1,036,826)	542,570
Income (loss) before income taxes	\$1,088,419	(\$174,271)	\$967,923
Computed at statutory rate (21% for 2019 and 2018) (35% for 2017)	\$228,568	(\$36,597)	\$338,773
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	61,791	21,398	44,179
Regulatory differences - utility plant items	(45,336)	(37,507)	39,825
Equity component of AFUDC	(30,444)	(27,216)	(33,282)
Amortization of investment tax credits	(8,093)	(8,304)	(10,204)
Flow-through / permanent differences	(2,059)	439	8,727
Tax legislation enactment (a)	—	—	560,410
Amortization of excess ADIT (a)	(205,614)	(577,082)	—
Revisions of the 2017 tax legislation enactment regulatory liability accrual, including the effect of the Entergy Texas 2018 base rate proceeding	—	(40,494)	—
Utility restructuring (b)	—	(169,918)	—
Settlement on treatment of regulatory obligations (c)	—	(52,320)	—
State income tax audit conclusion	—	(23,425)	—
IRS audit adjustment	—	(8,404)	—
Entergy Wholesale Commodities nuclear decommissioning trust restructuring (d)	—	(106,833)	—
Entergy Wholesale Commodities restructuring (d)	(173,725)	—	(373,277)
FitzPatrick disposition	—	—	(44,344)
Charitable contribution (d)	(19,101)	—	—
Net operating loss recognition	(41,427)	—	—
Provision for uncertain tax positions	7,332	24,569	8,756
Valuation allowance	59,345	2,211	—
Other - net	(1,062)	2,657	3,007
Total income taxes as reported	(\$169,825)	(\$1,036,826)	\$542,570
Effective Income Tax Rate	(15.6%)	595.0%	56.1%

- (a) See “**Other Tax Matters - Tax Cuts and Jobs Act**” below for discussion of the amortization of excess ADIT in 2018 and 2019 and the tax legislation enactment in 2017.
- (b) See “**Other Tax Matters - Entergy Arkansas and Entergy Mississippi Internal Restructuring**” below for discussion of the Utility restructuring.
- (c) See “**Income Tax Audits - 2012-2013 IRS Audit**” below for discussion of the settlement.
- (d) See “**Other Tax Matters - Entergy Wholesale Commodities Restructuring**” below for discussion of the Entergy Wholesale Commodities nuclear decommissioning trust restructuring in 2018, the Entergy Wholesale Commodities restructurings in 2017 and 2019, and the charitable contribution in 2019.

Total income taxes for the Registrant Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2019, 2018, and 2017 are:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net income	\$262,964	\$691,537	\$119,925	\$52,629	\$159,397	\$99,120
Income taxes	(46,769)	121,623	30,866	186	(53,896)	15,349
Pretax income	\$216,195	\$813,160	\$150,791	\$52,815	\$105,501	\$114,469
Computed at statutory rate (21%)	\$45,401	\$170,764	\$31,666	\$11,091	\$22,155	\$24,039
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	15,954	42,854	5,563	3,443	360	5,134
Regulatory differences - utility plant items	(10,627)	(19,421)	(5,556)	(1,532)	(1,987)	(6,213)
Equity component of AFUDC	(3,255)	(15,545)	(1,755)	(2,088)	(5,973)	(1,829)
Amortization of investment tax credits	(1,201)	(4,871)	(160)	(88)	(617)	(1,155)
Flow-through / permanent differences	696	439	160	(741)	560	(500)
Amortization of excess ADIT (b)	(90,921)	(28,531)	203	(11,724)	(69,091)	(5,550)
Non-taxable dividend income	—	(26,795)	—	—	—	—
Provision for uncertain tax positions	(3,517)	1,519	500	1,672	430	1,300
Other - net	701	1,210	245	153	267	123
Total income taxes as reported	(\$46,769)	\$121,623	\$30,866	\$186	(\$53,896)	\$15,349
Effective Income Tax Rate	(21.6%)	15.0%	20.5%	0.4%	(51.1%)	13.4%

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net income	\$252,707	\$675,614	\$126,078	\$53,152	\$162,235	\$94,109
Income taxes	(297,067)	(54,611)	(125,773)	(2,436)	(26,243)	(47,675)
Pretax income	(\$44,360)	\$621,003	\$305	\$50,716	\$135,992	\$46,434
Computed at statutory rate (21%)	(\$9,316)	\$130,411	\$64	\$10,650	\$28,558	\$9,751
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	(794)	26,031	(1,747)	2,322	2,576	2,812
Regulatory differences - utility plant items	(14,916)	(12,604)	(4,103)	(1,502)	(1,872)	(2,510)
Equity component of AFUDC	(3,477)	(16,784)	(1,829)	(1,248)	(2,042)	(1,837)
Amortization of investment tax credits	(1,201)	(4,871)	(160)	(109)	(808)	(1,155)
Flow-through / permanent differences	570	3,203	1,893	(4,222)	1,038	2,815
Revisions of the 2017 tax legislation enactment regulatory liability accrual, including the effect of the Entergy Texas 2018 base rate proceeding (a)	933	(2,810)	(556)	884	(43,799)	(3,565)
Amortization of excess ADIT (b)	(271,570)	(104,313)	(120,831)	(9,878)	(11,519)	(58,971)
Settlement on treatment of regulatory obligations (c)	—	(52,320)	—	—	—	—
IRS audit adjustment	1,290	1,097	1,018	(96)	524	(12)
Non-taxable dividend income	—	(26,795)	—	—	—	—
Provision for uncertain tax positions	724	3,949	240	613	839	4,876
Other - net	690	1,195	238	150	262	121
Total income taxes as reported	(\$297,067)	(\$54,611)	(\$125,773)	(\$2,436)	(\$26,243)	(\$47,675)
Effective Income Tax Rate	669.7%	(8.8%)	(41,237.0%)	(4.8%)	(19.3%)	(102.7%)

2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Net income	\$139,844	\$316,347	\$110,032	\$44,553	\$76,173	\$78,596
Income taxes	93,804	485,298	73,919	33,278	48,481	69,969
Pretax income	<u>\$233,648</u>	<u>\$801,645</u>	<u>\$183,951</u>	<u>\$77,831</u>	<u>\$124,654</u>	<u>\$148,565</u>
Computed at statutory rate (35%)	\$81,777	\$280,576	\$64,383	\$27,241	\$43,629	\$51,998
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	11,586	31,927	6,202	2,842	527	5,635
Regulatory differences - utility plant items	7,220	12,168	1,356	619	5,581	12,880
Equity component of AFUDC	(6,458)	(18,020)	(3,383)	(847)	(2,353)	(2,221)
Amortization of investment tax credits	(1,201)	(4,871)	(160)	(124)	(951)	(2,896)
Flow-through / permanent differences	3,098	3,774	1,567	(3,352)	1,428	(276)
Tax legislation enactment (b)	(3,090)	217,258	3,492	6,153	2,981	(69)
Non-taxable dividend income	—	(44,658)	—	—	—	—
Provision for uncertain tax positions	200	5,700	228	600	(2,617)	4,800
Other - net	672	1,444	234	146	256	118
Total income taxes as reported	<u>\$93,804</u>	<u>\$485,298</u>	<u>\$73,919</u>	<u>\$33,278</u>	<u>\$48,481</u>	<u>\$69,969</u>
Effective Income Tax Rate	40.1%	60.5%	40.2%	42.8%	38.9%	47.1%

- (a) See Note 2 to the financial statements for discussion of the Entergy Texas rate case settlement.
- (b) See “**Other Tax Matters - Tax Cuts and Jobs Act**” below for discussion of the amortization of excess ADIT in 2018 and 2019 and the tax legislation enactment in 2017.
- (c) See “**Income Tax Audits - 2012-2013 IRS Audit**” below for discussion of the settlement for Entergy Louisiana.

Significant components of accumulated deferred income taxes and taxes accrued for Entergy Corporation and Subsidiaries as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	(In Thousands)	
<b>Deferred tax liabilities:</b>		
Plant basis differences - net	(\$4,111,761)	(\$3,835,211)
Regulatory assets	(389,573)	(370,484)
Nuclear decommissioning trusts/receivables	(1,015,542)	(1,128,140)
Pension, net funding	(348,260)	(307,626)
Combined unitary state taxes	(11,519)	(9,440)
Power purchase agreements	—	(73,335)
Deferred fuel	(8,360)	(29,953)
Other	(445,378)	(248,997)
Total	<u>(6,330,393)</u>	<u>(6,003,186)</u>
<b>Deferred tax assets:</b>		
Nuclear decommissioning liabilities	929,251	1,070,583
Regulatory liabilities	806,777	895,756
Pension and other post-employment benefits	297,272	305,736
Sale and leaseback	102,420	121,473
Compensation	87,355	86,461
Accumulated deferred investment tax credit	56,013	57,643
Provision for allowances and contingencies	126,886	135,631
Power purchase agreements	231,502	—
Unbilled/deferred revenues	(10,218)	43,762
Net operating loss carryforwards	1,133,197	628,165
Capital losses and miscellaneous tax credits	22,597	20,549
Valuation allowance	(303,307)	(243,726)
Other	289,557	125,522
Total	<u>3,769,302</u>	<u>3,247,555</u>
Non-current accrued taxes (including unrecognized tax benefits)	<u>(1,775,638)</u>	<u>(1,296,928)</u>
Accumulated deferred income taxes and taxes accrued	<u><u>(\$4,336,729)</u></u>	<u><u>(\$4,052,559)</u></u>

Entergy's estimated tax attributes carryovers and their expiration dates as of December 31, 2019 are as follows:

<b>Carryover Description</b>	<b>Carryover Amount</b>	<b>Year(s) of expiration</b>
Federal net operating losses before 1/1/2018	\$9.8 billion	2023-2037
Federal net operating losses - 1/1/2018 forward	\$10.7 billion	N/A
State net operating losses	\$20.8 billion	2020-2039
Federal and state charitable contributions	\$395.8 million	2020-2024
Miscellaneous federal and state credits	\$101.1 million	2020-2038

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers, tax credit carryovers, and other tax attributes reflected on income tax returns. Entergy evaluates the available positive and negative evidence to estimate whether sufficient future taxable income of the appropriate character will be generated to realize the benefits of existing deferred tax assets. When the evaluation indicates that Entergy will not be able to realize the existing benefits, a valuation allowance is recorded to reduce deferred tax assets to the realizable amount.

Because it is more likely than not that the benefit from certain state net operating loss and other deferred tax assets will not be utilized, valuation allowances totaling \$303 million as of December 31, 2019 and \$244 million as of December 31, 2018 have been provided on the deferred tax assets related to federal and state jurisdictions in which Entergy does not currently expect to be able to utilize certain separate company tax return attributes, preventing realization of such deferred tax assets.

Significant components of accumulated deferred income taxes and taxes accrued for the Registrant Subsidiaries as of December 31, 2019 and 2018 are as follows:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Deferred tax liabilities:						
Plant basis differences - net	(\$979,033)	(\$1,987,025)	(\$565,202)	(\$133,073)	(\$551,365)	(\$380,594)
Regulatory assets	(170,949)	(79,117)	(10,528)	(16,867)	(59,745)	(52,662)
Nuclear decommissioning trusts/receivables	(120,306)	(113,830)	—	—	—	(100,621)
Pension, net funding	(102,685)	(98,743)	(27,325)	(11,859)	(19,961)	(21,609)
Deferred fuel	—	(2,637)	(609)	(666)	(4,380)	(55)
Other	(82,682)	(94,139)	(27,905)	(25,909)	2,059	(7,350)
Total	<u>(1,455,655)</u>	<u>(2,375,491)</u>	<u>(631,569)</u>	<u>(188,374)</u>	<u>(633,392)</u>	<u>(562,891)</u>
Deferred tax assets:						
Regulatory liabilities	250,410	283,507	53,421	33,258	65,602	121,011
Nuclear decommissioning liabilities	111,078	56,300	—	—	—	52,633
Pension and other post-employment benefits	(21,828)	74,881	(5,844)	(12,666)	(15,406)	(898)
Sale and leaseback	—	—	—	—	—	102,480
Accumulated deferred investment tax credit	8,285	32,534	2,396	556	2,217	10,025
Provision for allowances and contingencies	5,365	77,298	12,963	24,022	4,024	—
Power purchase agreements	(15,087)	18,004	1,147	7,961	26	—
Unbilled/deferred revenues	5,897	(28,081)	4,715	1,428	5,544	—
Compensation	2,550	3,670	1,625	496	1,282	75
Net operating loss carryforwards	112,658	65,178	21,492	5,056	—	—
Capital losses and miscellaneous tax credits	—	—	45	—	—	7,857
Other	12,541	35,401	999	9,027	2,004	3
Total	<u>471,869</u>	<u>618,692</u>	<u>92,959</u>	<u>69,138</u>	<u>65,293</u>	<u>293,186</u>
Non-current accrued taxes (including unrecognized tax benefits)						
Accumulated deferred income taxes and taxes accrued	<u>(\$1,183,126)</u>	<u>(\$2,464,513)</u>	<u>(\$594,832)</u>	<u>(\$354,536)</u>	<u>(\$585,413)</u>	<u>(\$813,940)</u>



2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Deferred tax liabilities:						
Plant basis differences - net	(\$966,791)	(\$1,893,831)	(\$579,319)	(\$135,143)	(\$544,282)	(\$403,809)
Regulatory assets	(169,482)	(74,917)	(1,732)	(20,009)	(57,777)	(46,627)
Nuclear decommissioning trusts/receivables	(77,664)	(71,470)	—	—	—	(86,882)
Pension, net funding	(91,962)	(92,693)	(24,398)	(11,885)	(20,331)	(18,898)
Deferred fuel	(5,801)	(6,974)	(11,819)	(1,701)	(2,835)	(312)
Other	(41,025)	(34,700)	(13,443)	(7,640)	(6,085)	(4,544)
Total	<u>(1,352,725)</u>	<u>(2,174,585)</u>	<u>(630,711)</u>	<u>(176,378)</u>	<u>(631,310)</u>	<u>(561,072)</u>
Deferred tax assets:						
Regulatory liabilities	247,964	339,126	72,570	40,181	86,032	110,370
Nuclear decommissioning liabilities	99,479	48,738	—	—	—	46,643
Pension and other post-employment benefits	(19,068)	80,102	(5,405)	(11,371)	(14,215)	(632)
Sale and leaseback	—	18,999	—	—	—	102,481
Accumulated deferred investment tax credit	8,599	33,928	2,541	579	2,347	9,649
Provision for allowances and contingencies	9,877	81,108	13,412	23,962	5,579	—
Power purchase agreements	(17,223)	19,385	1,140	12,155	(18)	—
Unbilled/deferred revenues	7,471	(17,345)	5,527	636	7,016	—
Compensation	1,708	1,959	1,265	512	995	(260)
Net operating loss carryforwards	6,338	20,118	4,896	480	261	—
Other	7,977	23,412	1,610	12,181	2,127	4
Total	<u>353,122</u>	<u>649,530</u>	<u>97,556</u>	<u>79,315</u>	<u>90,124</u>	<u>268,255</u>
Non-current accrued taxes (including unrecognized tax benefits)	<u>(85,942)</u>	<u>(701,666)</u>	<u>(18,714)</u>	<u>(226,532)</u>	<u>(11,349)</u>	<u>(512,479)</u>
Accumulated deferred income taxes and taxes accrued	<u>(\$1,085,545)</u>	<u>(\$2,226,721)</u>	<u>(\$551,869)</u>	<u>(\$323,595)</u>	<u>(\$552,535)</u>	<u>(\$805,296)</u>

The Registrant Subsidiaries' estimated tax attributes carryovers and their expiration dates as of December 31, 2019 are as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
Federal net operating losses	\$4.4 billion	\$4.3 billion	\$2 billion	\$1.1 billion	\$—	\$—
Year(s) of expiration	N/A	2035-2037	N/A	2037	N/A	N/A
State net operating losses	\$4.5 billion	\$5.2 billion	\$2.1 billion	\$1.2 billion	\$—	\$—
Year(s) of expiration	2024	2035-2039	2038-2039	2038-2039	N/A	N/A
Misc. federal credits	\$—	\$5.2 million	\$—	\$—	\$1.9 million	\$3.2 million
Year(s) of expiration	N/A	2035-2038	N/A	N/A	2029-2038	2029-2038
State credits	\$—	\$—	\$—	\$—	\$2.9 million	\$13.1 million
Year(s) of expiration	N/A	N/A	N/A	N/A	2026	2020-2023

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers and tax credit carryovers.

### **Unrecognized tax benefits**

Accounting standards establish a “more-likely-than-not” recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. A reconciliation of Entergy’s beginning and ending amount of unrecognized tax benefits is as follows:

	2019	2018	2017
	(In Thousands)		
Gross balance at January 1	\$7,181,482	\$4,871,846	\$3,909,855
Additions based on tax positions related to the current year	731,276	2,276,614	1,120,687
Additions for tax positions of prior years	151,628	506,142	283,683
Reductions for tax positions of prior years	(681,232)	(274,600)	(442,379)
Settlements	—	(198,520)	—
Gross balance at December 31	7,383,154	7,181,482	4,871,846
Offsets to gross unrecognized tax benefits:			
Carryovers and refund claims	(5,831,587)	(5,957,992)	(3,945,524)
Cash paid to taxing authorities	(10,000)	(10,000)	(10,000)
Unrecognized tax benefits net of unused tax attributes, refund claims and payments (a)	\$1,541,567	\$1,213,490	\$916,322

(a) Potential tax liability above what is payable on tax returns

The balances of unrecognized tax benefits include \$2,421 million, \$2,161 million, and \$1,462 million as of December 31, 2019, 2018, and 2017, respectively, which, if recognized, would lower the effective income tax rates. Because of the effect of deferred tax accounting, the remaining balances of unrecognized tax benefits of \$4,962

million, \$5,020 million, and \$3,410 million as of December 31, 2019, 2018, and 2017, respectively, if disallowed, would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Entergy accrues interest expense, if any, related to unrecognized tax benefits in income tax expense. Entergy's December 31, 2019, 2018, and 2017 accrued balance for the possible payment of interest is approximately \$48 million, \$44 million, and \$38 million, respectively. Interest (net-of-tax) of \$4 million, \$7 million, and \$8 million was recorded in 2019, 2018, and 2017, respectively.

A reconciliation of the Registrant Subsidiaries' beginning and ending amount of unrecognized tax benefits for 2019, 2018, and 2017 is as follows:

<b>2019</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
	(In Thousands)					
Gross balance at January 1, 2019	\$1,298,662	\$2,400,171	\$508,765	\$686,687	\$17,802	\$467,487
Additions based on tax positions related to the current year	84,335	28,705	68,594	40,676	2,312	5,496
Additions for tax positions of prior years	20,399	25,090	1,651	489	1,299	2,186
Reductions for tax positions of prior years	(62,154)	(72,313)	(12,723)	(11,079)	(7)	(1,838)
Gross balance at December 31, 2019	1,341,242	2,381,653	566,287	716,773	21,406	473,331
Offsets to gross unrecognized tax benefits:						
Loss carryovers	(1,134,187)	(1,573,257)	(506,976)	(445,430)	(3,944)	(8,392)
Unrecognized tax benefits net of unused tax attributes and payments	<u>\$207,055</u>	<u>\$808,396</u>	<u>\$59,311</u>	<u>\$271,343</u>	<u>\$17,462</u>	<u>\$464,939</u>

<b>2018</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
	(In Thousands)					
Gross balance at January 1, 2018	(\$117,716)	\$2,518,457	\$15,122	\$679,544	\$16,399	\$445,511
Additions based on tax positions related to the current year (a)	1,430,828	30,577	493,039	2,261	1,978	18,271
Additions for tax positions of prior years	31,612	77,372	3,878	12,972	1,722	7,255
Reductions for tax positions of prior years	(21,619)	(158,510)	(3,253)	(8,081)	(2,262)	(3,253)
Settlements	(24,443)	(67,725)	(21)	(9)	(35)	(297)
Gross balance at December 31, 2018	1,298,662	2,400,171	508,765	686,687	17,802	467,487
Offsets to gross unrecognized tax benefits:						
Loss carryovers	(1,173,839)	(1,597,826)	(478,268)	(420,813)	(3,199)	(42,228)
Unrecognized tax benefits net of unused tax attributes and payments	<u>\$124,823</u>	<u>\$802,345</u>	<u>\$30,497</u>	<u>\$265,874</u>	<u>\$14,603</u>	<u>\$425,259</u>

2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
Gross balance at January 1, 2017	\$2,503	\$2,440,339	\$12,206	\$166,230	\$15,946	\$472,372
Additions based on tax positions related to the current year (a)	8,974	32,843	2,105	509,183	1,747	909
Additions for tax positions of prior years	3,682	235,331	1,267	13,364	3,115	1,432
Reductions for tax positions of prior years	(132,875)	(190,056)	(456)	(9,233)	(4,409)	(29,202)
Gross balance at December 31, 2017	(117,716)	2,518,457	15,122	679,544	16,399	445,511
Offsets to gross unrecognized tax benefits:						
Loss carryovers	—	(1,591,907)	(15,122)	(441,374)	(638)	(12,536)
Unrecognized tax benefits net of unused tax attributes and payments	(\$117,716)	\$926,550	\$—	\$238,170	\$15,761	\$432,975

- (a) The primary additions for Entergy Mississippi in 2018, and Entergy New Orleans in 2017 are related to the mark-to-market treatment discussed in “**Other Tax Matters - Tax Accounting Methods**” below. The primary additions for Entergy Arkansas in 2018 are related to the nuclear decommissioning costs treatment and the mark-to-market treatment discussed in “**Other Tax Matters - Tax Accounting Methods**” below.

The Registrant Subsidiaries’ balances of unrecognized tax benefits included amounts which, if recognized, would have reduced income tax expense as follows:

	December 31,		
	2019	2018	2017
(In Millions)			
Entergy Arkansas	\$203.3	\$85.4	\$2.6
Entergy Louisiana	\$556.3	\$594.0	\$575.8
Entergy Mississippi	\$1.9	\$1.5	\$—
Entergy New Orleans	\$242.7	\$246.2	\$31.7
Entergy Texas	\$5.7	\$5.1	\$4.4
System Energy	\$—	\$—	\$—

Accrued balances for the possible payment of interest related to unrecognized tax benefits are as follows:

	December 31,		
	2019	2018	2017
(In Millions)			
Entergy Arkansas	\$3.1	\$1.7	\$1.6
Entergy Louisiana	\$14.2	\$17.9	\$14.1
Entergy Mississippi	\$1.7	\$1.2	\$1.0
Entergy New Orleans	\$4.7	\$2.7	\$2.1
Entergy Texas	\$1.1	\$0.9	\$0.4
System Energy	\$14.5	\$13.2	\$8.5

The Registrant Subsidiaries record interest and penalties related to unrecognized tax benefits in income tax expense. No penalties were recorded in 2019, 2018, and 2017. Interest (net-of-tax) was recorded as follows:

	2019	2018	2017
	(In Millions)		
Entergy Arkansas	\$1.4	\$0.2	\$0.2
Entergy Louisiana	(\$3.7)	\$3.8	\$5.7
Entergy Mississippi	\$0.5	\$0.2	\$0.2
Entergy New Orleans	\$2.0	\$0.6	\$0.6
Entergy Texas	\$0.2	\$0.5	(\$0.8)
System Energy	\$1.3	\$4.7	\$4.8

### **Income Tax Audits**

Entergy and its subsidiaries file U.S. federal and various state and foreign income tax returns. IRS examinations are complete for years before 2014. All state taxing authorities' examinations are complete for years before 2015. Entergy regularly negotiates with the IRS to achieve settlements. The resolution of audit issues could result in significant changes to the amounts of unrecognized tax benefits in the next twelve months.

#### **2012-2013 IRS Audit**

The IRS completed its examination of the 2012 and 2013 tax years and issued its 2012-2013 Revenue Agent Report (RAR) in June 2018. Entergy agreed to all proposed adjustments contained in the RAR. Entergy and the Registrant Subsidiaries recorded the effects of these adjustments in June 2018.

As a result of the issuance of the RAR, Entergy Louisiana was able to recognize previously unrecognized tax benefits of \$52 million related to the Hurricane Katrina and Hurricane Rita contingent sharing obligation associated with the Louisiana Act 55 financing.

#### **2014-2015 IRS Audit**

The IRS is examining the 2014 and 2015 tax years. Entergy expects the IRS to complete this examination in 2020. As of December 31, 2019, Entergy has not received any proposed adjustments to taxable income from the IRS.

### **Other Tax Matters**

#### **Tax Cuts and Jobs Act**

Deferred tax liabilities and assets have been adjusted for the effect of the enactment of the Tax Cuts and Jobs Act (the Act), signed by President Trump on December 22, 2017. The most significant effect of the Act for Entergy and the Registrant Subsidiaries was the change in the federal corporate income tax rate from 35% to 21%, effective January 1, 2018. Other significant provisions and their effect on Entergy and the Registrant Subsidiaries are summarized below.

The Act limits the deduction for net business interest expense to 30 percent of adjusted taxable income which is similar to earnings before interest, taxes, depreciation, and amortization. The limitation does not apply to interest expense that is properly allocable to a trade or business that furnishes or sells electrical energy, gas, or steam through a local distribution system, or transports gas or steam by pipeline if the rates for such furnishing or sale are subject to ratemaking by a government entity or instrumentality or by a public utility commission.

The IRS issued proposed regulations relating to this limitation in November 2018. The regulations are generally proposed to be effective for taxable years ending after the date Treasury adopts the regulations as final. Taxpayers may apply the rules of the proposed regulations to a taxable year beginning after December 31, 2017, so long as taxpayers consistently apply the rules of the proposed regulations. The proposed regulations provide guidance that if 90% of a tax group's consolidated assets consist of utility property, the entire consolidated tax group will be treated as a regulated public utility and all of the consolidated group's interest expense will be currently tax deductible.

As a result of the limitation under the Act, Entergy recorded limitations in 2018 and 2019 and recorded a deferred tax asset on the nondeductible portion, as it has an unlimited carryover period. Entergy recorded a valuation allowance of \$24 million due to a lack of earnings from sources other than the Utility.

The Act limits the net operating loss (NOL) deduction for a given year to 80% of taxable income, effective with respect to losses arising in tax years beginning after December 31, 2017. Only NOLs generated after December 31, 2017 are subject to the 80% limitation. Prior law generally provided a two-year carryback and 20-year carryforward for NOLs. The Act does not allow a carryback period but does provide for the indefinite carryforward of NOLs arising in tax years ending after December 31, 2017. Because of the indefinite carryforward, the new limitations on NOL utilization are not expected to have a material effect on Entergy or the Registrant Subsidiaries.

The Act also modified Internal Revenue Code section 162(m), which limits the deduction for compensation with respect to certain covered employees to no more than \$1 million per year. The IRS issued proposed regulations relating to this limitation in December 2019. The significant provisions of the Act and associated proposed regulations require inclusion of performance-based compensation and an expanded definition of "covered employees" in the annual computation of the section 162 limitation. The Act amendments and associated proposed regulations resulted in an increase in disallowed compensation expense, but this limitation does not have a material effect on Entergy or the Registrant Subsidiaries.

With respect to the federal corporate income tax rate change from 35% to 21%, Entergy and the Registrant Subsidiaries recorded a regulatory liability associated with the decrease in the net accumulated deferred income tax liability, which is often referred to as "excess ADIT," a significant portion of which has been paid to customers in 2018 and 2019 in the form of lower rates. Entergy's December 31, 2019 and December 31, 2018 balance sheets reflect a regulatory liability of \$1.7 billion and \$2.1 billion, respectively, as a result of the re-measurement of deferred tax assets and liabilities from the income tax rate change, amortization of excess ADIT, and payments to customers during 2018 and 2019. Entergy's regulatory liability for income taxes includes a gross-up at the applicable tax rate because of the effect that excess ADIT has on the ratemaking formula. The regulatory liability for income taxes includes the effect of a) the reduction of the net deferred tax liability resulting in excess ADIT, b) the tax gross-up of excess ADIT, and c) the effect of the new tax rate on the previous net regulatory asset for income taxes. For the same reasons, the Registrant Subsidiaries' December 31, 2019 and December 31, 2018 balance sheets reflect net regulatory liabilities for income taxes as follows:

	2019	2018
	(In Millions)	
Entergy Arkansas	\$487	\$605
Entergy Louisiana	\$531	\$612
Entergy Mississippi	\$237	\$246
Entergy New Orleans	\$59	\$86
Entergy Texas	\$253	\$352
System Energy	\$143	\$163

Excess ADIT is generally classified into two categories: 1) the portion that is subject to the normalization requirements of the Act, i.e., "protected", and 2) the portion that is not subject to such normalization provisions, referred to as "unprotected". The Act provides that the normalization method of accounting for income taxes is required for

excess ADIT associated with public utility property. The Act provides for the use of the average rate assumption method (ARAM) for the determination of the timing of the return of excess ADIT associated with such property. Under ARAM, the excess ADIT is reduced over the remaining life of the asset. Remaining asset lives vary for each Registrant Subsidiary, but the average life of public utility property is typically 30 years or longer. Entergy will amortize the protected portion of the excess ADIT in conformity with the normalization requirements. The Registrant Subsidiaries' net regulatory liability for income taxes as of December 31, 2019 and December 31, 2018, includes protected excess ADIT as follows:

	<b>2019</b>	<b>2018</b>
	(In Millions)	
Entergy Arkansas	\$490	\$521
Entergy Louisiana	\$797	\$812
Entergy Mississippi	\$261	\$271
Entergy New Orleans	\$62	\$59
Entergy Texas	\$228	\$237
System Energy	\$186	\$202

During the second quarter of 2018, the Registrant Subsidiaries began paying unprotected excess accumulated deferred income taxes, associated with the effects of the Act, to their customers through rate riders and other means approved by their respective regulatory commissions. Payment of the unprotected excess accumulated deferred income taxes results in a reduction in the regulatory liability for income taxes and a corresponding reduction in income tax expense. This has a significant effect on the effective tax rate for the period as compared to the statutory tax rate. The Registrant Subsidiaries' net regulatory liability for income taxes as of December 31, 2019 and December 31, 2018, includes unprotected excess ADIT as follows:

	<b>2019</b>	<b>2018</b>
	(In Millions)	
Entergy Arkansas	\$9	\$117
Entergy Louisiana	\$242	\$295
Entergy New Orleans	\$9	\$25
Entergy Texas	\$83	\$171
System Energy	\$—	\$4

The return of unprotected excess accumulated deferred income taxes reduced Entergy's and the Registrant Subsidiaries' regulatory liability for income taxes as follows for 2019 and 2018:

	<b>2019</b>	<b>2018</b>
	(In Millions)	
Entergy	\$273	\$776
Entergy Arkansas	\$126	\$368
Entergy Louisiana	\$39	\$141
Entergy Mississippi	\$—	\$159
Entergy New Orleans	\$14	\$13
Entergy Texas	\$87	\$15
System Energy	\$7	\$80

In addition to the protected and unprotected excess ADIT amounts, the net regulatory liability for income taxes includes other regulatory assets and liabilities for income taxes associated with AFUDC, which is described in Note 1 to the financial statements.

For a discussion of the proceedings commenced or other responses by Entergy's regulators to the Act, see Note 2 to the financial statements.

Not all of Entergy's excess ADIT is included in ratemaking. Consequently, Entergy recorded a net decrease in deferred tax assets of \$560 million for which there was a corresponding charge to income tax expense for the year ended December 31, 2017. The corresponding income tax expense (or benefit) recorded by the Registrant Subsidiaries was as follows: Entergy Arkansas, (\$3 million); Entergy Louisiana, \$217 million; Entergy Mississippi, \$3 million; Entergy New Orleans, \$6 million; Entergy Texas, \$3 million; and System Energy, \$0.

Included in the effect of the computation of the changes in deferred tax assets and liabilities is the recognition threshold and measurement of uncertain tax positions resulting in unrecognized tax benefits. The final economic outcome of such unrecognized tax benefits is generally the result of a negotiated settlement with the IRS that often differs from the amount that is recorded as realizable under GAAP. The intrinsic uncertainty with respect to all such tax positions means that the difference between current estimates of such amounts likely to be realized and actual amounts realized upon settlement may have an effect on income tax expense and the regulatory liability for income taxes in future periods.

Entergy anticipates that the Act, including the federal corporate income tax rate change, may continue to have ramifications that require adjustments in the future as certain events occur. These events include: 1) the evaluation by regulators in all of Entergy's jurisdictions regarding the ratemaking treatment of the Act and excess ADIT; 2) IRS audit adjustments to or amendments of federal and state income tax returns that include modifications to the computation of taxable income resulting from the Act; and 3) additional guidance, interpretations, or rulings by the U.S. Department of the Treasury or the IRS. The potential exists for these types of events to result in future tax expense adjustments because of the difference in the federal corporate income tax rate between past and future periods and the effect of the tax rate change on ratemaking. In turn, these items also could potentially affect the regulatory liability for income taxes.

### **Entergy Wholesale Commodities Restructuring**

The tax classification of the entity that owned FitzPatrick changed in the second quarter 2016. The change in tax classification required Entergy to recognize the plant's nuclear decommissioning liability for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by \$238 million. The accrual of the nuclear decommissioning liability also required Entergy to recognize a gain for income tax purposes, a significant portion of which resulted in an increase in tax basis of the assets. Recognition of the gain and the increase in tax basis of the assets represents a tax accounting temporary difference. Entergy sold FitzPatrick on March 31, 2017. The removal of the contingencies regarding the sale of the plant and the receipt of NRC approval for the sale allowed Entergy to re-determine the plant's tax basis. The re-determined basis resulted in a \$44 million income tax benefit in the first quarter 2017.

In the second quarter 2017, Entergy changed the tax classification of legal entities that own Entergy Wholesale Commodities nuclear power plants. The change in tax classification required Entergy to recognize the plants' nuclear decommissioning liabilities for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by \$373 million. The accrual of the nuclear decommissioning liabilities also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in tax basis of the assets. Recognition of the gain and the increase in tax basis of the assets represents a tax accounting temporary difference.

In the third quarter 2018, Entergy completed a restructuring of the investment holdings in one of the Entergy Wholesale Commodities nuclear plant decommissioning trusts that resulted in an adjustment to tax basis for the trust. The accounting standards provide that a taxable temporary difference does not exist if the tax law provides a means by which an amount can be recovered without incurrence of tax. The restructuring allows Entergy to recover assets from the trust without incurring tax. As such, the tax basis recognized resulted in the reversal of a deferred tax liability and reduction of income tax expense of approximately \$107 million.



In the fourth quarter 2019, two separate events occurred resulting in a reduction of tax expense of \$174 million. In November 2019 an Entergy Wholesale Commodities subsidiary recognized a reduction in income tax expense of \$18 million in connection with the accounting method on power contracts associated with the Palisades nuclear power station. Additionally, Entergy's ownership of Indian Point 2 and Indian Point 3 was restructured. The restructuring required Entergy to recognize Indian Point 2 and Indian Point 3 nuclear decommissioning liabilities for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by \$156 million. The accrual of the nuclear decommissioning liabilities also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in the tax basis of the assets. Recognition of the gain and the increase in the tax basis of the assets represents a tax accounting temporary difference.

Immediately prior to the restructuring, through its ownership of Indian Point 2 and Indian Point 3, Entergy donated property to Stony Brook University and recognized an associated tax deduction resulting in a decrease to tax expense of \$19 million.

### **Entergy Wholesale Commodities Tax Audit**

A state income tax audit involving Entergy Wholesale Commodities was concluded during the third quarter 2018. Upon conclusion of the audit, subsidiaries within Entergy Wholesale Commodities reversed a portion of the provision for uncertain tax positions totaling approximately \$23 million, net of tax and interest paid.

### **Tax Accounting Methods**

In the fourth quarter 2015, System Energy and Entergy Louisiana adopted a new method of accounting for income tax return purposes in which their nuclear decommissioning costs will be treated as production costs of electricity includable in cost of goods sold. The new method resulted in a reduction of taxable income of \$1.2 billion for System Energy and \$2.2 billion for Energy Louisiana. In the fourth quarter 2018, Entergy Arkansas adopted the same method of accounting for its nuclear decommissioning costs which resulted in a \$2.2 billion reduction in taxable income.

In 2016, Entergy Louisiana elected mark-to-market income tax treatment for various wholesale electric power purchase and sale agreements, including Entergy Louisiana's contract to purchase electricity from the Vidalia hydroelectric facility and from System Energy under the Unit Power Sales Agreement. The election resulted in a \$2.2 billion deductible temporary difference. In 2017, Entergy New Orleans also elected mark-to-market income tax treatment for wholesale electric contracts which resulted in a \$1.1 billion deductible temporary difference. In 2018, Entergy Arkansas and Entergy Mississippi accrued deductible temporary differences related to mark-to-market tax accounting for wholesale electric contracts of \$2.1 billion and \$1.9 billion, respectively.

### **Entergy Arkansas and Entergy Mississippi Internal Restructuring**

In the fourth quarter 2018, Entergy Arkansas and Entergy Mississippi became wholly-owned subsidiaries of Entergy Utility Holding Company, LLC. The change in ownership required Entergy to recognize Entergy Arkansas's nuclear decommissioning liabilities for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by \$165 million. The accrual of the nuclear decommissioning liabilities also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in the tax basis of the assets. Recognition of the gain and the increase in the tax basis of the assets represents a tax accounting temporary difference. Additionally, Entergy recorded a \$5 million reduction of income tax expense associated with state income tax effects resulting in a total reduction of income tax expense of \$170 million from the restructuring. Entergy recorded a regulatory liability of \$40 million (\$30 million net-of-tax) which partially offsets the reduction of income tax expense. Entergy Arkansas's member's equity increased by \$94 million as a result of the restructuring. See Note 2 to the financial statements for further discussion of the internal restructuring.

### Arkansas Corporate Income Tax Rate Reduction

In April 2019 the state of Arkansas enacted corporate income tax law changes that phase in an Arkansas tax rate reduction from the current rate of 6.5% to 6.2% in 2021 and 5.9% in 2022. The rate reduction will eventually reduce Entergy Arkansas’s combined federal and state applicable tax rate by less than 0.5% once fully adopted. As a result of the rate reduction, Entergy Arkansas recorded a regulatory liability for income taxes of approximately \$25 million which includes a tax gross-up related to the treatment of income taxes in the ratemaking formula. The Arkansas tax law enactment also phases in an increase to the net operating loss carryover period from five to ten years.

### Consolidated Income Tax Return of Entergy Corporation

In September 2019, Entergy Utility Holding Company, LLC and its regulated, wholly-owned subsidiaries including Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, became eligible to and joined the Entergy Corporation consolidated federal income tax group. As a result of these four Utility operating companies re-joining the Entergy Corporation consolidated tax return group, Entergy was able to recognize a \$41 million deferred tax asset associated with a previously unrecognized Arkansas net operating loss carryover.

Additionally, in September 2019, Entergy Texas issued \$35 million of 5.375% Series A preferred stock with a liquidation value of \$25 per share resulting in the disaffiliation and de-consolidation of Entergy Texas from the consolidated federal income tax return of Entergy Corporation. These changes will not affect the accrual or allocation of income taxes for the Registrant Subsidiaries. See Note 6 to the financial statements for discussion of the preferred stock issuance.

### Vermont Yankee

The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter of 2019; accordingly, Entergy accrued a net tax expense of \$29 million on the disposition of Vermont Yankee. See Note 14 to the financial statements for discussion of the Vermont Yankee transaction.

### NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT, AND SHORT-TERM BORROWINGS (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 September 2024. The facility includes fronting commitments for the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% 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 year ended December 31, 2019 was 3.77% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2019.

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$440	\$6	\$3,054

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 \$2 billion. As of December 31, 2019, Entergy Corporation had \$1.947 billion of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2019 was 2.71%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2019 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2019	Letters of Credit Outstanding as of December 31, 2019
Entergy Arkansas	April 2020	\$20 million (b)	2.92%	—	—
Entergy Arkansas	September 2024	\$150 million (c)	2.92%	—	—
Entergy Louisiana	September 2024	\$350 million (c)	2.92%	—	—
Entergy Mississippi	May 2020	\$10 million (d)	3.30%	—	—
Entergy Mississippi	May 2020	\$35 million (d)	3.30%	—	—
Entergy Mississippi	May 2020	\$37.5 million (d)	3.30%	—	—
Entergy New Orleans	November 2021	\$25 million (c)	2.92%	\$20 million	\$0.8 million
Entergy Texas	September 2024	\$150 million (c)	3.30%	—	\$1.3 million

- (a) The interest rate is the estimated interest rate as of December 31, 2019 that would have been applied to outstanding borrowings under the facility.
- (b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
- (c) The credit facility includes fronting commitments for the issuance of letters of credit against a portion of the borrowing capacity of the facility as follows: \$5 million for Entergy Arkansas; \$15 million for Entergy Louisiana; \$10 million for Entergy New Orleans; and \$30 million for Entergy Texas.
- (d) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

The commitment fees on the credit facilities range from 0.075% to 0.225% 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 to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2019:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2019 (a)
Entergy Arkansas	\$25 million	0.70%	\$1.0 million
Entergy Louisiana	\$125 million	0.70%	\$12.3 million
Entergy Mississippi	\$64 million	0.70%	\$1.8 million
Entergy New Orleans	\$15 million	1.00%	\$5.6 million
Entergy Texas	\$50 million	0.70%	\$12.1 million

(a) As of December 31, 2019, letters of credit posted with MISO covered financial transmission right exposure of \$0.2 million for Entergy Mississippi. See Note 15 to the financial statements for discussion of financial transmission rights.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits for Entergy New Orleans are effective through October 31, 2021. The current FERC-authorized limits for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy are effective through November 8, 2020. In addition to borrowings from commercial banks, these companies may also borrow from the Entergy System money pool and from other internal short-term borrowing arrangements. The money pool and the other internal borrowing arrangements are inter-company borrowing arrangements designed to reduce the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from internal 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 December 31, 2019 (aggregating both internal and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	\$250	\$22
Entergy Louisiana	\$450	\$83
Entergy Mississippi	\$175	—
Entergy New Orleans	\$150	—
Entergy Texas	\$200	—
System Energy	\$200	—

#### **Vermont Yankee Asset Retirement Management, LLC Credit Facility**

In January 2019, Entergy Nuclear Vermont Yankee was transferred to NorthStar and its credit facility was assumed by Vermont Yankee Asset Retirement Management, LLC, Entergy Nuclear Vermont Yankee's parent company that remains an Entergy subsidiary after the transfer. The credit facility has a borrowing capacity of \$139 million and expires in December 2021. The commitment fee is currently 0.20% of the undrawn commitment amount. As of December 31, 2019, \$139 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the year ended December 31, 2019 was 3.93% on the drawn portion of the facility. See Note 14 to the financial statements for discussion of the transfer of Entergy Nuclear Vermont Yankee to NorthStar.

#### **Variable Interest Entities (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)**

See Note 17 to the financial statements for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). 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 December 31, 2019:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of December 31, 2019
(Dollars in Millions)				
Entergy Arkansas VIE	September 2021	\$80	3.33%	\$15.1
Entergy Louisiana River Bend VIE	September 2021	\$105	3.23%	\$70.3
Entergy Louisiana Waterford VIE	September 2021	\$105	3.30%	\$49.9
System Energy VIE	September 2021	\$120	3.34%	\$31.6

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

The commitment fees on the credit facilities are 0.10% of the undrawn commitment amount for the Entergy Arkansas, Entergy Louisiana, 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.

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of December 31, 2019 as follows:

<b>Company</b>	<b>Description</b>	<b>Amount</b>
Entergy Arkansas VIE	3.65% Series L due July 2021	\$90 million
Entergy Arkansas VIE	3.17% Series M due December 2023	\$40 million
Entergy Louisiana River Bend VIE	3.38% Series R due August 2020	\$70 million
Entergy Louisiana Waterford VIE	3.92% Series H due February 2021	\$40 million
Entergy Louisiana Waterford VIE	3.22% Series I due December 2023	\$20 million
System Energy VIE	3.42% Series J due April 2021	\$100 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.

Entergy Arkansas, Entergy Louisiana, and System Energy each have obtained financing authorizations from the FERC that extend through November 2020 for issuances by its nuclear fuel company variable interest entities.

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

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2019 and 2018 consisted of:

Type of Debt and Maturity	Weighted Average Interest Rate December 31, 2019	Interest Rate Ranges at December 31,		Outstanding at December 31,	
		2019	2018	2019	2018
(In Thousands)					
<b>Mortgage Bonds</b>					
2019-2023	3.65%	2.55%-5.10%	2.55%-7.125%	\$2,400,000	\$3,050,000
2024-2028	3.59%	2.40%-5.59%	2.40%-5.59%	4,610,000	4,610,000
2029-2039	4.05%	3.05%-4.52%	3.05%-4.52%	1,890,000	1,190,000
2044-2066	4.63%	3.55%-5.625%	4.20%-5.625%	5,170,000	3,560,000
<b>Governmental Bonds (a)</b>					
2021-2022	2.48%	2.375%-2.50%	2.375%-5.875%	179,000	179,000
2028-2030	3.45%	3.375%-3.50%	3.375%-3.50%	198,680	198,680
<b>Securitization Bonds</b>					
2021-2027	3.73%	2.04%-5.93%	2.04%-5.93%	302,145	429,118
<b>Variable Interest Entities Notes Payable (Note 4)</b>					
2020-2023	3.41%	3.17%-3.92%	3.17%-3.92%	360,000	360,000
<b>Entergy Corporation Notes</b>					
due September 2020	n/a	5.125%	5.125%	450,000	450,000
due July 2022	n/a	4.00%	4.00%	650,000	650,000
due September 2026	n/a	2.95%	2.95%	750,000	750,000
Entergy New Orleans Unsecured Term Loan	n/a	3.00%	—	70,000	—
5 Year Credit Facility (Note 4)	n/a	3.77%	3.60%	440,000	220,000
Entergy New Orleans Credit Facility (Note 4)	n/a	2.92%	—	20,000	—
Vermont Yankee Credit Facility (Note 4)	n/a	3.93%	3.50%	139,000	139,000
Entergy Arkansas VIE Credit Facility (Note 4)	n/a	3.33%	3.48%	15,100	59,600
Entergy Louisiana River Bend VIE Credit Facility (Note 4)	n/a	3.23%	3.44%	70,300	38,600
Entergy Louisiana Waterford VIE Credit Facility (Note 4)	n/a	3.30%	3.35%	49,900	82,000
System Energy VIE Credit Facility (Note 4)	n/a	3.34%	3.44%	31,600	113,900
Long-term DOE Obligation (b)	—	—	—	191,114	186,864
Grand Gulf Sale-Leaseback Obligation	n/a	—	—	34,346	34,352
Unamortized Premium and Discount - Net				(16,124)	(14,784)
Unamortized Debt Issuance Costs				(143,502)	(130,612)
Other				12,096	12,594
<b>Total Long-Term Debt</b>				<b>17,873,655</b>	<b>16,168,312</b>
Less Amount Due Within One Year				795,012	650,009
<b>Long-Term Debt Excluding Amount Due Within One Year</b>				<b>\$17,078,643</b>	<b>\$15,518,303</b>
Fair Value of Long-Term Debt				\$19,059,950	\$16,101,455

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

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2019, for the next five years are as follows:

	<b>Amount</b>
	(In Thousands)
2020	\$795,000
2021	\$1,358,159
2022	\$1,104,289
2023	\$1,865,154
2024	\$1,175,000

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through November 2020. Entergy New Orleans has obtained long-term financing authorization from the FERC and the City Council that extends through October 2021. Entergy Arkansas has also obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2020.

Long-term debt for the Registrant Subsidiaries as of December 31, 2019 and 2018 consisted of:

	2019	2018
	(In Thousands)	
<b>Entergy Arkansas</b>		
<b>Mortgage Bonds:</b>		
3.75% Series due February 2021	\$350,000	\$350,000
3.05% Series due June 2023	250,000	250,000
3.7% Series due June 2024	375,000	375,000
3.5% Series due April 2026	600,000	600,000
4.0% Series due June 2028	250,000	250,000
4.95% Series due December 2044	250,000	250,000
4.20% Series due April 2049	350,000	—
4.90% Series due December 2052	200,000	200,000
4.75% Series due June 2063	125,000	125,000
4.875% Series due September 2066	410,000	410,000
Total mortgage bonds	3,160,000	2,810,000
<b>Governmental Bonds (a):</b>		
2.375% Series due 2021, Independence County (c)	45,000	45,000
Total governmental bonds	45,000	45,000
<b>Variable Interest Entity Notes Payable and Credit Facility (Note 4):</b>		
3.65% Series L due July 2021	90,000	90,000
3.17% Series M due December 2023	40,000	40,000
Credit Facility due September 2021, weighted avg rate 3.33%	15,100	59,600
Total variable interest entity notes payable and credit facility	145,100	189,600
<b>Securitization Bonds:</b>		
2.30% Series Senior Secured due August 2021	7,259	21,692
Total securitization bonds	7,259	21,692
<b>Other:</b>		
Long-term DOE Obligation (b)	191,114	186,864
Unamortized Premium and Discount – Net	1,664	4,408
Unamortized Debt Issuance Costs	(34,936)	(33,831)
Other	2,007	2,026
<b>Total Long-Term Debt</b>	<b>3,517,208</b>	<b>3,225,759</b>
Less Amount Due Within One Year	—	—
Long-Term Debt Excluding Amount Due Within One Year	\$3,517,208	\$3,225,759
Fair Value of Long-Term Debt	\$3,747,914	\$3,189,491



	2019	2018
	(In Thousands)	
<b>Entergy Louisiana</b>		
<b>Mortgage Bonds:</b>		
3.95% Series due October 2020	\$250,000	\$250,000
4.8% Series due May 2021	200,000	200,000
3.3% Series due December 2022	200,000	200,000
4.05% Series due September 2023	325,000	325,000
5.59% Series due October 2024	300,000	300,000
5.40% Series due November 2024	400,000	400,000
3.78% Series due April 2025	110,000	110,000
3.78% Series due April 2025	190,000	190,000
4.44% Series due January 2026	250,000	250,000
2.40% Series due October 2026	400,000	400,000
3.12% Series due September 2027	450,000	450,000
3.25% Series due April 2028	425,000	425,000
3.05% Series due June 2031	325,000	325,000
4.0% Series due March 2033	750,000	750,000
5.0% Series due July 2044	170,000	170,000
4.95% Series due January 2045	450,000	450,000
4.20% Series due September 2048	600,000	600,000
4.20% Series due April 2050	525,000	—
5.25% Series due July 2052	200,000	200,000
4.70% Series due June 2063	100,000	100,000
4.875% Series due September 2066	270,000	270,000
Total mortgage bonds	6,890,000	6,365,000
<b>Governmental Bonds (a):</b>		
3.375 % Series due 2028, Louisiana Public Facilities Authority (c)	83,680	83,680
3.50% Series due 2030, Louisiana Public Facilities Authority (c)	115,000	115,000
Total governmental bonds	198,680	198,680
<b>Variable Interest Entity Notes Payable and Credit Facilities (Note 4):</b>		
3.38% Series R due August 2020	70,000	70,000
3.92% Series H due February 2021	40,000	40,000
3.22% Series I due December 2023	20,000	20,000
Credit Facility due September 2021, weighted avg rate 3.23%	70,300	38,600
Credit Facility due September 2021, weighted avg rate 3.30%	49,900	82,000
Total variable interest entity notes payable and credit facilities	250,200	250,600
<b>Securitization Bonds:</b>		
2.04% Series Senior Secured due September 2023	34,185	56,910
Total securitization bonds	34,185	56,910
<b>Other:</b>		
Unamortized Premium and Discount - Net	(17,372)	(14,955)
Unamortized Debt Issuance Costs	(58,089)	(57,011)
Other	6,065	6,544
<b>Total Long-Term Debt</b>	<b>7,303,669</b>	<b>6,805,768</b>
Less Amount Due Within One Year	320,002	2
Long-Term Debt Excluding Amount Due Within One Year	\$6,983,667	\$6,805,766

Fair Value of Long-Term Debt

\$7,961,168

\$6,834,134

	2019	2018
	(In Thousands)	
<b>Entergy Mississippi</b>		
<b>Mortgage Bonds:</b>		
6.64% Series due July 2019	\$—	\$150,000
3.1% Series due July 2023	250,000	250,000
3.75% Series due July 2024	100,000	100,000
3.25% Series due December 2027	150,000	150,000
2.85% Series due June 2028	375,000	375,000
4.52% Series due December 2038	55,000	55,000
3.85% Series due June 2049	435,000	—
4.90% Series due October 2066	260,000	260,000
Total mortgage bonds	1,625,000	1,340,000
<b>Other:</b>		
Unamortized Premium and Discount – Net	6,127	(989)
Unamortized Debt Issuance Costs	(16,998)	(13,261)
<b>Total Long-Term Debt</b>	1,614,129	1,325,750
Less Amount Due Within One Year	—	150,000
Long-Term Debt Excluding Amount Due Within One Year	\$1,614,129	\$1,175,750
Fair Value of Long-Term Debt	\$1,709,505	\$1,276,452

	2019	2018
	(In Thousands)	
<b>Entergy New Orleans</b>		
<b>Mortgage Bonds:</b>		
5.10% Series due December 2020	\$25,000	\$25,000
3.9% Series due July 2023	100,000	100,000
4.0% Series due June 2026	85,000	85,000
4.51% Series due September 2033	60,000	60,000
5.0% Series due December 2052	30,000	30,000
5.50% Series due April 2066	110,000	110,000
Total mortgage bonds	410,000	410,000
<b>Securitization Bonds:</b>		
2.67% Series Senior Secured due June 2027	54,443	65,666
Total securitization bonds	54,443	65,666
<b>Other:</b>		
3.0% Unsecured Term Loan due May 2022	70,000	—
Credit Facility due November 2021, weighted avg rate 2.92%	20,000	—
Payable to associated company due November 2035	14,367	16,346
Unamortized Premium and Discount – Net	(129)	(168)
Unamortized Debt Issuance Costs	(7,775)	(8,140)
<b>Total Long-Term Debt</b>	560,906	483,704
Less Amount Due Within One Year	26,838	1,979
Long-Term Debt Excluding Amount Due Within One Year	\$534,068	\$481,725
Fair Value of Long-Term Debt	\$523,846	\$491,569



	2019	2018
	(In Thousands)	
<b>Entergy Texas</b>		
<b>Mortgage Bonds:</b>		
7.125% Series due February 2019	\$—	\$500,000
2.55% Series due June 2021	125,000	125,000
4.1% Series due September 2021	75,000	75,000
3.45% Series due December 2027	150,000	150,000
4.0% Series due March 2029	300,000	—
4.5% Series due March 2039	400,000	—
5.15% Series due June 2045	250,000	250,000
3.55% Series due September 2049	300,000	—
5.625% Series due June 2064	135,000	135,000
Total mortgage bonds	1,735,000	1,235,000
<b>Securitization Bonds:</b>		
5.93% Series Senior Secured, Series A due June 2022	50,289	81,237
4.38% Series Senior Secured, Series A due November 2023	155,969	203,613
Total securitization bonds	206,258	284,850
<b>Other:</b>		
Unamortized Premium and Discount - Net	(4,814)	(992)
Unamortized Debt Issuance Costs	(17,510)	(9,145)
Other	4,022	4,022
<b>Total Long-Term Debt</b>	<b>1,922,956</b>	<b>1,513,735</b>
Less Amount Due Within One Year	—	500,000
Long-Term Debt Excluding Amount Due Within One Year	\$1,922,956	\$1,013,735
Fair Value of Long-Term Debt	\$2,090,215	\$1,528,828

	2019	2018
	(In Thousands)	
<b>System Energy</b>		
<b>Mortgage Bonds:</b>		
4.1% Series due April 2023	\$250,000	\$250,000
Total mortgage bonds	250,000	250,000
<b>Governmental Bonds (a):</b>		
5.875% Series due 2022, Mississippi Business Finance Corp.	—	134,000
2.5% Series due 2022, Mississippi Business Finance Corp.	134,000	—
Total governmental bonds	134,000	134,000
<b>Variable Interest Entity Notes Payable and Credit Facility (Note 4):</b>		
3.42% Series J due April 2021	100,000	100,000
Credit Facility due September 2021, weighted avg rate 3.34%	31,600	113,900
Total variable interest entity notes payable and credit facility	131,600	213,900
<b>Other:</b>		
Grand Gulf Sale-Leaseback Obligation	34,346	34,352
Unamortized Premium and Discount – Net	(144)	(328)
Unamortized Debt Issuance Costs	(1,697)	(1,176)
Other	2	2
<b>Total Long-Term Debt</b>	<b>548,107</b>	<b>630,750</b>
Less Amount Due Within One Year	10	6
Long-Term Debt Excluding Amount Due Within One Year	\$548,097	\$630,744
Fair Value of Long-Term Debt	\$565,209	\$630,475

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

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2019, for the next five years are as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
2020	\$—	\$320,000	\$—	\$25,000	\$—	\$—
2021	\$507,359	\$360,200	\$—	\$20,000	\$200,000	\$131,600
2022	\$—	\$200,000	\$—	\$70,000	\$50,289	\$134,000
2023	\$290,000	\$379,185	\$250,000	\$100,000	\$155,969	\$250,000
2024	\$375,000	\$700,000	\$100,000	\$—	\$—	\$—

### **Entergy Arkansas Securitization Bonds**

In June 2010 the APSC issued a financing order authorizing the issuance of bonds to recover Entergy Arkansas's January 2009 ice storm damage restoration costs, including carrying costs of \$11.5 million and \$4.6 million of up-front financing costs. In August 2010, Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, issued \$124.1 million of storm cost recovery bonds. The bonds have a coupon of 2.30%. Although the principal amount is not due until August 2021, Entergy Arkansas Restoration Funding expects to make principal payments on the bonds in the amount of \$7.3 million for 2020. With the proceeds, Entergy Arkansas Restoration Funding purchased from Entergy Arkansas the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy Arkansas balance sheet. The creditors of Entergy Arkansas do not have recourse to the assets or revenues of Entergy Arkansas Restoration Funding, including the storm recovery property, and the creditors of Entergy Arkansas Restoration Funding do not have recourse to the assets or revenues of Entergy Arkansas. Entergy Arkansas has no payment obligations to Entergy Arkansas Restoration Funding except to remit storm recovery charge collections.

### **Entergy Louisiana Securitization Bonds – Little Gypsy**

In August 2011 the LPSC issued a financing order authorizing the issuance of bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. In September 2011, Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, issued \$207.2 million of senior secured investment recovery bonds. The bonds have an interest rate of 2.04%. Although the principal amount is not due until September 2023, Entergy Louisiana Investment Recovery Funding expects to make principal payments on the bonds over the next two years in the amounts of \$23.2 million for 2020 and \$11 million for 2021. With the proceeds, Entergy Louisiana Investment Recovery Funding purchased from Entergy Louisiana the investment recovery property, which is the right to recover from customers through an investment recovery charge amounts sufficient to service the bonds. In accordance with the financing order, Entergy Louisiana will apply the proceeds it received from the sale of the investment recovery property as a reimbursement for previously-incurred investment recovery costs. The investment recovery property is reflected as a regulatory asset on the consolidated Entergy Louisiana balance sheet. The creditors of Entergy Louisiana do not have recourse to the assets or revenues of Entergy Louisiana Investment Recovery Funding, including the investment recovery property, and the creditors of Entergy Louisiana Investment Recovery Funding do not have recourse to the assets or revenues of Entergy Louisiana. Entergy Louisiana has no payment obligations to Entergy Louisiana Investment Recovery Funding except to remit investment recovery charge collections.

### **Entergy New Orleans Securitization Bonds - Hurricane Isaac**

In May 2015 the City Council issued a financing order authorizing the issuance of securitization bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs of \$31.8 million, including carrying costs, the costs of funding and replenishing the storm recovery reserve in the amount of \$63.9 million, and approximately \$3 million of up-front financing costs associated with the securitization. In July 2015, Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly owned and consolidated by Entergy New Orleans, issued \$98.7 million of storm cost recovery bonds. The bonds have a coupon of 2.67%. Although the principal amount is not due until June 2027, Entergy New Orleans Storm Recovery Funding expects to make principal payments on the bonds over the next five years in the amounts of \$11.6 million for 2020, \$11.9 million for 2021, \$12.2 million for 2022, \$12.5 million for 2023, and \$6.2 million for 2024. With the proceeds, Entergy New Orleans Storm Recovery Funding purchased from Entergy New Orleans the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy New Orleans balance sheet. The creditors of Entergy New Orleans do not have recourse to the assets or revenues of Entergy New Orleans Storm Recovery Funding, including the storm recovery property, and the creditors of Entergy New Orleans Storm Recovery Funding do not have recourse to the

assets or revenues of Entergy New Orleans. Entergy New Orleans has no payment obligations to Entergy New Orleans Storm Recovery Funding except to remit storm recovery charge collections.

### **Entergy Texas Securitization Bonds - Hurricane Rita**

In April 2007 the PUCT issued a financing order authorizing the issuance of securitization bonds to recover \$353 million of Entergy Texas's Hurricane Rita reconstruction costs and up to \$6 million of transaction costs, offset by \$32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company that is now wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition bonds (securitization bonds). As of December 31, 2019, \$50.3 million at 5.93% remain outstanding. Entergy Gulf States Reconstruction Funding expects to make principal payments on the bonds over the next two years in the amounts of \$32.8 million for 2020 and \$17.5 million for 2021.

With the proceeds, Entergy Gulf States Reconstruction Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Gulf States Reconstruction Funding, including the transition property, and the creditors of Entergy Gulf States Reconstruction Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Gulf States Reconstruction Funding except to remit transition charge collections.

### **Entergy Texas Securitization Bonds - Hurricane Ike and Hurricane Gustav**

In September 2009 the PUCT authorized the issuance of securitization bonds to recover \$566.4 million of Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs, plus carrying costs and transaction costs, offset by insurance proceeds. In November 2009, Entergy Texas Restoration Funding, LLC (Entergy Texas Restoration Funding), a company wholly-owned and consolidated by Entergy Texas, issued \$545.9 million of senior secured transition bonds (securitization bonds). As of December 31, 2019, \$156 million at 4.38% remain outstanding. Entergy Texas Restoration Funding expects to make principal payments on the bonds over the next three years in the amount of \$49.8 million for 2020, \$52 million for 2021, and \$54.3 million for 2022.

With the proceeds, Entergy Texas Restoration Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Texas Restoration Funding, including the transition property, and the creditors of Entergy Texas Restoration Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Texas Restoration Funding except to remit transition charge collections.

### **Grand Gulf Sale-Leaseback Transactions**

In 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of \$500 million. The initial term of the leases expired in July 2015. System Energy renewed the leases for fair market value with renewal terms expiring in July 2036. At the end of the new lease renewal terms, System Energy has the option to repurchase the leased interests in Grand Gulf or renew the leases at fair market value. In the event that System Energy does not renew or purchase the interests, System Energy would surrender such interests and their associated entitlement of Grand Gulf's capacity and energy.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. As such, it has recognized debt for the lease obligation and retained the portion of the plant subject to the sale-leaseback on its balance sheet. For financial reporting purposes, System Energy has recognized interest expense on the debt balance and depreciation on the applicable plant balance. The lease payments are recognized as principal and interest



payments on the debt balance. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount was a net regulatory liability of \$55.6 million as of December 31, 2019 and 2018.

As of December 31, 2019, System Energy, in connection with the Grand Gulf sale and leaseback transactions, had future minimum lease payments that are recorded as long-term debt, as follows, which reflects the effect of the December 2013 renewal:

	<b>Amount</b>
	(In Thousands)
2020	\$17,188
2021	17,188
2022	17,188
2023	17,188
2024	17,188
Years thereafter	206,250
<b>Total</b>	<b>292,190</b>
Less: Amount representing interest	257,844
<b>Present value of net minimum lease payments</b>	<b>\$34,346</b>

**NOTE 6. PREFERRED EQUITY (Entergy Corporation and Entergy Texas)**

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and non-controlling interest for Entergy Corporation subsidiaries as of December 31, 2019 and 2018 are presented below.

	Shares/Units Authorized		Shares/Units Outstanding		2019	2018
	2019	2018	2019	2018		
<b>Entergy Corporation</b>	(Dollars in Thousands)					
<b>Utility:</b>						
<b>Preferred Stock or Preferred Membership Interests without sinking fund:</b>						
Entergy Utility Holding Company, LLC, 7.5% Series (a)	110,000	110,000	110,000	110,000	\$107,425	\$107,425
Entergy Utility Holding Company, LLC, 6.25% Series (b)	15,000	15,000	15,000	15,000	14,366	14,366
Entergy Utility Holding Company, LLC, 6.75% Series (c)	75,000	75,000	75,000	75,000	73,370	73,362
Entergy Texas, 5.375% Series	1,400,000	—	1,400,000	—	35,000	—
<b>Total Utility Preferred Stock or Preferred Membership Interests without sinking fund</b>	<b>1,600,000</b>	<b>200,000</b>	<b>1,600,000</b>	<b>200,000</b>	<b>230,161</b>	<b>195,153</b>
<b>Entergy Wholesale Commodities:</b>						
<b>Preferred Stock without sinking fund:</b>						
Entergy Finance Holding, Inc. 8.75% (d)	250,000	250,000	250,000	250,000	24,249	24,249
<b>Total Subsidiaries' Preferred Stock or Preferred Membership Interests without sinking fund</b>	<b>1,850,000</b>	<b>450,000</b>	<b>1,850,000</b>	<b>450,000</b>	<b>\$254,410</b>	<b>\$219,402</b>

- (a) In October 2015, Entergy Utility Holding Company, LLC issued 110,000 units of \$1,000 liquidation value 7.5% Series A Preferred Membership Interests, all of which are outstanding as of December 31, 2019. The distributions are cumulative and payable quarterly. These units are redeemable on or after January 1, 2036, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$2,575 thousand of preferred stock issuance costs.
- (b) In November 2017, Entergy Utility Holding Company, LLC issued 15,000 units of \$1,000 liquidation value 6.25% Series B Preferred Membership Interests, all of which are outstanding as of December 31, 2019. The distributions are cumulative and payable quarterly. These units are redeemable on or after February 28, 2038, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$634 thousand of preferred stock issuance costs.
- (c) In November 2018, Entergy Utility Holding Company, LLC issued 75,000 units of \$1,000 liquidation value 6.75% Series C Preferred Membership Interests, all of which are outstanding as of December 31, 2019. The distributions are cumulative and payable quarterly. These units are redeemable on or after February 28, 2039, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$1,630 thousand of preferred stock issuance costs.
- (d) In December 2013, Entergy Finance Holding, Inc. issued 250,000 shares of \$100 par value 8.75% Series Preferred Stock, all of which are outstanding as of December 31, 2019. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after December 16, 2023, at Entergy Finance Holding, Inc.'s option, at the fixed redemption price of \$100 per share. Dollar amount outstanding is net of \$751 thousand of preferred stock issuance costs.

The number of shares authorized and outstanding and dollar value of preferred stock for Entergy Texas as of December 31, 2019 and 2018 are presented below.

	Shares Authorized and Outstanding				Call Price per Share as of December 31,
	2019	2018	2019	2018	2019
<b>Entergy Texas Preferred Stock</b>	(Dollars in Thousands)				
<b>Without sinking fund:</b>					
Cumulative, \$25 par value:					
5.375% Series (a)	1,400,000	—	\$35,000	\$—	\$—
Total without sinking fund	1,400,000	—	\$35,000	\$—	

- (a) In September 2019, Entergy Texas issued \$35 million of 5.375% Series A Preferred Stock, a total of 1,400,000 shares with a liquidation value of \$25 per share, all of which are outstanding as of December 31, 2019. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after October 15, 2024 at Entergy Texas’s option, at a fixed redemption price of \$25 per share.

Dividends and distributions paid on all of Entergy Corporation’s subsidiaries’ preferred stock and membership interests series may be eligible for the dividends received deduction.

**Presentation of Preferred Stock without Sinking Fund**

Accounting standards regarding non-controlling interests and the classification and measurement of redeemable securities require the classification of preferred securities between liabilities and shareholders’ equity on the balance sheet if the holders of those securities have protective rights that allow them to gain control of the board of directors in certain circumstances. These rights would have the effect of giving the holders the ability to potentially redeem their securities, even if the likelihood of occurrence of these circumstances is considered remote. The outstanding preferred stock of Entergy Texas has protective rights with respect to unpaid dividends but provides for the election of board members that would not constitute a majority of the board, and the preferred stock of Entergy Texas is therefore classified as a component of equity.

The outstanding preferred securities of Entergy Utility Holding Company (a Utility subsidiary) and Entergy Finance Holding (an Entergy Wholesale Commodities subsidiary), whose preferred holders have protective rights, are presented between liabilities and equity on Entergy’s consolidated balance sheets. The preferred dividends or distributions paid by all subsidiaries are reflected for all periods presented outside of consolidated net income.

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

**Common Stock**

Common stock and treasury stock shares activity for Entergy for 2019, 2018, and 2017 is as follows:

	2019		2018		2017	
	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares
Beginning Balance, January 1	261,587,009	72,530,866	254,752,788	74,235,135	254,752,788	75,623,363
Issuances:						
Equity forwards settled	8,448,171	—	6,834,221	—	—	—
Employee Stock-Based Compensation Plans	—	(1,624,358)	—	(1,683,174)	—	(1,377,363)
Directors' Plan	—	(20,108)	—	(21,095)	—	(10,865)
Ending Balance, December 31	270,035,180	70,886,400	261,587,009	72,530,866	254,752,788	74,235,135

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

In October 2010 the Board granted authority for a \$500 million share repurchase program. As of December 31, 2019, \$350 million of authority remains under the \$500 million share repurchase program.

Dividends declared per common share were \$3.66 in 2019, \$3.58 in 2018, and \$3.50 in 2017.

(System Energy)

System Energy paid its parent, Entergy Corporation, distributions out of its common stock of \$56.5 million in 2018 and \$21 million in 2017.

**Equity Forward Sale Agreements**

In June 2018, Entergy marketed an equity offering of 15.3 million shares of common stock. In lieu of issuing equity at the time of the offering, Entergy entered into forward sale agreements with various investment banks. The equity forwards required Entergy to, at its election prior to June 7, 2019, either (i) physically settle the transactions by issuing the total of 15.3 million shares of its common stock to the investment banks in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially \$74.45 per share) or (ii) net settle the transactions in whole or in part through the delivery or receipt of cash or shares. The forward sale price was subject to adjustment on a daily basis based on a floating interest rate factor and decreased by other fixed amounts specified in the agreements.

In December 2018, Entergy physically settled a portion of its obligations under the forward sale agreements by delivering 6,834,221 shares of common stock in exchange for cash proceeds of \$500 million. The forward sale price used to determine the cash proceeds received by Entergy was calculated based on the initial forward sale price

of \$74.45 per share as adjusted in accordance with the forward sale agreements. Entergy incurred approximately \$728 thousand of common stock issuance costs with the settlement.

In May 2019, Entergy physically settled its remaining obligations under the forward sale agreements by delivering 8,448,171 shares of common stock in exchange for cash proceeds of \$608 million. The forward sale price used to determine the cash proceeds received by Entergy was calculated based on the initial forward sale price of \$74.45 per share as adjusted in accordance with the forward sale agreements. Entergy incurred approximately \$7 thousand of common stock issuance costs with the settlement.

Entergy used the net proceeds for general corporate purposes, which included repayment of commercial paper, outstanding loans under Entergy's revolving credit facility, and other debt.

### **Retained Earnings and Dividends**

Entergy implemented ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" effective January 1, 2018. The ASU requires investments in equity securities, excluding those accounted for under the equity method or resulting in consolidation of the investee, to be measured at fair value with changes recognized in net income. Entergy implemented this standard using a modified retrospective method, and recorded an adjustment increasing retained earnings and reducing accumulated other comprehensive income by \$633 million as of January 1, 2018 for the cumulative effect of the unrealized gains and losses on investments in equity securities held by the decommissioning trust funds that do not meet the criteria for regulatory accounting treatment. See Note 16 to the financial statements for further discussion of effects of the new standard.

Entergy implemented ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" effective January 1, 2018. The ASU requires entities to recognize the income tax consequences of intra-entity asset transfers, other than inventory, at the time the transfer occurs. Entergy implemented this standard using a modified retrospective method, and recorded an adjustment decreasing retained earnings by \$56 million as of January 1, 2018 for the cumulative effect of recording deferred tax assets on previously-recognized intra-entity asset transfers.

Entergy adopted ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," in the first quarter 2018. The ASU allows a one-time reclassification from accumulated other comprehensive income to retained earnings for certain tax effects resulting from the Tax Cuts and Jobs Act that would otherwise be stranded in accumulated other comprehensive income. Entergy's policy for releasing income tax effects from accumulated other comprehensive income for available-for-sale securities is to use the portfolio approach. Entergy elected to reclassify the \$15.5 million of stranded tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act to retained earnings (\$32 million decrease) or the regulatory liability for income taxes (\$16.5 million increase). Entergy's reclassification only includes the effect of the change in the federal corporate income tax rate on accumulated other comprehensive income.

Entergy implemented ASU No. 2017-12 "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" effective January 1, 2019. The ASU makes a number of amendments to hedge accounting, most significantly changing the recognition and presentation of highly effective hedges. Entergy implemented this standard using a modified retrospective method, and recorded an adjustment increasing retained earnings and increasing accumulated other comprehensive loss by approximately \$8 million as of January 1, 2019 for the cumulative effect of the ineffectiveness portion of designated hedges on nuclear power sales.

Entergy implemented ASU 2017-08 "Receivables (Topic 310): Nonrefundable Fees and Other Costs" effective January 1, 2019. The ASU amends the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. Entergy implemented this standard using the modified retrospective approach, and

recorded an adjustment decreasing retained earnings and decreasing accumulated other comprehensive loss by approximately \$1 million as of January 1, 2019 for the cumulative effect of the amended amortization period.

Entergy Corporation received dividend payments and distributions from subsidiaries totaling \$124 million in 2019, \$27 million in 2018, and \$201 million in 2017.

**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 year ended December 31, 2019 by component:

	<b>Cash flow hedges net unrealized gain (loss)</b>	<b>Pension and other postretirement liabilities</b>	<b>Net unrealized investment gain (loss)</b>	<b>Total Accumulated Other Comprehensive Income (Loss)</b>
	(In Thousands)			
Ending balance, December 31, 2018	(\$23,135)	(\$531,922)	(\$2,116)	(\$557,173)
Implementation of accounting standards	(7,685)	—	879	(6,806)
Beginning balance, January 1, 2019	(\$30,820)	(\$531,922)	(\$1,237)	(\$563,979)
Other comprehensive income (loss) before reclassifications	191,147	(93,696)	32,914	130,365
Amounts reclassified from accumulated other comprehensive income (loss)	(76,121)	68,546	(5,731)	(13,306)
Net other comprehensive income (loss) for the period	115,026	(25,150)	27,183	117,059
Ending balance, December 31, 2019	<u>\$84,206</u>	<u>(\$557,072)</u>	<u>\$25,946</u>	<u>(\$446,920)</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the year ended December 31, 2018 by component:

	<b>Cash flow hedges net unrealized gain (loss)</b>	<b>Pension and other postretirement liabilities</b>	<b>Net unrealized investment gain (loss)</b>	<b>Total Accumulated Other Comprehensive Income (Loss)</b>
(In Thousands)				
Ending balance, December 31, 2017	(\$37,477)	(\$531,099)	\$545,045	(\$23,531)
Implementation of accounting standards	—	—	(632,617)	(632,617)
Beginning balance, January 1, 2018	(\$37,477)	(\$531,099)	(\$87,572)	(\$656,148)
Other comprehensive income (loss) before reclassifications	(31,933)	26,702	(46,574)	(51,805)
Amounts reclassified from accumulated other comprehensive income (loss)	54,031	63,441	17,803	135,275
Net other comprehensive income (loss) for the period	22,098	90,143	(28,771)	83,470
Reclassification pursuant to ASU 2018-02	(7,756)	(90,966)	114,227	15,505
Ending balance, December 31, 2018	(\$23,135)	(\$531,922)	(\$2,116)	(\$557,173)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the year ended December 31, 2019:

	<b>Pension and Other Postretirement Liabilities</b>
(In Thousands)	
Beginning balance, January 1, 2019	(\$6,153)
Other comprehensive income (loss) before reclassifications	14,591
Amounts reclassified from accumulated other comprehensive income (loss)	(3,876)
Net other comprehensive income (loss) for the period	10,715
Ending balance, December 31, 2019	\$4,562

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the year ended December 31, 2018:

	<b>Pension and Other Postretirement Liabilities</b>
	(In Thousands)
Beginning balance, January 1, 2018	(\$46,400)
Other comprehensive income (loss) before reclassifications	52,299
Amounts reclassified from accumulated other comprehensive income (loss)	(2,003)
Net other comprehensive income (loss) for the period	50,296
Reclassification pursuant to ASU 2018-02	(\$10,049)
Ending balance, December 31, 2018	(\$6,153)

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the years ended December 31, 2019 and 2018 are as follows:

	<b>Amounts reclassified from AOCI</b>		<b>Income Statement Location</b>
	<b>2019</b>	<b>2018</b>	
	(In Thousands)		
<b>Cash flow hedges net unrealized gain (loss)</b>			
Power contracts	\$96,549	(\$68,067)	Competitive business operating revenues
Interest rate swaps	(194)	(327)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	96,355	(68,394)	
Income taxes	(20,234)	14,363	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	\$76,121	(\$54,031)	
<b>Pension and other postretirement liabilities</b>			
Amortization of prior-service costs	\$21,300	\$21,700	(a)
Amortization of loss	(83,246)	(99,186)	(a)
Settlement loss	(25,155)	(3,207)	(a)
Total	(87,101)	(80,693)	
Income taxes	18,555	17,252	Income taxes
Total amortization and settlement loss (net of tax)	(\$68,546)	(\$63,441)	
<b>Net unrealized investment gain (loss)</b>			
Realized gain (loss)	\$9,069	(\$28,170)	Interest and investment income
Income taxes	(3,338)	10,367	Income taxes
Total realized investment gain (loss) (net of tax)	\$5,731	(\$17,803)	
Total reclassifications for the period (net of tax)	\$13,306	(\$135,275)	



- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional details.

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy Louisiana for the years ended December 31, 2019 and 2018 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2019	2018	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service costs	\$7,349	\$7,735	(a)
Amortization of loss	(2,106)	(5,025)	(a)
Total amortization	5,243	2,710	
Income taxes	(1,367)	(707)	Income taxes
Total amortization (net of tax)	3,876	2,003	
Total reclassifications for the period (net of tax)	\$3,876	\$2,003	

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional details.

**NOTE 8. 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. Entergy discusses regulatory proceedings in Note 2 to the financial statements and discusses tax proceedings in Note 3 to the financial statements.

**Vidalia Purchased Power Agreement**

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately \$135.5 million in 2019, \$137.6 million in 2018, and \$122.9 million in 2017. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$131 million in 2020, and a total of \$1.44 billion for the years 2021 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by \$11 million each year for up to 10 years, beginning in October 2002. In October 2011 the LPSC approved a settlement under which Entergy Louisiana agreed to provide credits to customers by crediting billings an additional \$20.235 million per year for 15 years beginning January 2012. Entergy Louisiana recorded a regulatory charge and a corresponding regulatory liability to reflect this obligation. The settlement agreement allowed for an adjustment to the credits if, among other things, there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal

corporate income tax rate from 35% to 21%, the Vidalia purchased power regulatory liability was reduced by \$30.5 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

### **ANO Damage, Outage, and NRC Reviews**

In March 2013, during a scheduled refueling outage at ANO 1, a contractor-owned and operated heavy-lifting apparatus collapsed while moving the generator stator out of the turbine building. The collapse resulted in the death of an ironworker and injuries to several other contract workers, caused ANO 2 to shut down, and damaged the ANO turbine building. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately \$95 million. Entergy Arkansas has pursued its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy Arkansas collected \$50 million in 2014 from Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants. Entergy Arkansas also collected a total of \$21 million in 2018 as a result of stator-related settlements.

In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC authorized Entergy Arkansas to retain the \$65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

In March 2015, after several NRC inspections and regulatory conferences, arising from the stator incident, the NRC placed ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix. Entergy Arkansas incurred incremental costs of approximately \$53 million in 2015 to prepare for the NRC inspections that began in early 2016 in order to address the issues required to move ANO back to "licensee response" or Column 1 of the NRC's Reactor Oversight Process Action Matrix. Excluding remediation and response costs that resulted from the additional NRC inspection activities, Entergy Arkansas incurred approximately \$44 million in 2016 and \$7 million in 2017 in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. In June 2018 the NRC moved ANO 1 and ANO 2 into the "licensee response column," or Column 1, of the NRC's Reactor Oversight Process Action Matrix.

In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the \$65.9 million of deferred fuel and purchased energy costs and costs related to the incremental oversight previously noted, subject to certain timelines and conditions set forth in the settlement agreement.

### **Spent Nuclear Fuel Litigation**

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of

Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014.

Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. Beginning in November 2003 these subsidiaries have pursued litigation to recover the damages caused by the DOE's delay in performance. Following are details of final judgments recorded by Entergy in 2017, 2018, and 2019 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE.

In September 2016 the U.S. Court of Federal Claims issued a judgment in the Entergy Nuclear Palisades case in the amount of \$14 million. Entergy Nuclear Palisades recorded a receivable for that amount, and subsequently received payment from the U.S. Treasury in January 2017. The effects of recording the judgment were reductions to plant and other operation and maintenance expenses. The Palisades damages awarded included \$11 million related to costs previously capitalized and \$3 million related to costs previously recorded as other operation and maintenance expense. Of the \$11 million, Entergy recorded \$1 million as a reduction to previously-recorded depreciation expense. Entergy reduced its Palisades plant asset balance by the remaining \$10 million. The Court previously issued a partial judgment in the case in the amount of \$21 million, which was paid by the U.S. Treasury in October 2015.

In October 2016 the U.S. Court of Federal Claims issued a judgment in the second round Entergy Nuclear Indian Point 2 case in the amount of \$34 million. Entergy Nuclear Indian Point 2 recorded a receivable for that amount, and subsequently received payment from the U.S. Treasury in January 2017. The effects of recording the judgment were reductions to plant and other operation and maintenance expenses. The Indian Point 2 damages awarded included \$14 million related to costs previously capitalized, \$15 million related to costs previously recorded as other operation and maintenance expense, \$3 million related to previously recorded decommissioning expense, and \$2 million related to costs previously recorded as taxes other than income taxes. Of the \$14 million, Entergy recorded \$3 million as a reduction to previously-recorded depreciation expense. Entergy reduced its Indian Point 2 plant asset balance by the remaining \$11 million.

In September 2018 the DOE submitted an offer of judgment to resolve claims in the second round Entergy Nuclear Generation Company case involving Pilgrim. The \$62 million offer was accepted by Entergy Nuclear Generation Company, and the U.S. Court of Federal Claims issued a judgment in that amount in favor of Entergy Nuclear Generation Company. Entergy received payment from the U.S. Treasury in October 2018. The effect in 2018 of recording the judgment was a reduction to plant and other operation and maintenance expenses. The Pilgrim damages awarded included \$60 million related to costs previously capitalized and \$2 million related to costs previously recorded as other operation and maintenance expense. Of the \$60 million, Entergy recorded \$4 million as a reduction to previously-recorded depreciation expense, a \$10 million reduction to bring its remaining Pilgrim plant asset balance to zero, and the excess \$46 million as a reduction to other operation and maintenance expense because Pilgrim's plant asset balance is fully impaired.

In August 2019 the U.S. Court of Federal Claims issued a final judgment in the amount of \$19 million in favor of Entergy Louisiana against the DOE in the second round River Bend damages case. Entergy Louisiana received payment from the U.S. Treasury in September 2019. The effects in 2019 of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The River Bend damages awarded included \$12 million related to costs previously recorded as nuclear fuel expense, \$5 million related to costs previously recorded as other operation and maintenance expense, and \$2 million in costs previously capitalized.

In December 2019 the DOE submitted an offer of judgment to resolve claims in the third round ANO damages case. The \$80 million offer was accepted by Entergy Arkansas, and the U.S. Court of Federal Claims issued a judgment

in that amount in favor of Entergy Arkansas and against the DOE. Entergy Arkansas received payment from the U.S. Treasury in January 2020. The effects in 2019 of recording the judgment were reductions to plant, nuclear fuel expense, other operation and maintenance expense, depreciation expense, and taxes other than income taxes. The ANO damages awarded included \$55 million in costs previously capitalized, \$12 million related to costs previously recorded as nuclear fuel expense, \$12 million related to costs previously recorded as other operation and maintenance expense, and \$1 million related to costs previously recorded as taxes other than income taxes. Of the \$55 million, Entergy Arkansas, recorded \$5 million as a reduction to previously-recorded depreciation expense.

In December 2019 the Entergy FitzPatrick Properties (formerly Entergy Nuclear FitzPatrick) and the DOE entered into a settlement agreement and the U.S. Court of Federal Claims issued a judgment in the amount of \$7 million in favor of Entergy FitzPatrick Properties against the DOE in the second round FitzPatrick damages case. Entergy received payment from the U.S. Treasury in January 2020. Substantially all of the FitzPatrick damages awarded relate to costs previously expensed as asset write-offs, impairments, and related charges, and in December 2019 Entergy recorded \$7 million as a reduction to asset write-offs, impairments, and related charges.

Management cannot predict the timing or amount of any potential recoveries on other claims filed by Entergy subsidiaries, and cannot predict the timing of any eventual receipt from the DOE of the U.S. Court of Federal Claims damage awards.

## **Nuclear Insurance**

### **Third Party Liability Insurance**

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

1. The primary level is private insurance underwritten by American Nuclear Insurers (ANI) and provides public liability insurance coverage of \$450 million for each operating reactor. If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies.
2. Within the Secondary Financial Protection level, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident or fault, up to a maximum of approximately \$137.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$1.101 billion). This retrospective premium is payable at a rate currently set at approximately \$21 million per year per incident per nuclear power reactor.
3. In the event that one or more acts of terrorism cause a nuclear power plant accident, which results in third-party damages – off-site property and environmental damage, off-site bodily injury, and on-site third-party bodily injury (i.e. contractors), the primary level provided by ANI combined with the Secondary Financial Protection would provide approximately \$14 billion in coverage. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2020.

Currently, 98 nuclear reactors are participating in the Secondary Financial Protection program that provides approximately \$14 billion in secondary layer insurance coverage to compensate the public in the event of a nuclear power reactor accident. The Price-Anderson Act provides that all potential liability for a nuclear accident is limited to the amounts of insurance coverage available under the primary and secondary layers.

Entergy Arkansas and Entergy Louisiana each have two licensed reactors. System Energy has one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (Cooperative Energy) that would share on a pro-

rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). The Entergy Wholesale Commodities segment includes the ownership, operation, and decommissioning of three nuclear power reactors and the ownership of the shutdown Indian Point 1 reactor and Big Rock Point facility. The Entergy Wholesale Commodities segment previously included two nuclear power reactors that were sold in 2019. Vermont Yankee was sold in January 2019 and Pilgrim was sold in August 2019.

## Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of NEIL, a mutual insurance company that provides property damage coverage, including decontamination and reactor stabilization, to the members' nuclear generating plants. The property damage insurance limits procured by Entergy for its Utility plants and Entergy Wholesale Commodity plants are in compliance with the financial protection requirements of the NRC.

The Utility plants' (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3) property damage insurance limits are \$1.5 billion per occurrence at each plant with an additional \$100 million per occurrence that is shared among the plants. Property damage from earthquake and volcanic eruption is excluded from the first \$500 million in coverage for all Utility plants. Property damage from flood is excluded from the first \$500 million in coverage at ANO 1 and 2 and Grand Gulf. Property damage from flood for Waterford 3 and River Bend includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million. Property damage from wind for all of the Utility nuclear plants includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a total maximum deductible of \$50 million.

The Entergy Wholesale Commodities' plants (Palisades, Indian Point 2, Indian Point 3, and Big Rock Point) have property damage insurance limits as follows: Big Rock Point - \$50 million per occurrence; Palisades - \$1.115 billion per occurrence; and Indian Point - \$1.6 billion per occurrence. For losses that are considered non-nuclear in nature, the property damage insurance limit at Palisades and Indian Point is \$500 million. Property damage from wind and flood at Indian Point includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million, but property damage from earthquake and volcanic eruption at Indian Point is excluded from the first \$500 million. Property damage from wind, flood, earthquake, and volcanic eruption at Palisades includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million. Property damage from wind, flood, earthquake, and volcanic eruption at Big Rock Point includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$14 million.

The value of the insured property at the time of an accident at Palisades has been changed from replacement cost to actual cash value.

In addition, Waterford 3 and Grand Gulf are also covered under NEIL's Accidental Outage Coverage program. Due to Entergy's gradual exit from the merchant/wholesale power business, Entergy no longer purchases Accidental Outage Coverage for its non-regulated, non-generation assets. Accidental outage coverage provides indemnification for the actual cost incurred in the event of an unplanned outage resulting from property damage covered under the NEIL Primary Property Insurance policy, subject to a deductible period. The indemnification for the actual cost incurred is based on market power prices at the time of the loss. After the deductible period has passed, weekly indemnities for an unplanned outage, covered under NEIL's Accidental Outage Coverage program, would be paid according to the amounts listed below:

- 100% of the weekly indemnity for each week for the first payment period of 52 weeks; then
- 80% of the weekly indemnity for each week for the second payment period of 52 weeks; and thereafter
- 80% of the weekly indemnity for an additional 58 weeks for the third and final payment period.

Under the property damage and accidental outage insurance programs, all NEIL insured plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. Effective April 1, 2019, the maximum amounts of such possible assessments per occurrence were as follows:

	<u>Assessments</u>
	(In Millions)
Utility:	
Entergy Arkansas	\$36.2
Entergy Louisiana	\$51.5
Entergy Mississippi	\$0.12
Entergy New Orleans	\$0.12
Entergy Texas	N/A
System Energy	\$24.1
Entergy Wholesale Commodities	\$—

Potential assessments for the Entergy Wholesale Commodities plants are covered by insurance obtained through NEIL’s reinsurers.

NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate not exceeding \$3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses.

**Non-Nuclear Property Insurance**

Entergy’s non-nuclear property insurance program provides coverage on a system-wide basis for Entergy’s non-nuclear assets. The insurance program provides coverage for property damage up to \$400 million per occurrence in excess of a \$20 million self-insured retention except for property damage caused by the following: earthquake shock, flood, and named windstorm, including associated storm surge. For earthquake shock and flood, the insurance program provides coverage up to \$400 million on an annual aggregate basis in excess of a \$40 million self-insured retention. For named windstorm and associated storm surge, the insurance program provides coverage up to \$125 million on an annual aggregate basis in excess of a \$40 million self-insured retention. The coverage provided by the insurance program for the Entergy New Orleans gas distribution system is limited to \$50 million per occurrence and is subject to the same annual aggregate limits and retentions listed above for earthquake shock, flood, and named windstorm, including associated storm surge.

Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes transmission and distribution lines, poles, and towers. For substations valued at \$5 million or less, coverage for named windstorm and associated storm surge is excluded. This coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries, including the Entergy Wholesale Commodities segment. Entergy also purchases \$300 million in terrorism insurance coverage for its conventional property. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2020.

## **Employment and Labor-related Proceedings**

The Registrant Subsidiaries and other Entergy subsidiaries are responding to various lawsuits in both state and federal courts and to other labor-related proceedings filed by current and former employees, recognized bargaining representatives, and certain third parties. Generally, the amount of damages being sought is not specified in these proceedings. These actions include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender, age, and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations Board or concerning the National Labor Relations Act; claims of retaliation; claims of harassment and hostile work environment; and claims for or regarding benefits under various Entergy Corporation-sponsored plans. Entergy and the Registrant Subsidiaries are responding to these lawsuits and proceedings and deny liability to the claimants. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of Entergy or the Utility operating companies.

### **Asbestos Litigation (Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)**

Numerous lawsuits have been filed in federal and state courts, primarily by contractor employees who worked in the 1940-1980s timeframe, primarily against Entergy Texas, and to a lesser extent the other Utility operating companies, as premises owners of power plants, for damages caused by alleged exposure to asbestos. Many other defendants are named in these lawsuits as well. Currently, there are approximately 200 lawsuits involving approximately 400 claimants. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover reimbursements. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of the Utility operating companies.

## **Grand Gulf - Related Agreements**

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

System Energy has agreed to sell all of its share of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by the FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered. The agreement will remain in effect until terminated by the parties and the termination is approved by the FERC, most likely upon Grand Gulf's retirement from service. In December 2016 the NRC granted the extension of Grand Gulf's operating license to 2044. Monthly obligations are based on actual capacity and energy costs. The average monthly payments for 2019 under the agreement were approximately \$17.6 million for Entergy Arkansas, \$7 million for Entergy Louisiana, \$15.5 million for Entergy Mississippi, and \$8.5 million for Entergy New Orleans. See Note 2 to the financial statements for discussion of the complaints filed with the FERC against System Energy seeking a reduction in the return on equity component of the Unit Power Sales Agreement.

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

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are individually obligated to make payments or subordinated advances to System Energy in accordance with stated percentages (Entergy Arkansas-17.1%, Entergy Louisiana-26.9%, Entergy Mississippi-31.3%, and Entergy New Orleans-24.7%) in amounts that, when added to amounts received under the Unit Power Sales Agreement or otherwise, are adequate to cover all

of System Energy's operating expenses as defined, including an amount sufficient to amortize the cost of Grand Gulf 2 over 27 years (See Reallocation Agreement terms below) and expenses incurred in connection with a permanent shutdown of Grand Gulf. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Since commercial operation of Grand Gulf began, payments under the Unit Power Sales Agreement have exceeded the amounts payable under the Availability Agreement. Accordingly, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments.

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

System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans entered into the Reallocation Agreement relating to the sale of capacity and energy from Grand Gulf and the related costs, in which Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans agreed to assume all of Entergy Arkansas's responsibilities and obligations with respect to Grand Gulf under the Availability Agreement. The FERC's decision allocating a portion of Grand Gulf capacity and energy to Entergy Arkansas supersedes the Reallocation Agreement as it relates to Grand Gulf. Responsibility for any Grand Gulf 2 amortization amounts has been individually allocated (Entergy Louisiana-26.23%, Entergy Mississippi-43.97%, and Entergy New Orleans-29.80%) under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect Entergy Arkansas's obligation to System Energy's lenders under the assignments referred to in the preceding paragraph. Entergy Arkansas would be liable for its share of such amounts if Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans were unable to meet their contractual obligations. No payments of any amortization amounts will be required so long as amounts paid to System Energy under the Unit Power Sales Agreement, including other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

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

Accounting standards require companies to record liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of the assets. For Entergy, substantially all of its asset retirement obligations consist of its liability for decommissioning its nuclear power plants. In addition, an insignificant amount of removal costs associated with non-nuclear power plants is also included in the decommissioning and asset retirement costs line item on the balance sheets.

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

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



	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	(In Millions)	
Entergy Arkansas	\$168.9	\$138.3
Entergy Louisiana	(\$2.4)	(\$18.8)
Entergy Mississippi	\$80.8	\$63.5
Entergy New Orleans	\$52.9	\$49.3
Entergy Texas	\$42.5	\$50.9
System Energy	\$75.9	\$76.4

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2019 and 2018 by Entergy were as follows:

	<b>Liabilities as of December 31, 2018</b>	<b>Accretion</b>	<b>Change in Cash Flow Estimate</b>		<b>Dispositions</b>	<b>Liabilities as of December 31, 2019</b>
			<b>Spending</b>			
	(In Millions)					
<b>Entergy</b>	\$6,923.4	\$414.0	\$273.7	(\$45.6)	(\$1,406.3)	\$6,159.2
<b>Utility</b>						
Entergy Arkansas	1,048.4	68.0	126.2	—	—	1,242.6
Entergy Louisiana	1,280.3	69.5	147.5	—	—	1,497.3
Entergy Mississippi	9.2	0.5	—	—	—	9.7
Entergy New Orleans	3.3	0.2	—	—	—	3.5
Entergy Texas	7.2	0.4	—	—	—	7.6
System Energy	896.0	35.7	—	—	—	931.7
<b>Entergy Wholesale Commodities</b>						
Big Rock Point	39.7	3.2	—	(2.6)	—	40.3
Indian Point 1	227.9	19.5	—	(8.8)	—	238.6
Indian Point 2	768.0	65.5	—	(4.5)	—	829.0
Indian Point 3	750.6	62.5	—	(4.7)	—	808.4
Palisades	508.0	42.9	—	(1.1)	—	549.8
Pilgrim	816.5	44.1	—	(23.9)	(836.7) (b)	—
Vermont Yankee	567.9	1.7	—	—	(569.6) (b)	—
Other (a)	0.4	0.1	—	—	—	0.5

	Liabilities as of December 31, 2017	Accretion	Change in Cash Flow Estimate	Spending	Liabilities as of December 31, 2018
(In Millions)					
<b>Entergy</b>	\$6,185.8	\$423.5	\$505.4	(\$191.3)	\$6,923.4
<b>Utility</b>					
Entergy Arkansas	981.2	60.4	8.9	(2.1)	1,048.4
Entergy Louisiana	1,140.5	63.2	85.4	(8.8)	1,280.3
Entergy Mississippi	9.2	0.5	0.5	(1.0)	9.2
Entergy New Orleans	3.1	0.2	—	—	3.3
Entergy Texas	6.8	0.4	—	—	7.2
System Energy	861.7	34.3	—	—	896.0
<b>Entergy Wholesale Commodities</b>					
Big Rock Point	38.9	3.2	—	(2.4)	39.7
Indian Point 1	217.6	18.6	—	(8.3)	227.9
Indian Point 2	708.7	60.6	—	(1.3)	768.0
Indian Point 3	694.5	58.0	—	(1.9)	750.6
Palisades	470.4	39.6	—	(2.0)	508.0
Pilgrim	651.4	58.6	117.5	(11.0)	816.5
Vermont Yankee	401.5	25.9	293.0	(152.5)	567.9 (c)
Other (a)	0.3	—	0.1	—	0.4

- (a) See “**Coal Combustion Residuals**” below for additional discussion regarding the asset retirement obligations related to coal combustion residuals management.
- (b) See Note 14 to the financial statements for discussion of the sale of the Pilgrim plant to Holtec International in August 2019 and the sale of the Vermont Yankee plant to NorthStar in January 2019.
- (c) The Vermont Yankee asset retirement obligation was classified as held for sale within other non-current liabilities on the consolidated balance sheet as of December 31, 2018.

### **Nuclear Plant Decommissioning**

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of the timing of plant decommissioning, regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. As described below, during 2019, 2018, and 2017, Entergy updated decommissioning cost estimates for certain nuclear power plants.

#### **Utility**

In the first quarter 2018, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for River Bend as a result of a revised decommissioning cost study. The revised estimate resulted in an \$85.4 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining life of the unit.

In the first quarter 2019, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a \$126.2

million increase in its decommissioning cost liabilities, along with corresponding increases in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

In the second quarter 2019, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for Waterford 3 as a result of a revised decommissioning cost study. The revised estimate resulted in a \$147.5 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining useful life of the unit.

## **Entergy Wholesale Commodities**

### Palisades

In the third quarter 2017, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Palisades. The revised estimate resulted in a \$68.7 million reduction in its decommissioning cost liability, along with a corresponding reduction in the plant asset. The reduction in its estimated decommissioning cost liability resulted from the change in expectation regarding the timing of decommissioning cash flows due to the decision to continue to operate the plant until May 31, 2022.

### Pilgrim

Entergy Nuclear Generation Company filed its Post-Shutdown Decommissioning Activities report (PSDAR) with the NRC in the fourth quarter 2018 for the Pilgrim plant in anticipation of its May 2019 shutdown. As part of the development of the PSDAR, Entergy obtained a revised decommissioning cost study in the third quarter 2018. The revised estimate resulted in a \$117.5 million increase in the decommissioning cost liability and a corresponding impairment charge.

### Vermont Yankee

In the fourth quarter 2018, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Vermont Yankee. The revised estimate resulted in a \$293 million increase in the decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset. The revision was prompted by the progress of the Vermont Yankee sales transaction, which is described in Note 14 to the financial statements. Entergy accordingly evaluated the Vermont Yankee asset retirement obligation in light of the terms of the sale transaction, upon determining that Vermont Yankee was in held for sale status. Based on the terms of the sales agreement, which include Entergy receiving a note receivable from the purchaser, Entergy determined that \$165 million of the asset retirement cost was impaired, and it was accordingly written down in the fourth quarter 2018. The Vermont Yankee plant was sold to NorthStar in January 2019.

## **NRC Filings Regarding Trust Funding Levels**

Plant owners are required to provide the NRC with a biennial report (annually for units that have shut down or will shut down within five years), based on values as of December 31, addressing the owners' ability to meet the NRC minimum funding levels. Depending on the value of the trust funds, plant owners may be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or making additional contributions to the trusts, to ensure that the trusts are adequately funded and that NRC minimum funding requirements are met.

As nuclear plants individually approach and begin decommissioning, filings will be submitted to the NRC for planned shutdown activities. These filings with the NRC also determine whether financial assurance may be required in addition to the nuclear decommissioning trust fund.

**Coal Combustion Residuals**

In June 2010 the EPA issued a proposed rule on coal combustion residuals (CCRs) that contained two primary regulatory options: (1) regulating CCRs destined for disposal in landfills or received (including stored) in surface impoundments as so-called “special wastes” under the hazardous waste program of Resource Conservation and Recovery Act (RCRA) Subtitle C; or (2) regulating CCRs destined for disposal in landfills or surface impoundments as non-hazardous wastes under Subtitle D of RCRA. Under both options, CCRs that are beneficially reused in certain processes would remain excluded from hazardous waste regulation. In April 2015 the EPA published the final CCR rule with the material being regulated under the second scenario presented above - as non-hazardous wastes regulated under RCRA Subtitle D. The final regulations create new compliance requirements including modified storage, new notification and reporting practices, product disposal considerations, and CCR unit closure criteria. Entergy believes that on-site disposal options will be available at its facilities, to the extent needed for CCR that cannot be transferred for beneficial reuse. In December 2016, the Water Infrastructure Improvements for the Nation Act (WIIN Act) was signed into law, which authorizes states to regulate coal ash rather than leaving primary enforcement to citizen suit actions. States may submit to the EPA proposals for permit programs. In September 2017 the EPA agreed to reconsider certain provisions of the coal combustion residuals (CCR) rule in light of the WIIN Act. In March 2018 the EPA published its proposed revisions to the CCR rule with comments due at the end of April 2018. In July 2018 the EPA released its initial revisions extending certain deadlines and incorporating some risk-based standards. The EPA is expected to release additional revisions in another rulemaking. In August 2018 the D.C. Circuit vacated several provisions of the CCR rule on the basis that they were inconsistent with the Resource Conservation and Recovery Act and remanded the matter to the EPA to conduct further rulemaking. In August 2019 the EPA released its second set of proposed revisions to the CCR rule and plans at least three additional rulemakings.

In 2018 revisions to the CCR asset retirement obligations were made as a result of revised closure and post-closure cost estimates. The revised estimates resulted in increases of \$8.9 million at Entergy Arkansas, \$0.5 million at Entergy Mississippi, and \$0.1 million at Entergy Wholesale Commodities in decommissioning cost liabilities, along with corresponding increases in related asset retirement cost assets that will be depreciated over the remaining useful lives of the respective units.

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

Entergy implemented ASU 2016-02, “Leases (Topic 842),” effective January 1, 2019. 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 recording the assets and liabilities related to all leases with a term greater than 12 months. Concurrent with the implementation of ASU 2016-02, Entergy implemented ASU 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842,” which provided Entergy the option to elect not to evaluate existing land easements that are not currently accounted for as leases under the previous lease standard, and ASU 2018-11, “Leases (Topic 842): Targeted Improvements,” which intended to simplify the transition requirement giving Entergy the option to apply the transition provisions of the new standard at the date of adoption instead of at the earliest comparative period. In implementing these ASUs, Entergy elected the options provided in both ASU 2018-01 and ASU 2018-11. This accounting was applied to all lease agreements using the modified retrospective method, which required an adjustment to retained earnings for the cumulative effect of adopting the standard as of the effective date, and when implemented with ASU 2018-11, allowed Entergy to recognize the leased assets and liabilities on its balance sheet beginning on January 1, 2019 without restating prior periods. In adopting the standard in January 2019, Entergy recognized right-of-use assets and corresponding lease liabilities totaling approximately \$263 million, including \$59 million for Entergy Arkansas, \$51 million for Entergy Louisiana, \$26 million for Entergy Mississippi, \$7 million for Entergy New Orleans, and \$16 million for Entergy Texas. Implementation of the standards had no material effect on consolidated net income; therefore, no adjustment to retained earnings was recorded. The adoption of the standards had no effect on cash flows.

**General**

As of December 31, 2019, Entergy and the Registrant Subsidiaries held operating and finance leases for fleet vehicles used in operations, real estate, and aircraft. Excluded are power purchase agreements not meeting the definition of a lease, nuclear fuel leases, and the Grand Gulf sale-leaseback which were determined not to be leases under the accounting standards.

Leases have remaining terms of one year to 60 years. Real estate leases generally include at least one five-year renewal option; however, renewal is not typically considered reasonably certain unless Entergy or a Registrant Subsidiary makes significant leasehold improvements or other modifications that would hinder its ability to easily move. In certain of the lease agreements for fleet vehicles used in operations, Entergy and the Registrant Subsidiaries provide residual value guarantees to the lessor. Due to the nature of the agreements and Entergy’s continuing relationship with the lessor, however, Entergy and the Registrant Subsidiaries expect to renegotiate or refinance the leases prior to conclusion of the lease. As such, Entergy and the Registrant Subsidiaries do not believe it is probable that they will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

Entergy incurred the following total lease costs for the year ended December 31, 2019:

	<b>(In Thousands)</b>
Operating lease cost	\$63,566
Finance lease cost:	
Amortization of right-of-use assets	\$16,048
Interest on lease liabilities	\$3,667

The lease costs disclosed above materially approximate the cash flows used by Entergy for leases with all costs included within operating activities on the Consolidated Statements of Cash Flows, except for the finance lease costs which are included in financing activities.

The Registrant Subsidiaries incurred the following lease costs for the year ended December 31, 2019:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
Operating lease cost	\$13,213	\$11,975	\$6,927	\$1,406	\$4,259
Finance lease cost:					
Amortization of right-of-use assets	\$3,643	\$5,940	\$2,097	\$1,042	\$1,568
Interest on lease liabilities	\$594	\$895	\$353	\$168	\$241

The lease costs disclosed above materially approximate the cash flows used by the Registrant Subsidiaries for leases with all costs included within operating activities on the respective Statements of Cash Flows, except for the finance lease costs which are included in financing activities.

Entergy has elected to account for short-term leases in accordance with policy options provided by accounting guidance; therefore, there are no related lease liabilities or right-of-use assets for the costs recognized above by Entergy or by its Registrant Subsidiaries in the table below.

Included within Property, Plant, and Equipment on Entergy's consolidated balance sheet at December 31, 2019 are \$234 million related to operating leases and \$61 million related to finance leases.

Included within Utility Plant on the Registrant Subsidiaries' respective balance sheets at December 31, 2019 are the following amounts:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
Operating leases	\$52,317	\$36,034	\$16,900	\$3,878	\$14,020
Finance leases	\$11,216	\$17,209	\$6,869	\$3,291	\$5,273

The following lease-related liabilities are recorded within the respective Other lines on Entergy's consolidated balance sheet as of December 31, 2019:

	<b>(In Thousands)</b>
<b>Current liabilities:</b>	
Operating leases	\$52,678
Finance leases	\$11,413
<b>Non-current liabilities:</b>	
Operating leases	\$181,339
Finance leases	\$53,396

The following lease-related liabilities are recorded within the respective Other lines on the Registrant Subsidiaries' respective balance sheets at December 31, 2019:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
(In Thousands)					
<b>Current liabilities:</b>					
Operating leases	\$11,443	\$10,331	\$5,633	\$1,134	\$3,698
Finance leases	\$2,442	\$3,919	\$1,487	\$647	\$1,222
<b>Non-current liabilities:</b>					
Operating leases	\$40,880	\$25,743	\$11,232	\$2,746	\$10,364
Finance leases	\$8,768	\$13,376	\$5,382	\$2,644	\$4,009

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of Entergy at December 31, 2019:

Weighted average remaining lease terms:	
Operating leases	5.14
Finance leases	6.69
Weighted average discount rate:	
Operating leases	3.86%
Finance leases	4.60%

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of the Registrant Subsidiaries at December 31, 2019:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
<b>Weighted average remaining lease terms:</b>					
Operating leases	5.84	4.33	5.04	5.62	4.54
Finance leases	5.43	5.24	5.32	5.93	5.12
<b>Weighted average discount rate:</b>					
Operating leases	3.67%	3.65%	3.75%	3.88%	3.73%
Finance leases	3.68%	3.65%	3.67%	3.74%	3.82%

Maturity of the lease liabilities for Entergy as of December 31, 2019 are as follows:

Year	Operating Leases	Finance Leases
	(In Thousands)	
2020	\$62,124	\$14,014
2021	56,386	12,457
2022	47,919	11,253
2023	37,228	10,121
2024	30,376	8,454
Years thereafter	29,138	20,010
Minimum lease payments	263,171	76,309
Less: amount representing interest	29,153	11,500
Present value of net minimum lease payments	\$234,018	\$64,809

Maturity of the lease liabilities for the Registrant Subsidiaries as of December 31, 2019 are as follows:

Year	<u>Operating Leases</u>				
	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
2020	\$13,010	\$11,376	\$6,112	\$1,248	\$4,339
2021	11,165	9,645	4,983	991	3,611
2022	8,788	6,935	3,566	711	2,689
2023	7,193	4,916	1,454	549	2,336
2024	5,866	3,089	731	310	1,684
Years thereafter	12,021	2,972	1,972	522	1,119
Minimum lease payments	58,043	38,933	18,818	4,331	15,778
Less: amount representing interest	5,720	2,860	1,953	452	1,716
Present value of net minimum lease payments	\$52,323	\$36,073	\$16,865	\$3,879	\$14,062



### Finance Leases

Year	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2020	\$2,772	\$4,422	\$1,692	\$744	\$1,382
2021	2,369	3,766	1,527	634	1,188
2022	2,079	3,325	1,334	581	981
2023	1,833	2,856	1,111	532	839
2024	1,489	2,092	838	449	648
Years thereafter	1,787	2,476	1,038	713	706
Minimum lease payments	12,329	18,937	7,540	3,653	5,744
Less: amount representing interest	1,119	1,641	670	362	512
Present value of net minimum lease payments	<u>\$11,210</u>	<u>\$17,296</u>	<u>\$6,870</u>	<u>\$3,291</u>	<u>\$5,232</u>

In allocating consideration in lease contracts to the lease and non-lease components, Entergy and the Registrant Subsidiaries have made the accounting policy election to combine lease and non-lease components related to fleet vehicles used in operations, fuel storage agreements, and purchased power agreements and to allocate the contract consideration to both lease and non-lease components for real estate leases.

In accordance with ASU 2018-11, below is the lease disclosure from Note 10 to the financial statements in the Form 10-K for the year ended December 31, 2018.

#### General

As of December 31, 2018, Entergy had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities with minimum lease payments as follows (excluding power purchase agreement operating leases, nuclear fuel leases, and the Grand Gulf sale and leaseback transaction, all of which are discussed elsewhere):

Year	Operating Leases	Capital Leases
(In Thousands)		
2019	\$94,043	\$2,887
2020	82,191	2,887
2021	75,147	2,887
2022	60,808	2,887
2023	47,391	2,887
Years thereafter	88,004	16,117
Minimum lease payments	447,584	30,552
Less: Amount representing interest	—	8,555
Present value of net minimum lease payments	<u>\$447,584</u>	<u>\$21,997</u>

Total rental expenses for all leases (excluding power purchase agreement operating leases, nuclear fuel leases, and the Grand Gulf and Waterford 3 sale and leaseback transactions) amounted to \$47.8 million in 2018, \$53.1 million in 2017, and \$44.4 million in 2016.

As of December 31, 2018, the Registrant Subsidiaries had non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities with minimum lease payments as follows (excluding power purchase agreement operating leases, nuclear fuel leases, and the Grand Gulf lease obligation, all of which are discussed elsewhere):

**Operating Leases**

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
(In Thousands)					
2019	\$20,421	\$25,970	\$9,344	\$2,493	\$5,744
2020	13,918	21,681	8,763	2,349	4,431
2021	11,931	19,514	7,186	1,901	3,625
2022	9,458	15,756	5,675	1,314	2,218
2023	7,782	12,092	2,946	1,043	1,561
Years thereafter	23,297	22,003	4,417	2,323	2,726
Minimum lease payments	<u>\$86,807</u>	<u>\$117,016</u>	<u>\$38,331</u>	<u>\$11,423</u>	<u>\$20,305</u>

**Rental Expenses**

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>	<u>System Energy</u>
(In Millions)						
2018	\$6.2	\$20.2	\$4.6	\$2.5	\$3.1	\$1.9
2017	\$7.5	\$23.0	\$5.6	\$2.5	\$3.4	\$2.2
2016	\$8.0	\$17.8	\$4.0	\$0.9	\$2.8	\$1.6

In addition to the above rental expense, railcar operating lease payments and oil tank facilities lease payments are recorded in fuel expense in accordance with regulatory treatment. Railcar operating lease payments were \$2.8 million in 2018, \$4 million in 2017, and \$3.4 million in 2016 for Entergy Arkansas and \$0.4 million in 2018, \$0.3 million in 2017, and \$0.3 million in 2016 for Entergy Louisiana. Oil tank facilities lease payments for Entergy Mississippi were \$0.1 million in 2018, \$1.6 million in 2017, and \$1.6 million in 2016.

**Power Purchase Agreements**

As of December 31, 2018, Entergy Texas had a power purchase agreement that is accounted for as an operating lease under the accounting standards. The lease payments are recovered in fuel expense in accordance with regulatory treatment. The minimum lease payments under the power purchase agreement are as follows:

<u>Year</u>	<u>Entergy Texas (a)</u>	<u>Entergy</u>
(In Thousands)		
2019	\$31,159	\$31,159
2020	31,876	31,876
2021	32,609	32,609
2022	10,180	10,180
Minimum lease payments	<u>\$105,824</u>	<u>\$105,824</u>

- (a) Amounts reflect 100% of minimum payments. Under a separate contract, which expires May 31, 2022, Entergy Louisiana purchases 50% of the capacity and energy from the power purchase agreement from Entergy Texas.

Total capacity expense under the power purchase agreement accounted for as an operating lease at Entergy Texas was \$30.5 million in 2018, \$34.1 million in 2017, and \$26.1 million in 2016.

#### Sales and Leaseback Transactions

##### Waterford 3 Lease Obligation

In 1989, in three separate but substantially identical transactions, Entergy Louisiana sold and leased back undivided interests in Waterford 3 for the aggregate sum of \$353.6 million. The leases were scheduled to expire in July 2017. Entergy Louisiana was required to report the sale-leaseback as a financing transaction in its financial statements.

In December 2015, Entergy Louisiana agreed to purchase the undivided interests in Waterford 3 that were previously being leased. The purchase was accomplished in a two-step transaction in which Entergy Louisiana first acquired the equity participant's beneficial interest in the leased assets, followed by a termination of the leases and transfer of the leased assets to Entergy Louisiana when the outstanding lessor debt is paid.

In March 2016, Entergy Louisiana completed the first step in the two-step transaction by acquiring the equity participant's beneficial interest in the leased assets. Entergy Louisiana paid \$60 million in cash and \$52 million through the issuance of a non-interest bearing collateral trust mortgage note, payable in installments through July 2017. Entergy Louisiana continued to make payments on the lessor debt that remained outstanding and that matured in January 2017. The combination of payments on the \$52 million collateral trust mortgage note issued and the debt service on the lessor debt was equal in timing and amount to the remaining lease payments due from the closing of the transaction through the end of the lease term in July 2017.

Throughout the term of the lease, Entergy Louisiana had accrued a liability for the amount it expected to pay to retain the use of the undivided interests in Waterford 3 at the end of the lease term. Since the sale-leaseback transaction was accounted for as a financing transaction, the accrual of this liability was accounted for as additional interest expense. As of December 2015, the balance of this liability was \$62.7 million. Upon entering into the agreement to purchase the equity participant's beneficial interest in the undivided interests, Entergy Louisiana reduced the balance of the liability to \$60 million, and recorded the \$2.7 million difference as a credit to interest expense. The \$60 million remaining liability was eliminated upon payment of the cash portion of the purchase price in 2016.

As of December 31, 2016, Entergy Louisiana, in connection with the Waterford 3 lease obligation, had a future minimum lease payment of \$57.5 million, including \$2.3 million in interest, due January 2017 that was recorded as long-term debt.

In February 2017 the leases were terminated and the leased assets were conveyed to Entergy Louisiana.

##### Grand Gulf Lease Obligations

In 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of \$500 million. The initial term of the leases expired in July 2015. System Energy renewed the leases in December 2013 for fair market value with renewal terms expiring in July 2036. At the end of the new lease renewal terms, System Energy has the option to repurchase the leased interests in Grand Gulf or renew the leases at fair market value. In the event that System Energy does not renew or purchase the interests, System Energy would surrender such interests and their associated entitlement of Grand Gulf's capacity and energy.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount was a net regulatory liability of \$55.6 million as of December 31, 2018 and 2017.

As of December 31, 2018, System Energy, in connection with the Grand Gulf sale and leaseback transactions, had future minimum lease payments that are recorded as long-term debt, as follows, which reflects the effect of the December 2013 renewal:

	<u>Amount</u>
	(In Thousands)
2019	\$17,188
2020	17,188
2021	17,188
2022	17,188
2023	17,188
Years thereafter	223,437
<b>Total</b>	<b>309,377</b>
Less: Amount representing interest	275,025
<b>Present value of net minimum lease payments</b>	<b>\$34,352</b>

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

**Qualified Pension Plans**

Entergy has eight defined benefit qualified pension plans covering substantially all employees. The Entergy Corporation Retirement Plan for Non-Bargaining Employees (Non-Bargaining Plan I), the Entergy Corporation Retirement Plan for Bargaining Employees (Bargaining Plan I), the Entergy Corporation Retirement Plan II for Non-Bargaining Employees (Non-Bargaining Plan II), the Entergy Corporation Retirement Plan II for Bargaining Employees, the Entergy Corporation Retirement Plan III, and the Entergy Corporation Retirement Plan IV for Bargaining Employees are non-contributory final average pay plans and provide pension benefits that are based on employees' credited service and compensation during employment. Non-bargaining employees whose most recent date of hire is after June 30, 2014 participate in the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees (Non-Bargaining Cash Balance Plan). Certain bargaining employees hired or rehired after June 30, 2014, or such later date provided for in their applicable collective bargaining agreements, participate in the Entergy Corporation Cash Balance Plan for Bargaining Employees (Bargaining Cash Balance Plan). The Registrant Subsidiaries participate in these four plans: Non-Bargaining Plan I, Bargaining Plan I, Non-Bargaining Cash Balance Plan, and Bargaining Cash Balance Plan.

The assets of the six final average pay defined benefit qualified pension plans are held in a master trust established by Entergy, and the assets of the two cash balance pension plans are held in a second master trust established by Entergy. Each pension plan has an undivided beneficial interest in each of the investment accounts in its respective master trust that is maintained by a trustee. Use of the master trusts permits the commingling of the trust assets of the pension plans of Entergy Corporation and its Registrant Subsidiaries for investment and administrative

purposes. Although assets in the master trusts are commingled, the trustee maintains supporting records for the purpose of allocating the trust level equity in net earnings (loss) and the administrative expenses of the investment accounts in each trust to the various participating pension plans in that particular trust. The fair value of the trusts' assets is determined by the trustee and certain investment managers. For each trust, the trustee calculates a daily earnings factor, including realized and unrealized gains or losses, collected and accrued income, and administrative expenses, and allocates earnings to each plan in the master trusts on a pro rata basis.

Within each pension plan, the record of each Registrant Subsidiary's beneficial interest in the plan assets is maintained by the plan's actuary and is updated quarterly. Assets for each Registrant Subsidiary are increased for investment net income and contributions, and are decreased for benefit payments. A plan's investment net income/loss (i.e. interest and dividends, realized and unrealized gains and losses and expenses) is allocated to the Registrant Subsidiaries participating in that plan based on the value of assets for each Registrant Subsidiary at the beginning of the quarter adjusted for contributions and benefit payments made during the quarter.

Entergy Corporation and its subsidiaries fund pension plans in an amount not less than the minimum required contribution under the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their respective jurisdictions.

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

Entergy Corporation and its subsidiaries' total 2019, 2018, and 2017 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

	2019	2018	2017
	(In Thousands)		
<b>Net periodic pension cost:</b>			
Service cost - benefits earned during the period	\$134,193	\$155,010	\$133,641
Interest cost on projected benefit obligation	293,114	267,415	260,824
Expected return on assets	(414,947)	(442,142)	(408,225)
Amortization of prior service cost	—	398	261
Recognized net loss	241,117	274,104	227,720
Settlement charges	23,492	828	—
Net periodic pension costs	<u>\$276,969</u>	<u>\$255,613</u>	<u>\$214,221</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>			
Arising this period:			
Net loss	\$614,600	\$394,951	\$368,067
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:			
Amortization of prior service cost	—	(398)	(261)
Amortization of net loss	(241,117)	(274,104)	(227,720)
Settlement charge	(23,492)	(828)	—
Total	<u>\$349,991</u>	<u>\$119,621</u>	<u>\$140,086</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u>\$626,960</u>	<u>\$375,234</u>	<u>\$354,307</u>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic cost in the following year:</b>			
Prior service cost	\$—	\$—	\$398
Net loss	\$349,038	\$233,677	\$274,104

The Registrant Subsidiaries' total 2019, 2018, and 2017 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, for their employees included the following components:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Net periodic pension cost:</b>						
Service cost - benefits earned during the period	\$21,043	\$29,137	\$6,516	\$2,274	\$5,401	\$6,199
Interest cost on projected benefit obligation	56,701	63,529	16,272	7,495	14,451	13,456
Expected return on assets	(80,705)	(90,607)	(23,873)	(10,785)	(23,447)	(18,710)
Recognized net loss	47,361	46,571	12,416	6,117	9,335	11,400
Net pension cost	\$44,400	\$48,630	\$11,331	\$5,101	\$5,740	\$12,345
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net loss	\$118,898	\$99,346	\$41,088	\$6,531	\$10,869	\$36,711
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(47,361)	(46,571)	(12,416)	(6,117)	(9,335)	(11,400)
Total	\$71,537	\$52,775	\$28,672	\$414	\$1,534	\$25,311
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<b>\$115,937</b>	<b>\$101,405</b>	<b>\$40,003</b>	<b>\$5,515</b>	<b>\$7,274</b>	<b>\$37,656</b>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic cost in the following year</b>						
Net loss	\$67,588	\$66,509	\$18,994	\$8,018	\$13,060	\$17,117

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Net periodic pension cost:</b>						
Service cost - benefits earned during the period	\$24,757	\$33,783	\$7,286	\$2,693	\$6,356	\$7,102
Interest cost on projected benefit obligation	52,017	59,761	15,075	7,253	13,390	12,907
Expected return on assets	(87,404)	(99,236)	(26,007)	(11,973)	(26,091)	(19,963)
Recognized net loss	53,650	57,800	14,438	7,816	10,503	14,859
Net pension cost	\$43,020	\$52,108	\$10,792	\$5,789	\$4,158	\$14,905
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net (gain)/loss	\$74,570	\$41,642	\$19,244	\$2,351	\$24,121	(\$2,359)
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(53,650)	(57,800)	(14,438)	(7,816)	(10,503)	(14,859)
Total	\$20,920	(\$16,158)	\$4,806	(\$5,465)	\$13,618	(\$17,218)
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<b>\$63,940</b>	<b>\$35,950</b>	<b>\$15,598</b>	<b>\$324</b>	<b>\$17,776</b>	<b>(\$2,313)</b>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic cost in the following year</b>						
Net loss	\$47,361	\$46,571	\$12,416	\$6,117	\$9,335	\$11,400



2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Net periodic pension cost:</b>						
Service cost - benefits earned during the period	\$20,358	\$27,698	\$5,890	\$2,500	\$5,455	\$6,145
Interest cost on projected benefit obligation	51,776	59,235	14,927	7,163	13,569	12,364
Expected return on assets	(81,707)	(92,067)	(24,526)	(11,199)	(24,722)	(18,650)
Recognized net loss	46,560	49,417	12,213	6,632	9,241	11,857
Net pension cost	<u>\$36,987</u>	<u>\$44,283</u>	<u>\$8,504</u>	<u>\$5,096</u>	<u>\$3,543</u>	<u>\$11,716</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net loss	\$51,569	\$57,510	\$14,681	\$8,601	\$1,109	\$27,733
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(46,560)	(49,417)	(12,213)	(6,632)	(9,241)	(11,857)
Total	<u>\$5,009</u>	<u>\$8,093</u>	<u>\$2,468</u>	<u>\$1,969</u>	<u>(\$8,132)</u>	<u>\$15,876</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u>\$41,996</u>	<u>\$52,376</u>	<u>\$10,972</u>	<u>\$7,065</u>	<u>(\$4,589)</u>	<u>\$27,592</u>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic cost in the following year</b>						
Net loss	\$53,650	\$57,800	\$14,438	\$7,816	\$10,503	\$14,859

**Qualified Pension Obligations, Plan Assets, Funded Status, Amounts Recognized in the Balance Sheet**

Qualified pension obligations, plan assets, funded status, amounts recognized in the Consolidated Balance Sheets for Entergy Corporation and its Subsidiaries as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	(In Thousands)	
<b>Change in Projected Benefit Obligation (PBO)</b>		
Balance at January 1	\$7,404,917	\$7,987,087
Service cost	134,193	155,010
Interest cost	293,114	267,415
Actuarial (gain)/loss	1,292,767	(395,242)
Benefits paid (including settlement lump sum benefit payments of (\$68,203) in 2019 and (\$1,794) in 2018)	(718,788)	(609,353)
Balance at December 31	<u>\$8,406,203</u>	<u>\$7,404,917</u>
<b>Change in Plan Assets</b>		
Fair value of assets at January 1	\$5,497,415	\$6,071,316
Actual return on plan assets	1,093,114	(348,051)
Employer contributions	399,419	383,503
Benefits paid (including settlement lump sum benefit payments of (\$68,203) in 2019 and (\$1,794) in 2018)	(718,788)	(609,353)
Fair value of assets at December 31	<u>\$6,271,160</u>	<u>\$5,497,415</u>
<b>Funded status</b>	<u>(\$2,135,043)</u>	<u>(\$1,907,502)</u>
<b>Amount recognized in the balance sheet</b>		
Non-current liabilities	(\$2,135,043)	(\$1,907,502)
<b>Amount recognized as a regulatory asset</b>		
Net loss	\$2,831,408	\$2,468,987
<b>Amount recognized as AOCI (before tax)</b>		
Net loss	\$724,575	\$737,004

Qualified pension obligations, plan assets, funded status, amounts recognized in the Balance Sheets for the Registrant Subsidiaries as of December 31, 2019 and 2018 are as follows:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Change in Projected Benefit Obligation (PBO)</b>						
Balance at January 1	\$1,443,808	\$1,599,916	\$414,089	\$191,190	\$369,604	\$339,034
Service cost	21,043	29,137	6,516	2,274	5,401	6,199
Interest cost	56,701	63,529	16,272	7,495	14,451	13,456
Actuarial loss	248,213	248,509	79,453	24,299	49,235	66,460
Benefits paid	(154,681)	(156,617)	(44,820)	(18,296)	(41,927)	(31,542)
Balance at December 31	<u>\$1,615,084</u>	<u>\$1,784,474</u>	<u>\$471,510</u>	<u>\$206,962</u>	<u>\$396,764</u>	<u>\$393,607</u>
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$1,068,842	\$1,215,926	\$316,716	\$145,968	\$315,514	\$245,516
Actual return on plan assets	210,020	239,770	62,238	28,552	61,814	48,460
Employer contributions	75,854	64,951	20,794	4,553	3,725	20,234
Benefits paid	(154,681)	(156,617)	(44,820)	(18,296)	(41,927)	(31,542)
Fair value of assets at December 31	<u>\$1,200,035</u>	<u>\$1,364,030</u>	<u>\$354,928</u>	<u>\$160,777</u>	<u>\$339,126</u>	<u>\$282,668</u>
<b>Funded status</b>	(\$415,049)	(\$420,444)	(\$116,582)	(\$46,185)	(\$57,638)	(\$110,939)
<b>Amounts recognized in the balance sheet (funded status)</b>						
Non-current liabilities	(\$415,049)	(\$420,444)	(\$116,582)	(\$46,185)	(\$57,638)	(\$110,939)
<b>Amounts recognized as regulatory asset</b>						
Net loss	\$799,235	\$759,228	\$225,354	\$91,862	\$160,564	\$193,870
<b>Amounts recognized as AOCI (before tax)</b>						
Net loss	\$—	\$23,481	\$—	\$—	\$—	\$—

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Change in Projected Benefit Obligation (PBO)</b>						
Balance at January 1	\$1,580,756	\$1,785,700	\$457,549	\$217,896	\$410,720	\$384,049
Service cost	24,757	33,783	7,286	2,693	6,356	7,102
Interest cost	52,017	59,761	15,075	7,253	13,390	12,907
Actuarial gain	(79,621)	(133,520)	(26,611)	(18,844)	(21,656)	(37,842)
Benefits paid	(134,101)	(145,808)	(39,210)	(17,808)	(39,206)	(27,182)
Balance at December 31	<u>\$1,443,808</u>	<u>\$1,599,916</u>	<u>\$414,089</u>	<u>\$191,190</u>	<u>\$369,604</u>	<u>\$339,034</u>
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$1,205,668	\$1,365,741	\$360,842	\$165,747	\$363,523	\$274,432
Actual return on plan assets	(66,787)	(75,926)	(19,849)	(9,221)	(19,686)	(15,520)
Employer contributions	64,062	71,919	14,933	7,250	10,883	13,786
Benefits paid	(134,101)	(145,808)	(39,210)	(17,808)	(39,206)	(27,182)
Fair value of assets at December 31	<u>\$1,068,842</u>	<u>\$1,215,926</u>	<u>\$316,716</u>	<u>\$145,968</u>	<u>\$315,514</u>	<u>\$245,516</u>
<b>Funded status</b>	(\$374,966)	(\$383,990)	(\$97,373)	(\$45,222)	(\$54,090)	(\$93,518)
<b>Amounts recognized in the balance sheet (funded status)</b>						
Non-current liabilities	(\$374,966)	(\$383,990)	(\$97,373)	(\$45,222)	(\$54,090)	(\$93,518)
<b>Amounts recognized as regulatory asset</b>						
Net loss	\$727,703	\$686,138	\$196,683	\$91,448	\$159,030	\$168,559
<b>Amounts recognized as AOCI (before tax)</b>						
Net loss	\$—	\$43,796	\$—	\$—	\$—	\$—

**Accumulated Pension Benefit Obligation**

The accumulated benefit obligation for Entergy's qualified pension plans was \$7.8 billion and \$6.9 billion at December 31, 2019 and 2018, respectively.

The qualified pension accumulated benefit obligation for each of the Registrant Subsidiaries for their employees as of December 31, 2019 and 2018 was as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
(In Thousands)		
Entergy Arkansas	\$1,519,998	\$1,362,425
Entergy Louisiana	\$1,643,759	\$1,481,158
Entergy Mississippi	\$438,817	\$387,635
Entergy New Orleans	\$192,561	\$179,907
Entergy Texas	\$371,589	\$347,852
System Energy	\$368,771	\$317,848

### **Other Postretirement Benefits**

Entergy also currently offers retiree medical, dental, vision, and life insurance benefits (other postretirement benefits) for eligible retired employees. Employees who commenced employment before July 1, 2014 and who satisfy certain eligibility requirements (including retiring from Entergy after a certain age and/or years of service with Entergy and immediately commencing their Entergy pension benefit), may become eligible for other postretirement benefits.

Effective January 1, 1993, Entergy adopted an accounting standard requiring a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received regulatory approval to recover accrued other postretirement benefit costs through rates. The LPSC ordered Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for other postretirement benefits to determine if special exceptions to this order are warranted. Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy contribute the other postretirement benefit costs collected in rates into external trusts. System Energy is funding, on behalf of Entergy Operations, other postretirement benefits associated with Grand Gulf.

Trust assets contributed by participating Registrant Subsidiaries are in master trusts, established by Entergy Corporation and maintained by a trustee. Each participating Registrant Subsidiary holds a beneficial interest in the trusts' assets. The assets in the master trusts are commingled for investment and administrative purposes. Although assets are commingled, supporting records are maintained for the purpose of allocating the beneficial interest in net earnings/(losses) and the administrative expenses of the investment accounts to the various participating plans and participating Registrant Subsidiaries. Beneficial interest in an investment account's net income/(loss) is comprised of interest and dividends, realized and unrealized gains and losses, and expenses. Beneficial interest from these investments is allocated to the plans and participating Registrant Subsidiary based on their portion of net assets in the pooled accounts.

**Components of Net Other Postretirement Benefit Cost and Other Amounts Recognized as a Regulatory Asset and/or AOCI**

Entergy Corporation's and its subsidiaries' total 2019, 2018, and 2017 other postretirement benefit costs, including amounts capitalized and amounts recognized as a regulatory asset and/or other comprehensive income, included the following components:

	2019	2018	2017
	(In Thousands)		
<b>Other postretirement costs:</b>			
Service cost - benefits earned during the period	\$18,699	\$27,129	\$26,915
Interest cost on accumulated postretirement benefit obligation (APBO)	47,901	50,725	55,838
Expected return on assets	(38,246)	(41,493)	(37,630)
Amortization of prior service credit	(35,377)	(37,002)	(41,425)
Recognized net loss	1,430	13,729	21,905
Net other postretirement benefit (income)/cost	<u>(\$5,593)</u>	<u>\$13,088</u>	<u>\$25,603</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and /or AOCI (before tax)</b>			
Arising this period:			
Prior service credit for period	\$—	\$—	(\$2,564)
Net gain	(38,526)	(274,354)	(66,922)
Amounts reclassified from regulatory asset and /or AOCI to net periodic benefit cost in the current year:			
Amortization of prior service credit	35,377	37,002	41,425
Amortization of net loss	(1,430)	(13,729)	(21,905)
Total	<u>(\$4,579)</u>	<u>(\$251,081)</u>	<u>(\$49,966)</u>
<b>Total recognized as net periodic benefit (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	<u>(\$10,172)</u>	<u>(\$237,993)</u>	<u>(\$24,363)</u>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic benefit (income)/cost in the following year</b>			
Prior service credit	(\$17,563)	(\$35,377)	(\$37,002)
Net loss	\$800	\$1,430	\$13,729

Total 2019, 2018, and 2017 other postretirement benefit costs of the Registrant Subsidiaries, including amounts capitalized and deferred, for their employees included the following components:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
<b>Other postretirement costs:</b>						
Service cost - benefits earned during the period	\$2,363	\$4,639	\$1,046	\$367	\$943	\$973
Interest cost on APBO	7,226	10,664	2,681	1,581	3,415	1,902
Expected return on assets	(15,962)	—	(4,794)	(4,947)	(9,103)	(2,788)
Amortization of prior service credit	(4,950)	(7,349)	(1,756)	(682)	(2,243)	(1,450)
Recognized net (gain)/ loss	576	(695)	723	231	485	354
Net other postretirement benefit (income)/cost	<u>(\$10,747)</u>	<u>\$7,259</u>	<u>(\$2,100)</u>	<u>(\$3,450)</u>	<u>(\$6,503)</u>	<u>(\$1,009)</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net gain	(\$26,707)	(\$2,220)	(\$11,950)	(\$10,967)	(\$6,406)	(\$5,539)
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	4,950	7,349	1,756	682	2,243	1,450
Amortization of net (gain)/loss	(576)	695	(723)	(231)	(485)	(354)
Total	<u>(\$22,333)</u>	<u>\$5,824</u>	<u>(\$10,917)</u>	<u>(\$10,516)</u>	<u>(\$4,648)</u>	<u>(\$4,443)</u>
<b>Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	<u>(\$33,080)</u>	<u>\$13,083</u>	<u>(\$13,017)</u>	<u>(\$13,966)</u>	<u>(\$11,151)</u>	<u>(\$5,452)</u>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic (income)/cost in the following year</b>						
Prior service credit	(\$3,174)	(\$3,142)	(\$1,037)	\$—	(\$1,421)	(\$747)
Net (gain)/loss	\$4	(\$1,030)	\$75	(\$246)	\$810	\$51

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Other postretirement costs:</b>						
Service cost - benefits earned during the period	\$3,170	\$6,225	\$1,284	\$516	\$1,319	\$1,223
Interest cost on APBO	7,986	11,154	2,731	1,669	3,754	1,998
Expected return on assets	(17,368)	—	(5,213)	(5,250)	(9,784)	(3,130)
Amortization of prior service credit	(5,110)	(7,735)	(1,823)	(745)	(2,316)	(1,513)
Recognized net loss	1,154	1,550	1,508	137	823	932
Net other postretirement benefit (income)/cost	(\$10,168)	\$11,194	(\$1,513)	(\$3,673)	(\$6,204)	(\$490)
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net gain	(\$32,219)	(\$73,249)	(\$7,794)	(\$981)	(\$10,561)	(\$6,680)
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	5,110	7,735	1,823	745	2,316	1,513
Amortization of net loss	(1,154)	(1,550)	(1,508)	(137)	(823)	(932)
Total	(\$28,263)	(\$67,064)	(\$7,479)	(\$373)	(\$9,068)	(\$6,099)
<b>Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	(\$38,431)	(\$55,870)	(\$8,992)	(\$4,046)	(\$15,272)	(\$6,589)
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic (income)/cost in the following year</b>						
Prior service credit	(\$4,950)	(\$7,349)	(\$1,756)	(\$682)	(\$2,243)	(\$1,450)
Net (gain)/loss	\$576	(\$695)	\$723	\$231	\$485	\$354



2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Other postretirement costs:</b>						
Service cost - benefits earned during the period	\$3,451	\$6,373	\$1,160	\$567	\$1,488	\$1,278
Interest cost on APBO	9,020	12,101	2,759	1,874	4,494	2,236
Expected return on assets	(15,836)	—	(4,801)	(4,635)	(8,720)	(2,869)
Amortization of prior service credit	(5,110)	(7,735)	(1,823)	(745)	(2,316)	(1,513)
Recognized net loss	4,460	1,859	1,675	418	3,303	1,560
Net other postretirement benefit (income)/cost	<u>(\$4,015)</u>	<u>\$12,598</u>	<u>(\$1,030)</u>	<u>(\$2,521)</u>	<u>(\$1,751)</u>	<u>\$692</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net (gain)/loss	(29,534)	(1,256)	506	(7,342)	(22,255)	(5,459)
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	5,110	7,735	1,823	745	2,316	1,513
Amortization of net loss	(4,460)	(1,859)	(1,675)	(418)	(3,303)	(1,560)
Total	<u>(\$28,884)</u>	<u>\$4,620</u>	<u>\$654</u>	<u>(\$7,015)</u>	<u>(\$23,242)</u>	<u>(\$5,506)</u>
<b>Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	<u>(\$32,899)</u>	<u>\$17,218</u>	<u>(\$376)</u>	<u>(\$9,536)</u>	<u>(\$24,993)</u>	<u>(\$4,814)</u>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic (income)/cost in the following year</b>						
Prior service credit	(\$5,110)	(\$7,735)	(\$1,823)	(\$745)	(\$2,316)	(\$1,513)
Net loss	\$1,154	\$1,550	\$1,508	\$137	\$823	\$932

**Other Postretirement Benefit Obligations, Plan Assets, Funded Status, and Amounts Not Yet Recognized and Recognized in the Balance Sheet**

Other postretirement benefit obligations, plan assets, funded status, and amounts not yet recognized and recognized in the Consolidated Balance Sheets of Entergy Corporation and its Subsidiaries as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	(In Thousands)	
<b>Change in APBO</b>		
Balance at January 1	\$1,232,619	\$1,563,487
Service cost	18,699	27,129
Interest cost	47,901	50,725
Plan participant contributions	38,640	37,049
Actuarial (gain)/loss	23,673	(346,429)
Benefits paid	(109,223)	(99,785)
Medicare Part D subsidy received	594	443
Balance at December 31	<u>\$1,252,903</u>	<u>\$1,232,619</u>
<b>Change in Plan Assets</b>		
Fair value of assets at January 1	\$609,782	\$659,327
Actual return on plan assets	100,445	(30,582)
Employer contributions	46,618	43,773
Plan participant contributions	38,640	37,049
Benefits paid	(109,223)	(99,785)
Fair value of assets at December 31	<u>\$686,262</u>	<u>\$609,782</u>
<b>Funded status</b>	<u>(\$566,641)</u>	<u>(\$622,837)</u>
<b>Amounts recognized in the balance sheet</b>		
Current liabilities	(\$48,040)	(\$44,276)
Non-current liabilities	(518,601)	(578,561)
Total funded status	<u>(\$566,641)</u>	<u>(\$622,837)</u>
<b>Amounts recognized as a regulatory asset</b>		
Prior service credit	(\$11,899)	(\$25,778)
Net (gain)/loss	(5,081)	51,774
	<u>(\$16,980)</u>	<u>\$25,996</u>
<b>Amounts recognized as AOCI (before tax)</b>		
Prior service credit	(\$21,231)	(\$42,730)
Net gain	(16,670)	(33,569)
	<u>(\$37,901)</u>	<u>(\$76,299)</u>

Other postretirement benefit obligations, plan assets, funded status, and amounts not yet recognized and recognized in the Balance Sheets of the Registrant Subsidiaries as of December 31, 2019 and 2018 are as follows:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Change in APBO</b>						
Balance at January 1	\$187,830	\$275,269	\$68,976	\$41,987	\$88,310	\$48,791
Service cost	2,363	4,639	1,046	367	943	973
Interest cost	7,226	10,664	2,681	1,581	3,415	1,902
Plan participant contributions	8,125	8,876	2,197	1,343	2,602	1,765
Actuarial (gain)/loss	166	(2,220)	(3,778)	(4,234)	8,279	(891)
Benefits paid	(20,048)	(23,160)	(5,159)	(2,598)	(8,830)	(5,229)
Medicare Part D subsidy received	82	107	16	14	23	37
Balance at December 31	\$185,744	\$274,175	\$65,979	\$38,460	\$94,742	\$47,348
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$252,055	\$—	\$75,853	\$81,774	\$144,846	\$43,670
Actual return on plan assets	42,835	—	12,966	11,680	23,788	7,436
Employer contributions	1,257	14,284	228	1,659	(596)	829
Plan participant contributions	8,125	8,876	2,197	1,343	2,602	1,765
Benefits paid	(20,048)	(23,160)	(5,159)	(2,598)	(8,830)	(5,229)
Fair value of assets at December 31	\$284,224	\$—	\$86,085	\$93,858	\$161,810	\$48,471
<b>Funded status</b>	\$98,480	(\$274,175)	\$20,106	\$55,398	\$67,068	\$1,123
<b>Amounts recognized in the balance sheet</b>						
Current liabilities	\$—	(\$18,467)	\$—	\$—	\$—	\$—
Non-current liabilities	98,480	(255,708)	20,106	55,398	67,068	1,123
<b>Total funded status</b>	\$98,480	(\$274,175)	\$20,106	\$55,398	\$67,068	\$1,123
<b>Amounts recognized in regulatory asset</b>						
Prior service credit	(\$6,515)	\$—	(\$3,108)	\$—	(\$1,422)	(\$854)
Net (gain)/loss	(18,262)	—	3,272	(8,046)	6,203	2,881
	(\$24,777)	\$—	\$164	(\$8,046)	\$4,781	\$2,027
<b>Amounts recognized in AOCI (before tax)</b>						
Prior service credit	\$—	(\$4,915)	\$—	\$—	\$—	\$—
Net gain	—	(24,739)	—	—	—	—
	\$—	(\$29,654)	\$—	\$—	\$—	\$—

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Change in APBO</b>						
Balance at January 1	\$249,019	\$345,389	\$84,621	\$53,548	\$116,702	\$61,381
Service cost	3,170	6,225	1,284	516	1,319	1,223
Interest cost	7,986	11,154	2,731	1,669	3,754	1,998
Plan participant contributions	8,136	8,162	2,233	1,171	2,565	1,837
Actuarial gain	(61,960)	(73,249)	(16,762)	(10,847)	(27,527)	(11,985)
Benefits paid	(18,581)	(22,476)	(5,145)	(4,078)	(8,516)	(5,685)
Medicare Part D subsidy received	60	64	14	8	13	22
Balance at December 31	\$187,830	\$275,269	\$68,976	\$41,987	\$88,310	\$48,791
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$274,678	\$—	\$82,433	\$85,504	\$154,171	\$49,124
Actual return on plan assets	(12,373)	—	(3,755)	(4,616)	(7,182)	(2,175)
Employer contributions	195	14,314	87	3,793	3,808	569
Plan participant contributions	8,136	8,162	2,233	1,171	2,565	1,837
Benefits paid	(18,581)	(22,476)	(5,145)	(4,078)	(8,516)	(5,685)
Fair value of assets at December 31	\$252,055	\$—	\$75,853	\$81,774	\$144,846	\$43,670
<b>Funded status</b>	\$64,225	(\$275,269)	\$6,877	\$39,787	\$56,536	(\$5,121)
<b>Amounts recognized in the balance sheet</b>						
Current liabilities	\$—	(\$17,740)	\$—	\$—	\$—	\$—
Non-current liabilities	64,225	(257,529)	6,877	39,787	56,536	(5,121)
<b>Total funded status</b>	\$64,225	(\$275,269)	\$6,877	\$39,787	\$56,536	(\$5,121)
<b>Amounts recognized in regulatory asset</b>						
Prior service credit	(\$11,465)	\$—	(\$4,864)	(\$681)	(\$3,665)	(\$2,304)
Net loss	9,021	—	15,945	3,151	13,094	8,774
	(\$2,444)	\$—	\$11,081	\$2,470	\$9,429	\$6,470
<b>Amounts recognized in AOCI (before tax)</b>						
Prior service credit	\$—	(\$12,264)	\$—	\$—	\$—	\$—
Net gain	—	(23,214)	—	—	—	—
	\$—	(\$35,478)	\$—	\$—	\$—	\$—

**Non-Qualified Pension Plans**

Entergy also sponsors non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. Entergy recognized net periodic pension cost related to these plans of \$22.6 million in 2019, \$24.4 million in 2018, and \$37.6 million in 2017. In 2019, 2018, and 2017 Entergy recognized \$7.4 million, \$7.7 million, and \$20.3 million, respectively in settlement charges related to the payment of lump sum benefits out of the plan that is included in the non-qualified pension plan cost above.

The projected benefit obligation was \$162.8 million as of December 31, 2019 of which \$18.1 million was a current liability and \$144.6 million was a non-current liability. The projected benefit obligation was \$147 million as of December 31, 2018 of which \$17 million was a current liability and \$130 million was a non-current liability. The accumulated benefit obligation was \$143.4 million and \$131.9 million as of December 31, 2019 and 2018, respectively. The unamortized prior service cost and net loss are recognized in regulatory assets (\$58.8 million at December 31, 2019 and \$51.9 million at December 31, 2018) and accumulated other comprehensive income before taxes (\$24.9 million at December 31, 2019 and \$19.2 million at December 31, 2018).

The following Registrant Subsidiaries participate in Entergy's non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. The net periodic pension cost for their employees for the non-qualified plans for 2019, 2018, and 2017, was as follows:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
2019	\$275	\$159	\$326	\$20	\$481
2018	\$474	\$180	\$300	\$81	\$650
2017	\$679	\$185	\$251	\$73	\$499

Included in the 2019 net periodic pension cost above are settlement charges of \$40 thousand for Entergy Mississippi related to the lump sum benefits paid out of the plan. Included in the 2018 net periodic pension cost above are settlement charges of \$30 thousand and \$139 thousand for Entergy Arkansas and Entergy Texas, respectively, related to the lump sum benefits paid out of the plan. Included in the 2017 net periodic pension cost above are settlement charges of \$269 thousand for Entergy Arkansas related to the lump sum benefits paid out of the plan.

The projected benefit obligation for their employees for the non-qualified plans as of December 31, 2019 and 2018 was as follows:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
2019	\$2,755	\$1,682	\$3,286	\$231	\$7,783
2018	\$2,752	\$1,881	\$2,732	\$206	\$7,952

The accumulated benefit obligation for their employees for the non-qualified plans as of December 31, 2019 and 2018 was as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
2019	\$2,248	\$1,682	\$2,938	\$230	\$7,391
2018	\$2,519	\$1,881	\$2,427	\$206	\$7,724

The following amounts were recorded on the balance sheet as of December 31, 2019 and 2018:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Current liabilities	(\$249)	(\$216)	(\$357)	(\$17)	(\$723)
Non-current liabilities	(2,506)	(1,467)	(2,930)	(215)	(7,060)
Total funded status	<u>(\$2,755)</u>	<u>(\$1,683)</u>	<u>(\$3,287)</u>	<u>(\$232)</u>	<u>(\$7,783)</u>
Regulatory asset/(liability)	\$1,232	\$3	\$1,432	(\$559)	(\$603)

  

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Current liabilities	(\$198)	(\$229)	(\$128)	(\$16)	(\$672)
Non-current liabilities	(2,554)	(1,652)	(2,604)	(191)	(7,280)
Total funded status	<u>(\$2,752)</u>	<u>(\$1,881)</u>	<u>(\$2,732)</u>	<u>(\$207)</u>	<u>(\$7,952)</u>
Regulatory asset/(liability)	\$1,314	\$79	\$1,009	(\$579)	(\$517)
Accumulated other comprehensive income (before taxes)	\$—	\$5	\$—	\$—	\$—

**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) as of December 31, 2019:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
<b><u>Entergy</u></b>				
Amortization of prior service cost	\$—	\$21,498	(\$198)	\$21,300
Amortization of loss	(82,284)	1,230	(2,192)	(83,246)
Settlement loss	(23,458)	—	(1,697)	(25,155)
	<u>(\$105,742)</u>	<u>\$22,728</u>	<u>(\$4,087)</u>	<u>(\$87,101)</u>
<b><u>Entergy Louisiana</u></b>				
Amortization of prior service cost	\$—	\$7,349	\$—	\$7,349
Amortization of loss	(2,795)	695	(6)	(2,106)
	<u>(\$2,795)</u>	<u>\$8,044</u>	<u>(\$6)</u>	<u>\$5,243</u>

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) as of December 31, 2018:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
(In Thousands)				
<b><u>Entergy</u></b>				
Amortization of prior service cost	(\$398)	\$22,379	(\$281)	\$21,700
Amortization of loss	(87,828)	(7,730)	(3,628)	(99,186)
Settlement loss	(828)	—	(2,379)	(3,207)
	<u>(\$89,054)</u>	<u>\$14,649</u>	<u>(\$6,288)</u>	<u>(\$80,693)</u>
<b><u>Entergy Louisiana</u></b>				
Amortization of prior service cost	\$—	\$7,735	\$—	\$7,735
Amortization of loss	(3,468)	(1,550)	(7)	(5,025)
	<u>(\$3,468)</u>	<u>\$6,185</u>	<u>(\$7)</u>	<u>\$2,710</u>

**Accounting for Pension and Other Postretirement Benefits**

Accounting standards require an employer to recognize in its balance sheet the funded status of its benefit plans. This is measured as the difference between plan assets at fair value and the benefit obligation. Entergy uses a December 31 measurement date for its pension and other postretirement plans. Employers are to record previously unrecognized gains and losses, prior service costs, and any remaining transition asset or obligation (that resulted from adopting prior pension and other postretirement benefits accounting standards) as comprehensive income and/or as a regulatory asset reflective of the recovery mechanism for pension and other postretirement benefit costs in the Registrant Subsidiaries' respective regulatory jurisdictions. For the portion of Entergy Louisiana that is not regulated, the unrecognized prior service cost, gains and losses, and transition asset/obligation for its pension and other postretirement benefit obligations are recorded as other comprehensive income. Entergy Louisiana recovers other postretirement benefit costs on a pay-as-you-go basis and records the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation as other comprehensive income. Accounting standards also require that changes in the funded status be recorded as other comprehensive income and/or a regulatory asset in the period in which the changes occur.

With regard to pension and other postretirement costs, Entergy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. In general, Entergy determines the MRV of its pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns and for its other postretirement benefit plan assets Entergy generally uses fair value.

In accordance with ASU No. 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations and are presented by Entergy in miscellaneous - net in other income.

### **Qualified Pension and Other Postretirement Plans’ Assets**

The Plan Administrator’s trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

In the optimization studies, the Plan Administrator formulates assumptions about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical market characteristics of the various asset classes and making adjustments to reflect future conditions expected to prevail over the study period.

The target asset allocation for pension adjusts dynamically based on the pension plans’ funded status. The current targets are shown below. The expectation is that the allocation to fixed income securities will increase as the pension plans’ funded status increases. The following ranges were established to produce an acceptable, economically efficient plan to manage around the targets.

For postretirement assets the target and range asset allocations (as shown below) reflect recommendations made in the latest optimization study. The target asset allocations for postretirement assets adjust dynamically based on the funded status of each sub-account within each trust. The current weighted average targets shown below represent the aggregate of all targets for all sub-accounts within all trusts.

Entergy’s qualified pension and postretirement weighted-average asset allocations by asset category at December 31, 2019 and 2018 and the target asset allocation and ranges for 2018 are as follows:

<b>Pension Asset Allocation</b>	<b>Target</b>	<b>Range</b>		<b>Actual 2019</b>	<b>Actual 2018</b>
Domestic Equity Securities	39%	32%	to 46%	39%	40%
International Equity Securities	19%	15%	to 23%	19%	18%
Fixed Income Securities	42%	39%	to 45%	41%	41%
Other	0%	0%	to 10%	1%	1%

<b>Postretirement Asset Allocation</b>	<b>Non-Taxable and Taxable</b>				
	<b>Target</b>	<b>Range</b>		<b>Actual 2019</b>	<b>Actual 2018</b>
Domestic Equity Securities	27%	22%	to 32%	29%	27%
International Equity Securities	18%	13%	to 23%	18%	17%
Fixed Income Securities	55%	50%	to 60%	53%	56%
Other	0%	0%	to 5%	0%	0%



In determining its expected long-term rate of return on plan assets used in the calculation of benefit plan costs, Entergy reviews past performance, current and expected future asset allocations, and capital market assumptions of its investment consultant and some investment managers.

The expected long-term rate of return for the qualified pension plans' assets is based primarily on the geometric average of the historical annual performance of a representative portfolio weighted by the target asset allocation defined in the table above, along with other indications of expected return on assets. The time period reflected is a long-dated period spanning several decades.

The expected long-term rate of return for the non-taxable postretirement trust assets is determined using the same methodology described above for pension assets, but the aggregate asset allocation specific to the non-taxable postretirement assets is used.

For the taxable postretirement trust assets, the investment allocation includes tax-exempt fixed income securities. This asset allocation, in combination with the same methodology employed to determine the expected return for other postretirement assets (as described above), and with a modification to reflect applicable taxes, is used to produce the expected long-term rate of return for taxable postretirement trust assets.

### Concentrations of Credit Risk

Entergy's investment guidelines mandate the avoidance of risk concentrations. Types of concentrations specified to be avoided include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country, geographic area and individual security issuance. As of December 31, 2019, all investment managers and assets were materially in compliance with the approved investment guidelines, therefore there were no significant concentrations (defined as greater than 10 percent of plan assets) of credit risk in Entergy's pension and other postretirement benefit plan assets.

### Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 - Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by an independent party that uses inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden if it is believed such would be more reflective of fair value. Level 2 inputs include the following:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability; or

- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Level 3 refers to securities valued based on significant unobservable inputs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth by level within the fair value hierarchy, measured at fair value on a recurring basis at December 31, 2019, and December 31, 2018, a summary of the investments held in the master trusts for Entergy's qualified pension and other postretirement plans in which the Registrant Subsidiaries participate.

#### Qualified Defined Benefit Pension Plan Trusts

2019	Level 1	Level 2	Level 3	Total
(In Thousands)				
<b>Equity securities:</b>				
Corporate stocks:				
Preferred	\$ 10,379 (b)	\$ —	—	\$ 10,379
Common	857,159 (b)	— (b)	—	857,159
Common collective trusts (c)				2,698,697
Registered investment companies	132,389 (d)	—	—	132,389
<b>Fixed income securities:</b>				
U.S. Government securities	—	805,671 (a)	—	805,671
Corporate debt instruments	—	762,577 (a)	—	762,577
Registered investment companies (e)	53,842 (d)	2,903 (d)	—	1,008,371
Other	73 (f)	43,106 (f)	—	43,179
<b>Other:</b>				
Insurance company general account (unallocated contracts)	—	40,452 (g)	—	40,452
<b>Total investments</b>	<b>\$1,053,842</b>	<b>\$1,654,709</b>	<b>\$—</b>	<b>\$6,358,874</b>
Cash				1,407
Other pending transactions				(22,549)
Less: Other postretirement assets included in total investments				(66,572)
<b>Total fair value of qualified pension assets</b>				<b>\$6,271,160</b>

2018	Level 1	Level 2	Level 3	Total
	(In Thousands)			
<b>Short-term investments</b>	\$—	\$7,715 (a)	\$—	\$7,715
<b>Equity securities:</b>				
Corporate stocks:				
Preferred	\$8,250 (b)	\$—	\$—	\$8,250
Common	695,003 (b)	— (b)	—	695,003
Common collective trusts (c)				2,408,053
Registered investment companies	108,740 (d)	—	—	108,740
<b>Fixed income securities:</b>				
U.S. Government securities	— (b)	675,880 (a)	—	675,880
Corporate debt instruments	—	619,310 (a)	—	619,310
Registered investment companies (e)	29,374 (d)	2,697 (d)	—	931,439
Other	1,866 (f)	48,482 (f)	—	50,348
<b>Other:</b>				
Insurance company general account (unallocated contracts)	—	39,322 (g)	—	39,322
<b>Total investments</b>	<u>\$843,233</u>	<u>\$1,393,406</u>	<u>\$—</u>	<u>\$5,544,060</u>
Cash				2,591
Other pending transactions				5,956
Less: Other postretirement assets included in total investments				(55,192)
<b>Total fair value of qualified pension assets</b>				<u>\$5,497,415</u>

**Other Postretirement Trusts**

2019	Level 1	Level 2	Level 3	Total
	(In Thousands)			
<b>Equity securities:</b>				
Common collective trust (c)				\$289,398
<b>Fixed income securities:</b>				
U.S. Government securities	49,930 (b)	89,297 (a)	—	139,227
Corporate debt instruments	—	130,333 (a)	—	130,333
Registered investment companies	1,877 (d)	—	—	1,877
Other	—	57,210 (f)	—	57,210
<b>Total investments</b>	<u>\$51,807</u>	<u>\$276,840</u>	<u>\$—</u>	<u>\$618,045</u>
Other pending transactions				1,645
Plus: Other postretirement assets included in the investments of the qualified pension trust				66,572
<b>Total fair value of other postretirement assets</b>				<u>\$686,262</u>

2018	Level 1	Level 2	Level 3	Total
(In Thousands)				
<b>Equity securities:</b>				
Common collective trust (c)				\$244,729
<b>Fixed income securities:</b>				
U.S. Government securities	63,174 (b)	80,039 (a)	—	143,213
Corporate debt instruments	—	105,989 (a)	—	105,989
Registered investment companies	2,442 (d)	—	—	2,442
Other	—	56,980 (f)	—	56,980
<b>Total investments</b>	<b>\$65,616</b>	<b>\$243,008</b>	<b>\$—</b>	<b>\$553,353</b>
Other pending transactions				1,237
Plus: Other postretirement assets included in the investments of the qualified pension trust				55,192
<b>Total fair value of other postretirement assets</b>				<b>\$609,782</b>

- (a) Certain preferred stocks and certain fixed income debt securities (corporate, government, and securitized) are stated at fair value as determined by broker quotes.
- (b) Common stocks, certain preferred stocks, and certain fixed income debt securities (government) are stated at fair value determined by quoted market prices.
- (c) The common collective trusts hold investments in accordance with stated objectives. The investment strategy of the trusts is to capture the growth potential of equity markets by replicating the performance of a specified index. Net asset value per share of common collective trusts estimate fair value. Certain of these common collective trusts are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table, but are included in the total. In 2018 the fund administrator of these investments allowed trading three times in a 30-day period at the net asset value for certain of these common collective trusts.
- (d) Registered investment companies are money market mutual funds with a stable net asset value of one dollar per share. Registered investment companies may hold investments in domestic and international bond markets or domestic equities and estimate fair value using net asset value per share.
- (e) Certain of these registered investment companies are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table, but are included in the total.
- (f) The other remaining assets are U.S. municipal and foreign government bonds stated at fair value as determined by broker quotes.
- (g) The unallocated insurance contract investments are recorded at contract value, which approximates fair value. The contract value represents contributions made under the contract, plus interest, less funds used to pay benefits and contract expenses, and less distributions to the master trust.

**Estimated Future Benefit Payments**

Based upon the assumptions used to measure Entergy’s qualified pension and other postretirement benefit obligations at December 31, 2019, and including pension and other postretirement benefits attributable to estimated future employee service, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for Entergy Corporation and its subsidiaries will be as follows:

<b>Estimated Future Benefits Payments</b>				<b>Estimated Future Medicare D Subsidy Receipts</b>
<b>Qualified Pension</b>	<b>Non-Qualified Pension</b>	<b>Other Postretirement (before Medicare Subsidy)</b>		
(In Thousands)				
Year(s)				
2020	\$548,493	\$18,144	\$81,100	\$359
2021	\$543,704	\$15,724	\$82,207	\$398
2022	\$549,488	\$20,421	\$82,619	\$446
2023	\$550,184	\$19,720	\$82,044	\$491
2024	\$554,602	\$15,142	\$80,649	\$539
2025 - 2029	\$2,604,810	\$65,010	\$373,404	\$3,402

Based upon the same assumptions, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for the Registrant Subsidiaries for their employees will be as follows:

<b>Estimated Future Qualified Pension Benefits Payments</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Year(s)						
2020	\$117,460	\$123,520	\$37,805	\$14,865	\$33,558	\$26,332
2021	\$112,562	\$124,235	\$36,552	\$14,598	\$32,552	\$26,529
2022	\$112,749	\$124,692	\$35,779	\$14,628	\$32,041	\$26,996
2023	\$110,326	\$123,347	\$34,984	\$14,472	\$30,992	\$27,040
2024	\$108,186	\$122,228	\$33,842	\$14,028	\$29,124	\$26,696
2025 - 2029	\$512,732	\$574,928	\$152,681	\$64,517	\$127,736	\$127,243

  

<b>Estimated Future Non-Qualified Pension Benefits Payments</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	
(In Thousands)						
Year(s)						
2020		\$249	\$216	\$357	\$17	\$723
2021		\$278	\$200	\$335	\$17	\$817
2022		\$340	\$184	\$329	\$17	\$756
2023		\$269	\$168	\$301	\$21	\$844
2024		\$235	\$154	\$356	\$19	\$721
2025 - 2029		\$1,152	\$574	\$1,510	\$102	\$2,970

<b>Estimated Future Other Postretirement Benefits Payments (before Medicare Part D Subsidy)</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Year(s)						
2020	\$13,088	\$18,545	\$4,046	\$3,384	\$6,292	\$2,932
2021	\$13,074	\$18,703	\$4,205	\$3,255	\$6,468	\$3,044
2022	\$12,801	\$18,754	\$4,261	\$3,112	\$6,520	\$3,055
2023	\$12,450	\$18,588	\$4,249	\$2,997	\$6,446	\$2,990
2024	\$12,155	\$18,087	\$4,250	\$2,864	\$6,239	\$2,893
2025 - 2029	\$55,553	\$84,395	\$20,672	\$12,151	\$29,004	\$13,110

<b>Estimated Future Medicare Part D Subsidy</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Year(s)						
2020	\$78	\$78	\$27	\$15	\$28	\$13
2021	\$86	\$87	\$28	\$15	\$31	\$14
2022	\$95	\$95	\$31	\$17	\$32	\$16
2023	\$104	\$104	\$32	\$17	\$35	\$19
2024	\$111	\$114	\$35	\$17	\$38	\$22
2025 - 2029	\$685	\$719	\$205	\$94	\$222	\$152

**Contributions**

Entergy currently expects to contribute approximately \$216.3 million to its qualified pension plans and approximately \$49.1 million to other postretirement plans in 2020. The expected 2020 pension and other postretirement plan contributions of the Registrant Subsidiaries for their employees are shown below. The 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

The Registrant Subsidiaries expect to contribute approximately the following to the qualified pension and other postretirement plans for their employees in 2020:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Pension Contributions	\$32,512	\$38,766	\$7,768	\$3,248	\$3,549	\$10,544
Other Postretirement Contributions	\$509	\$18,545	\$130	\$162	\$61	\$21

**Actuarial Assumptions**

The significant actuarial assumptions used in determining the pension PBO and the other postretirement benefit APBO as of December 31, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
Weighted-average discount rate:		
Qualified pension	3.26% - 3.43%	4.37% - 4.52%
	Blended 3.39%	Blended 4.47%
Other postretirement	3.26%	4.42%
Non-qualified pension	2.72%	3.98%
Weighted-average rate of increase in future compensation levels	3.98% - 4.40%	3.98%
Assumed health care trend rate:		
Pre-65	6.13%	6.59%
Post-65	6.25%	7.15%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond:		
Pre-65	2027	2027
Post-65	2027	2026

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2019, 2018, and 2017 were as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Weighted-average discount rate:			
Qualified pension:			
Service cost	4.57%	3.89%	4.75%
Interest cost	4.15%	3.44%	3.73%
Other postretirement:			
Service cost	4.62%	3.88%	4.60%
Interest cost	4.01%	3.33%	3.61%
Non-qualified pension:			
Service cost	3.94%	3.35%	3.65%
Interest cost	3.46%	2.76%	3.10%
Weighted-average rate of increase in future compensation levels	3.98%	3.98%	3.98%
Expected long-term rate of return on plan assets:			
Pension assets	7.25%	7.50%	7.50%
Other postretirement non-taxable assets	6.5%-7.25%	6.50% - 7.50%	6.50% - 7.50%
Other postretirement taxable assets	5.50%	5.50%	5.75%
Assumed health care trend rate:			
Pre-65	6.59%	6.95%	6.55%
Post-65	7.15%	7.25%	7.25%
Ultimate rate	4.75%	4.75%	4.75%
Year ultimate rate is reached and beyond:			
Pre-65	2027	2027	2026
Post-65	2026	2027	2026





With respect to the mortality assumptions, Entergy used the Pri-2012 Employee and Healthy Annuitant Tables with a fully generational MP-2019 projection scale, in determining its December 31, 2019 pension plans' PBOs and the Pri.H 2012 (headcount weighted) Employee and Healthy Annuitant Tables with a fully generational MP-2019 projection scale, in determining its December 31, 2019 other postretirement benefit APBO. Entergy used the RP-2014 Employee and Healthy Annuitant Tables (adjusted to base year 2006) with a fully generational MP-2018 projection scale, in determining its December 31, 2018 pension plans' PBOs and other postretirement benefit APBO.

Entergy's health care cost trend is affected by both medical cost inflation, and with respect to capped costs, the effects of general inflation. A one percentage point change in Entergy's assumed health care cost trend rate for 2019 would have the following effects:

2019	1 Percentage Point Increase		1 Percentage Point Decrease	
	Impact on the APBO	Impact on the sum of service costs and interest cost	Impact on the APBO	Impact on the sum of service costs and interest cost
Increase/(Decrease) (In Thousands)				
Entergy Corporation and its subsidiaries	\$109,954	\$7,310	(\$92,504)	(\$5,970)

The Registrant Subsidiaries' health care cost trend is affected by both medical cost inflation, and with respect to capped costs, the effects of general inflation. A one percentage point change in the assumed health care cost trend rate for 2019 would have the following effects for the Registrant Subsidiaries for their employees:

2019	1 Percentage Point Increase		1 Percentage Point Decrease	
	Impact on the APBO	Impact on the sum of service costs and interest cost	Impact on the APBO	Impact on the sum of service costs and interest cost
Increase/(Decrease) (In Thousands)				
Entergy Arkansas	\$14,480	\$908	(\$12,259)	(\$748)
Entergy Louisiana	\$24,987	\$1,769	(\$21,017)	(\$1,443)
Entergy Mississippi	\$6,085	\$420	(\$5,122)	(\$343)
Entergy New Orleans	\$2,763	\$179	(\$2,363)	(\$148)
Entergy Texas	\$8,561	\$482	(\$7,230)	(\$397)
System Energy	\$4,876	\$364	(\$4,048)	(\$294)

### **Defined Contribution Plans**

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (System Savings Plan). The System Savings Plan is a defined contribution plan covering eligible employees of Entergy and certain of its subsidiaries. The participating Entergy subsidiary makes matching contributions to the System Savings Plan for all eligible participating employees in an amount equal to either 70% or 100% of the participants' basic contributions, up to 6% of their eligible earnings per pay period. The matching contribution is allocated to investments as directed by the employee.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries VI (established in April 2007) and the Savings Plan of Entergy Corporation and Subsidiaries VII (established in April 2007) to which matching contributions are also made. The plans are defined contribution plans that cover eligible employees, as defined by each plan, of Entergy and certain of its subsidiaries. Effective as of the close of business on December 31, 2017, the Savings Plan of Entergy Corporation and Subsidiaries IV (Entergy Savings Plan IV) was merged into the System Savings Plan and all of the assets of Entergy Savings Plan IV were transferred to the System Savings Plan.

Entergy’s subsidiaries’ contributions to defined contribution plans collectively were \$57.6 million in 2019, \$54.3 million in 2018, and \$49.1 million in 2017. The majority of the contributions were to the System Savings Plan.

The Registrant Subsidiaries’ 2019, 2018, and 2017 contributions to defined contribution plans for their employees were as follows:

Year	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
2019	\$4,111	\$5,641	\$2,424	\$882	\$2,136
2018	\$3,985	\$5,450	\$2,307	\$795	\$1,992
2017	\$3,741	\$5,079	\$2,133	\$731	\$1,865

**NOTE 12. STOCK-BASED COMPENSATION (Entergy Corporation)**

Entergy grants stock options, restricted stock, performance units, and restricted stock units to key employees of the Entergy subsidiaries under its Equity Ownership Plans which are shareholder-approved stock-based compensation plans. Effective May 3, 2019, Entergy’s shareholders approved the 2019 Omnibus Incentive Plan (2019 Plan). The maximum number of common shares that can be issued from the 2019 Plan for stock-based awards is 7,300,000 all of which are available for incentive stock option grants. The 2019 Plan applies to awards granted on or after May 3, 2019 and awards expire ten years from the date of grant. As of December 31, 2019, there were 7,266,822 authorized shares remaining for stock-based awards.

**Stock Options**

Stock options are granted at exercise prices that equal the closing market price of Entergy Corporation common stock on the date of grant. Generally, stock options granted will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Unless they are forfeited previously under the terms of the grant, options expire 10 years after the date of the grant if they are not exercised.

The following table includes financial information for stock options for each of the years presented:

	2019	2018	2017
(In Millions)			
Compensation expense included in Entergy’s consolidated net income	\$3.8	\$4.3	\$4.4
Tax benefit recognized in Entergy’s consolidated net income	\$1.0	\$1.1	\$1.7
Compensation cost capitalized as part of fixed assets and inventory	\$1.4	\$0.7	\$0.7

Entergy determines the fair value of the stock option grants by considering factors such as lack of marketability, stock retention requirements, and regulatory restrictions on exercisability in accordance with accounting standards. The stock option weighted-average assumptions used in determining the fair values are as follows:

	2019	2018	2017
Stock price volatility	17.23%	17.44%	18.39%
Expected term in years	7.32	7.33	7.35
Risk-free interest rate	2.50%	2.54%	2.31%
Dividend yield	4.50%	4.75%	4.75%
Dividend payment per share	\$3.66	\$3.58	\$3.50

Stock price volatility is calculated based upon the daily public stock price volatility of Entergy Corporation common stock over a period equal to the expected term of the award. The expected term of the options is based upon historical option exercises and the weighted average life of options when exercised and the estimated weighted average life of all vested but unexercised options. In 2008, Entergy implemented stock ownership guidelines for its senior executive officers. These guidelines require an executive officer to own shares of Entergy Corporation common stock equal to a specified multiple of his or her salary. Until an executive officer achieves this ownership position the executive officer is required to retain 75% of the net-of-tax net profit upon exercise of the option to be held in Entergy Corporation common stock. The reduction in fair value of the stock options due to this restriction is based upon an estimate of the call option value of the reinvested gain discounted to present value over the applicable reinvestment period.

A summary of stock option activity for the year ended December 31, 2019 and changes during the year are presented below:

	Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value	Weighted- Average Contractual Life
Options outstanding as of January 1, 2019	2,993,333	\$75.14		
Options granted	693,161	\$89.19		
Options exercised	(1,227,047)	\$76.35		
Options forfeited/expired	(10,534)	\$81.68		
Options outstanding as of December 31, 2019	<u>2,448,913</u>	\$78.48	\$101,178,880	7.03 years
Options exercisable as of December 31, 2019	1,160,665	\$73.97	\$53,192,483	5.47 years
Weighted-average grant-date fair value of options granted during 2019	\$8.32			

The weighted-average grant-date fair value of options granted during the year was \$6.99 for 2018 and \$6.54 for 2017. The total intrinsic value of stock options exercised was \$29 million during 2019, \$19 million during 2018, and \$11 million during 2017. The intrinsic value, which has no effect on net income, of the outstanding stock options exercised 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 December 31, 2019. The aggregate intrinsic value of the stock options outstanding as of December 31, 2019 was \$101 million. The intrinsic value of "in the money" stock options is \$101 million as of December 31, 2019. Entergy recognizes compensation cost over the vesting period of the options based on their grant-date fair value. The total fair value of options that vested was approximately \$5 million during 2019, \$4 million during 2018, and \$6 million during 2017. Cash received from option exercises was \$93 million for the year ended December 31, 2019. The tax benefits realized from options exercised was \$7 million for the year ended December 31, 2019.

The following table summarizes information about stock options outstanding as of December 31, 2019:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	As of December 31, 2019	Weighted-Average Remaining Contractual Life-Yrs.	Weighted Average Exercise Price	Number Exercisable as of December 31, 2019	Weighted Average Exercise Price
\$51 - \$64.99	244,200	3.72	\$63.69	244,200	\$63.69
\$65 - \$78.99	1,323,452	6.89	\$73.97	694,093	\$72.50
\$79 - \$91.99	881,261	8.15	\$89.36	222,372	\$89.85
\$51 - \$89.90	<u>2,448,913</u>	7.03	\$78.48	<u>1,160,665</u>	\$73.97

Stock-based compensation cost related to non-vested stock options outstanding as of December 31, 2019 not yet recognized is approximately \$6 million and is expected to be recognized over a weighted-average period of 1.74 years.

### **Restricted Stock Awards**

Entergy grants restricted stock awards earned under its stock benefit plans in the form of stock units. One-third of the restricted stock awards will vest upon each anniversary of the grant date and are expensed ratably over the three-year vesting period. Shares of restricted stock have the same dividend and voting rights as other common stock and are considered issued and outstanding shares of Entergy upon vesting. In January 2019 the Board approved and Entergy granted 355,537 restricted stock awards under the 2015 Equity Ownership Plan. The restricted stock awards were made effective as of January 31, 2019 and were valued at \$89.19 per share, which was the closing price of Entergy Corporation's common stock on that date.

The following table includes information about the restricted stock awards outstanding as of December 31, 2019:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2019	693,527	\$74.17
Granted	379,690	\$88.75
Vested	(346,842)	\$72.96
Forfeited	(34,241)	\$78.66
Outstanding shares at December 31, 2019	<u>692,134</u>	\$82.56

The following table includes financial information for restricted stock for each of the years presented:

	2019	2018	2017
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$20.2	\$19.8	\$19.7
Tax benefit recognized in Entergy's consolidated net income	\$5.1	\$5.1	\$7.6
Compensation cost capitalized as part of fixed assets and inventory	\$7.1	\$5.7	\$5.2

The total fair value of the restricted stock awards granted was \$34 million, \$28 million, and \$29 million for the years ended December 31, 2019, 2018, and 2017.

The total fair value of the restricted stock awards vested was \$25 million, \$25 million, and \$24 million for the years ended December 31, 2019, 2018, and 2017, respectively.

**Long-Term Performance Unit Program**

Entergy grants long-term incentive awards earned under its stock benefit plans in the form of performance units, which represents 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 Long-Term Performance Unit Program specifies a minimum, target, and maximum achievement level, the achievement of which will determine the number of performance units that may be earned. Entergy measures performance by assessing Entergy’s total shareholder return relative to the total shareholder return of the companies in the Philadelphia Utility Index. For the 2019-2020 performance period, performance will be measured based eighty percent on relative total shareholder return and twenty percent on a cumulative adjusted earnings per share metric.

In January 2019 the Board approved and Entergy granted 180,824 performance units under the 2015 Equity Ownership and Long-Term Cash Incentive Plan. The performance units were granted as of January 31, 2019, and eighty percent were valued at \$102.07 per share based on various factors, primarily market conditions; and twenty percent were valued at \$89.19 per share, the closing price of Entergy Corporation’s common stock on that date. Performance units 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, and compensation cost for the portion of the award based on cumulative adjusted earnings per share will be adjusted based on the number of units that ultimately vest.

The following table includes information about the long-term performance units outstanding at the target level as of December 31, 2019:

	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value Per Share</b>
Outstanding shares at January 1, 2019	566,626	\$79.21
Granted	241,406	\$96.18
Vested	(226,252)	\$84.52
Forfeited	(29,847)	\$87.43
Outstanding shares at December 31, 2019	<u>551,933</u>	<u>\$84.01</u>

The following table includes financial information for the long-term performance units for each of the years presented:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In Millions)		
Compensation expense included in Entergy’s consolidated net income	\$11.1	\$11.5	\$10.8
Tax benefit recognized in Entergy’s consolidated net income	\$2.8	\$2.9	\$4.2
Compensation cost capitalized as part of fixed assets and inventory	\$4.0	\$3.3	\$3.0

The total fair value of the long-term performance units granted was \$23 million, \$16 million, and \$19 million for the years ended December 31, 2019, 2018, and 2017, respectively.

In January 2019, Entergy issued 226,208 shares of Entergy Corporation common stock at a share price of \$86.03 for awards earned and dividends accrued under the 2016-2018 Long-Term Performance Unit Program. In

January 2018, Entergy issued 50,812 shares of Entergy Corporation common stock at a share price of \$78.51 for awards earned and dividends accrued under the 2015-2017 Long-Term Performance Unit Program. In January 2017, Entergy issued 86,964 shares of Entergy Corporation common stock at a share price of \$71.89 for awards earned and dividends accrued under the 2014-2016 Long-Term Performance Unit Program.

### **Restricted Stock Unit Awards**

Entergy grants restricted stock unit awards earned under its stock benefit plans in the form of stock units that are subject to time-based restrictions. The restricted stock units may be settled in shares of Entergy Corporation common stock or the cash value of shares of Entergy Corporation common stock at the time of vesting. The costs of restricted stock unit awards are charged to income over the restricted period, which varies from grant to grant. The average vesting period for restricted stock unit awards granted is 35 months. As of December 31, 2019, there were 130,463 unvested restricted stock units that are expected to vest over an average period of 19 months.

The following table includes information about the restricted stock unit awards outstanding as of December 31, 2019:

	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value Per Share</b>
Outstanding shares at January 1, 2019	186,763	\$76.43
Granted	26,700	\$109.10
Vested	(83,000)	\$77.05
Outstanding shares at December 31, 2019	130,463	\$82.72

The following table includes financial information for restricted stock unit awards for each of the years presented:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$2.2	\$2.9	\$2.5
Tax benefit recognized in Entergy's consolidated net income	\$0.6	\$0.7	\$1.0
Compensation cost capitalized as part of fixed assets and inventory	\$0.9	\$0.7	\$0.6

The total fair value of the restricted stock unit awards granted was \$3 million, \$2 million, and \$3 million for the years ended December 31, 2019, 2018, and 2017, respectively.

The total fair value of the restricted stock unit awards vested was \$6 million, \$3 million, and \$0.4 million for the years ended December 31, 2019, 2018, and 2017, respectively.

### **NOTE 13. BUSINESS SEGMENT INFORMATION (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Entergy's reportable segments as of December 31, 2019 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 is as follows:

2019	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Consolidated
					(In Thousands)
Operating revenues	\$9,583,985	\$1,294,719	\$21	(\$52)	\$10,878,673
Asset write-offs, impairments, and related charges	\$—	\$290,027	\$—	\$—	\$290,027
Depreciation, amortization, & decommissioning	\$1,493,167	\$384,707	\$2,944	\$—	\$1,880,818
Interest and investment income	\$289,570	\$414,636	\$26,295	(\$182,589)	\$547,912
Interest expense	\$589,395	\$29,450	\$178,575	(\$54,995)	\$742,425
Income taxes	\$19,634	(\$161,295)	(\$28,164)	\$—	(\$169,825)
Consolidated net income (loss)	\$1,425,643	\$148,870	(\$188,675)	(\$127,594)	\$1,258,244
Total assets	\$49,557,664	\$4,154,961	\$514,020	(\$2,502,733)	\$51,723,912
Cash paid for long-lived asset additions	\$4,527,045	\$104,300	\$160	\$—	\$4,631,505

2018	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Consolidated
					(In Thousands)
Operating revenues	\$9,540,670	\$1,468,905	\$—	(\$123)	\$11,009,452
Asset write-offs, impairments, and related charges	\$—	\$532,321	\$—	\$—	\$532,321
Depreciation, amortization, & decommissioning	\$1,367,944	\$388,732	\$1,274	\$—	\$1,757,950
Interest and investment income	\$203,936	\$14,543	\$31,602	(\$186,217)	\$63,864
Interest expense	\$552,919	\$33,694	\$179,358	(\$58,623)	\$707,348
Income taxes	(\$732,548)	(\$269,025)	(\$35,253)	\$—	(\$1,036,826)
Consolidated net income (loss)	\$1,495,061	(\$340,641)	(\$164,271)	(\$127,594)	\$862,555
Total assets	\$44,777,167	\$5,459,275	\$733,366	(\$2,694,742)	\$48,275,066
Cash paid for long-lived asset additions	\$3,987,424	\$283,707	\$86	\$—	\$4,271,217

2017	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	\$9,417,866	\$1,656,730	\$—	(\$115)	\$11,074,481
Asset write-offs, impairments, and related charges	\$—	\$538,372	\$—	\$—	\$538,372
Depreciation, amortization, & decommissioning	\$1,345,906	\$448,079	\$1,678	\$—	\$1,795,663
Interest and investment income	\$218,317	\$224,121	\$21,669	(\$175,910)	\$288,197
Interest expense	\$547,301	\$23,714	\$139,619	(\$48,291)	\$662,343
Income taxes	\$794,616	(\$146,480)	(\$105,566)	\$—	\$542,570
Consolidated net income (loss)	\$773,148	(\$172,335)	(\$47,840)	(\$127,620)	\$425,353
Total assets	\$42,978,669	\$5,638,009	\$1,011,612	(\$2,921,141)	\$46,707,149
Investment in affiliates - at equity	\$198	\$—	\$—	\$—	\$198
Cash paid for long-lived asset additions	\$3,680,513	\$320,667	\$438	\$—	\$4,001,618

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.

In March 2017, Entergy sold the FitzPatrick plant, which it had intended to shut down, to Exelon. In January 2019, Entergy sold the Vermont Yankee plant, which it had previously shut down, to NorthStar. In August 2019, Entergy sold the Pilgrim plant, which it had previously shut down, to Holtec. Entergy has also announced plans to shut down Indian Point 2 in 2020, Indian Point 3 in 2021, and Palisades in 2022, and has purchase and sale agreements with Holtec for each of them expected to close after they are shut down. Management expects these transactions to result in the cessation of merchant power generation at all Entergy Wholesale Commodities nuclear power plants owned and operated by Entergy by 2022. Entergy will continue to have the obligation to decommission the nuclear plants pending their sales to third parties.

The decisions to shut down these plants and the related transactions resulted in asset impairments; employee retention and severance expenses and other benefits-related costs; and contracted economic development contributions. The employee retention and severance expenses and other benefits-related costs and contracted economic development contributions are included in "Other operation and maintenance" in the consolidated statement of operations.



Total restructuring charges in 2019, 2018, and 2017 were comprised of the following:

	<b>Employee retention and severance expenses and other benefits-related costs</b>	<b>Contracted economic development costs</b>	<b>Total</b>
(In Millions)			
Balance as of December 31, 2016	\$70	\$21	\$91
Restructuring costs accrued	113	—	113
Non-cash portion	—	(7)	(7)
Cash paid out	100	—	100
Balance as of December 31, 2017	\$83	\$14	\$97
Restructuring costs accrued	139	—	139
Cash paid out	43	—	43
Balance as of December 31, 2018	\$179	\$14	\$193
Restructuring costs accrued	91	—	91
Cash paid out	141	—	141
Balance as of December 31, 2019	\$129	\$14	\$143

In addition, Entergy Wholesale Commodities incurred \$290 million in 2019, \$532 million in 2018, and \$538 million in 2017 of impairment, loss on sales, and other related charges associated with these strategic decisions and transactions. See Note 14 to the financial statements for further discussion of these impairment charges.

Going forward, Entergy Wholesale Commodities expects to incur employee retention and severance expenses of approximately \$75 million in 2020 and a total of approximately \$55 million from 2021 through 2022 associated with these strategic transactions.

### **Geographic Areas**

For the years ended December 31, 2019, 2018, and 2017, the amount of revenue Entergy derived from outside of the United States was insignificant. As of December 31, 2019 and 2018, Entergy had no long-lived assets located outside of the United States.

### **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 14. ACQUISITIONS, DISPOSITIONS, AND IMPAIRMENT OF LONG-LIVED ASSETS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)****Acquisitions****Choctaw Generating Station**

In October 2019, Entergy Mississippi purchased the Choctaw Generating Station, an 810 MW natural gas fired combined-cycle turbine plant located near French Camp, Mississippi, from a subsidiary of GenOn Energy Inc. The purchase price for the Choctaw Generating Station was approximately \$305 million.

**Dispositions****Pilgrim**

In July 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in Entergy Nuclear Generation Company, the owner of the Pilgrim plant. In August 2019 the NRC approved the sale of the plant to Holtec. The transaction closed in August 2019 for a purchase price of \$1,000 (subject to adjustments for net liabilities and other amounts). The sale included the transfer of the Pilgrim nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. The transaction resulted in a loss of \$190 million (\$156 million net-of-tax) in the third quarter 2019. The disposition-date fair value of the nuclear decommissioning trust fund was approximately \$1,030 million and the disposition-date fair value of the asset retirement obligation was \$837 million. The transaction also included property, plant, and equipment with a net book value of zero, materials and supplies, and prepaid assets.

**Willow Glen**

In December 2018, Entergy Louisiana sold the Willow Glen Power Station, a non-operating gas plant. Entergy Louisiana sold Willow Glen for approximately \$12 million in cash and the transfer of the obligation to decommission the plant. Entergy Louisiana recognized a regulatory liability of \$5.7 million for return of removal costs previously collected in rates. Entergy Louisiana realized a pre-tax gain of \$14.8 million on the sale. Entergy Louisiana recorded a \$31.9 million regulatory liability to recognize the obligation to refund excess customer collections for decommissioning Willow Glen.

**Vermont Yankee**

In November 2016, Entergy entered into an agreement to sell 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. Entergy Nuclear Vermont Yankee was the owner of the Vermont Yankee plant. The sale of Entergy Nuclear Vermont Yankee to NorthStar included the transfer of the nuclear decommissioning trust fund and the asset retirement obligation for the spent fuel management and decommissioning of the plant.

In March 2018, Entergy and NorthStar entered into a settlement agreement and a Memorandum of Understanding with State of Vermont agencies and other interested parties that set forth the terms on which the agencies and parties support the Vermont Public Utility Commission's approval of the transaction. The agreements provide additional financial assurance for decommissioning, spent fuel management and site restoration, and detail the site restoration standards. In October 2018 the NRC issued an order approving the application to transfer Vermont Yankee's license to NorthStar for decommissioning. In December 2018, the Vermont Public Utility Commission issued an order approving the transaction consistent with the Memorandum of Understanding's terms. On January 11, 2019, Entergy and NorthStar closed the transaction.

Entergy Nuclear Vermont Yankee had an outstanding credit facility that was used to pay for dry fuel storage costs. This credit facility was guaranteed by Entergy Corporation. A subsidiary of Entergy assumed the obligations under the credit facility. At the closing of the sale transaction, NorthStar caused Entergy Nuclear Vermont Yankee, renamed NorthStar Vermont Yankee, to issue a \$139 million promissory note to the Entergy subsidiary that assumed the credit facility obligations. The amount of the note included the balance outstanding on the credit facility, as well as borrowing fees and costs incurred by Entergy in connection with the credit facility.

With the receipt of the NRC and Vermont Public Utility Commission approvals and the resolution among the parties of the significant conditions of the sale, Entergy concluded that as of December 31, 2018 Vermont Yankee was in held for sale status. Entergy accordingly evaluated the Vermont Yankee asset retirement obligation in light of the terms of the sale transaction and evaluated the remaining values of the Vermont Yankee assets. These evaluations resulted in an increase in the asset retirement obligation and \$173 million of asset impairment and related other charges in the fourth quarter 2018. See Note 9 to the financial statements for additional discussion of the asset retirement obligation. Upon closing of the transaction in January 2019, the Vermont Yankee decommissioning trust, along with the decommissioning obligation for the plant, was transferred to NorthStar. The assets and liabilities associated with the sale of Vermont Yankee were classified as held for sale on the Entergy Corporation and Subsidiaries Consolidated Balance Sheet as of December 31, 2018. As of December 31, 2018, the value of the decommissioning trust was \$532 million. As of December 31, 2018, the asset retirement cost asset was \$127 million, classified within other deferred debits, and the asset retirement cost obligation was \$568 million, classified within other non-current liabilities.

The Vermont Yankee spent fuel disposal contract was assigned to NorthStar as part of the transaction. The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter of 2019; accordingly, Entergy accrued a net tax expense of \$29 million on the disposition of Vermont Yankee. The transaction also resulted in other charges of \$5.4 million (\$4.2 million net-of-tax) in the first quarter 2019.

### **FitzPatrick**

In August 2016, Entergy entered into an agreement to sell the FitzPatrick plant, an 838 MW nuclear power plant that was owned by Entergy in the Entergy Wholesale Commodities segment. In March 2017 the NRC approved the sale of the plant to Exelon. The transaction closed in March 2017 for a purchase price of \$110 million, which included a \$10 million non-refundable signing fee paid in August 2016, in addition to the assumption by Exelon of certain liabilities related to the FitzPatrick plant, resulting in a pre-tax gain on the sale of \$16 million. At the transaction close, Exelon paid an additional \$8 million for the proration of certain expenses prepaid by Entergy. The disposition-date fair value of the decommissioning trust fund was \$805 million, classified within other deferred debits, and the disposition-date fair value of the asset retirement obligation was \$727 million, classified within other non-current liabilities. The transaction also included property, plant, and equipment with a net book value of zero, materials and supplies, and prepaid assets.

As part of the transaction, Entergy entered into a reimbursement agreement with Exelon pursuant to which Exelon reimbursed Entergy for specified out-of-pocket costs associated with Entergy's operation of FitzPatrick prior to closing of the sale. In the first quarter 2017, Entergy billed Exelon for reimbursement of \$98 million of other operation and maintenance expenses, \$7 million in lost operating revenues, and \$3 million in taxes other than income taxes, partially offset by a \$10 million defueling credit to Exelon.

As discussed in Note 3 to the financial statements, as a result of the sale of FitzPatrick on March 31, 2017, Entergy redetermined the plant's tax basis, resulting in a \$44 million income tax benefit in the first quarter 2017.

## **Impairment of Long-lived Assets**

### **2017, 2018, and 2019 Impairments**

Entergy continues to execute its strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet, with planned shutdowns of Indian Point 2 by April 30, 2020, Indian Point 3 by April 30, 2021, and Palisades by May 31, 2022. The remaining three Entergy Wholesale Commodities' nuclear plants, FitzPatrick, Vermont Yankee, and Pilgrim, have been sold. The FitzPatrick plant was classified as held-for-sale at December 31, 2016, and subsequently sold to Exelon in March 2017. The Vermont Yankee plant was classified as held-for-sale at December 31, 2018, and subsequently sold to NorthStar on January 11, 2019. The Pilgrim plant was sold to Holtec International on August 26, 2019.

Entergy Wholesale Commodities incurred \$100 million in 2019, \$532 million in 2018, and \$538 million in 2017 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, expenditures for capital assets, and asset retirement obligation revisions. These costs were charged to expense as incurred as a result of the impaired fair value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business. Entergy expects to continue to incur costs associated with nuclear fuel-related spending, expenditures for capital assets and, except for Palisades, expects to continue to charge these costs to expense as incurred because Entergy expects the value of the plants to continue to be impaired.

With respect to Palisades, Entergy and Consumers Energy had agreed to amend the existing PPA so that it would terminate early, on May 31, 2018. In September 2017, however, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy continues to operate Palisades under the current PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades plant permanently no later than May 31, 2022. As a result of the change in expected operating life of the Palisades plant, the expected probability-weighted undiscounted net cash flows as of September 30, 2017 exceeded the carrying value of the plant and related assets. Accordingly, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets incurred at Palisades after September 30, 2017 are no longer charged to expense as incurred, but recorded as assets and depreciated or amortized, subject to the typical periodic impairment reviews prescribed in the accounting rules.

The impairments and other related charges are recorded as a separate line item in Entergy's consolidated statements of operations and are included within the results of the Entergy Wholesale Commodities segment. In addition to the impairments and other related charges, Entergy expects to incur additional charges through mid-2022 associated with these strategic transactions. See Note 13 to the financial statements for further discussion of these additional charges.

#### **2018 Pilgrim Impairment**

The Pilgrim plant ceased operations on May 31, 2019, at the end of its current fuel cycle. Entergy Nuclear Generation Company filed its Post-Shutdown Decommissioning Activities Report (PSDAR) with the NRC in the fourth quarter 2018 for the Pilgrim plant. As part of the development of the PSDAR, Entergy obtained a revised decommissioning cost study in the third quarter 2018. The revised estimate resulted in a \$117.5 million increase in the decommissioning cost liability and a corresponding impairment charge in the third quarter 2018. As discussed above in **Dispositions**, on August 26, 2019, Entergy sold the Pilgrim plant to a Holtec International subsidiary.

#### **2018 Vermont Yankee Impairment**

As discussed above in **Dispositions**, on January 11, 2019, Entergy sold the Vermont Yankee plant to NorthStar. With the receipt of the NRC and Vermont Public Utility Commission approvals and the resolution among the parties of the significant conditions of the sale, Entergy concluded that as of December 31, 2018 Vermont Yankee was in held-

for- sale status. Entergy accordingly evaluated the Vermont Yankee asset retirement obligation in light of the terms of the sale transaction, and evaluated the remaining values of the Vermont Yankee assets. These evaluations resulted in \$173 million of asset impairment and related charges in the fourth quarter 2018. See Note 9 to the financial statements for additional discussion of the revision of the asset retirement obligation.

**NOTE 15. 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 may also use 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 and futures contracts 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 Wholesale Commodities is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at December 31, 2019 is approximately 1.25 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 97% for 2020, of which approximately 65% is sold under financial derivatives and the remainder under normal purchase/normal sale contracts. Total planned generation for 2020 is 17.8 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 guarantee, 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 depending on the mark-to-market values of the contracts. The primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. As of December 31, 2019, there were no derivative contracts with counterparties in a liability position. In addition to the corporate guarantee, \$11 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and \$1 million in cash collateral and \$98 million in letters of credit were required to be posted by its counterparties to the Entergy subsidiary. As of December 31, 2018, derivative contracts with six counterparties were in a liability position (approximately \$34 million total). In addition to the corporate guarantee, \$19 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties. If the Entergy Corporation credit rating falls below investment grade, 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 natural gas swaps and options that financially settle against either the average Henry Hub Gas Daily prices or the NYMEX Henry Hub. These swaps and options 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 price volatility for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy New Orleans. The maximum length of time over which Entergy has executed natural gas swaps and options as of December 31, 2019 is 4.25 years for Entergy Louisiana and the maximum length of time over which Entergy has executed natural gas swaps as of December 31, 2019 is 10 months for Entergy Mississippi and 3 months Entergy New Orleans. The total volume of natural gas swaps and options outstanding as of December 31, 2019 is 40,926,000 MMBtu for Entergy, including 31,040,000 MMBtu for Entergy Louisiana, 9,330,000 MMBtu for Entergy Mississippi, and 556,000 MMBtu for Entergy New Orleans. Credit support for these natural gas swaps and options is covered by master agreements that do not require Entergy to provide collateral based on mark-to-market value but do carry adequate assurance language that may lead to requests for collateral.

During the second quarter 2019, Entergy participated in the annual financial transmission rights auction process for the MISO planning year of June 1, 2019 through May 31, 2020. Financial transmission rights are derivative instruments that 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 financial transmission rights 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 financial transmission rights 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 financial transmission rights. The total volume of financial

transmission rights outstanding as of December 31, 2019 is 48,825 GWh for Entergy, including 11,078 GWh for Entergy Arkansas, 22,282 GWh for Entergy Louisiana, 6,195 GWh for Entergy Mississippi, 2,331 GWh for Entergy New Orleans, and 6,741 GWh for Entergy Texas. Credit support for financial transmission rights 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 financial transmission rights held by Entergy Wholesale Commodities is covered by cash. No cash or letters of credit were required to be posted for financial transmission rights exposure for Entergy Wholesale Commodities as of December 31, 2019 and December 31, 2018. Letters of credit posted with MISO covered the financial transmission rights exposure for Entergy Mississippi as of December 31, 2019 and Entergy Mississippi and Entergy Texas as of December 31, 2018.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2019 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	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Business
(In Millions)					
<b>Derivatives designated as hedging instruments</b>					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	\$92	(\$1)	\$91	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	\$17	\$—	\$17	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	\$1	(\$1)	\$—	Entergy Wholesale Commodities

**Derivatives not designated as  
hedging instruments**

## Assets:

Electricity swaps and options	Prepayments and other (current portion)	\$11	(\$1)	\$10	Energy Wholesale Commodities
Natural gas swaps and options	Other deferred debits and other assets (non-current portion)	\$1	\$—	\$1	Utility
Financial transmission rights	Prepayments and other	\$10	\$—	\$10	Utility and Energy Wholesale Commodities

## Liabilities:

Electricity swaps and options	Other current liabilities (current portion)	\$2	(\$2)	\$—	Energy Wholesale Commodities
Natural gas swaps and options	Other current liabilities (current portion)	\$5	\$—	\$5	Utility
Natural gas swaps and options	Other non-current liabilities (non-current portion)	\$2	\$—	\$2	Utility



The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2018 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	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Business
(In Millions)					
<b>Derivatives designated as hedging instruments</b>					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	\$32	(\$32)	\$—	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	\$7	(\$7)	\$—	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	\$54	(\$33)	\$21	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	\$20	(\$7)	\$13	Entergy Wholesale Commodities
<b>Derivatives not designated as hedging instruments</b>					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	\$4	(\$2)	\$2	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	\$1	\$—	\$1	Entergy Wholesale Commodities
Natural gas swaps and options	Other deferred debits and other assets (non-current portion)	\$2	\$—	\$2	Utility
Financial transmission rights	Prepayments and other	\$16	(\$1)	\$15	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	\$1	(\$1)	\$—	Entergy Wholesale Commodities
Natural gas swaps and options	Other current liabilities	\$1	\$—	\$1	Utility

- (a) Represents the gross amounts of recognized assets/liabilities  
 (b) Represents the netting of fair value balances with the same counterparty

- (c) Represents the net amounts of assets/liabilities presented on the Entergy Corporation and Subsidiaries' Consolidated Balance Sheet
- (d) Excludes cash collateral in the amount of \$11 million posted and \$1 million held as of December 31, 2019 and \$19 million posted as of December 31, 2018. Also excludes letters of credit in the amount of \$98 million held as of December 31, 2019 and \$4 million posted as of December 31, 2018.

The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the years ended December 31, 2019, 2018, and 2017 are as follows:

Instrument	Amount of gain (loss) recognized in other comprehensive income  (In Millions)	Income Statement location	Amount of gain (loss) reclassified from accumulated other comprehensive income into income (a)  (In Millions)
<b>2019</b>			
Electricity swaps and options	\$232	Competitive business operating revenues	\$97
<b>2018</b>			
Electricity swaps and options	(\$40)	Competitive business operating revenues	(\$68)
<b>2017</b>			
Electricity swaps and options	\$44	Competitive business operating revenues	\$109

- (a) Before taxes of \$20 million, (\$14) million, and \$38 million, for the years ended December 31, 2019, 2018, and 2017, respectively

Prior to the adoption of ASU 2017-12, Entergy measured its hedges for ineffectiveness. Any ineffectiveness was recognized in earnings during the period. The ineffective portion of cash flow hedges was recorded in competitive businesses operating revenues. The change in fair value of Entergy's cash flow hedges due to ineffectiveness was (\$5.9) million and (\$3) million for the years ended December 31, 2018 and 2017, respectively.

Based on market prices as of December 31, 2019, unrealized gains (losses) recorded in accumulated other comprehensive income on cash flow hedges relating to power sales totaled \$108 million of net unrealized losses. Approximately \$91 million is expected to be reclassified from accumulated other comprehensive income to operating revenues in the next twelve months. The actual amount reclassified from accumulated other comprehensive income, however, could vary due to future changes in market prices.

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

The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the years ended December 31, 2019, 2018, and 2017 are as follows:

<b>Instrument</b>	<b>Income Statement location</b>	<b>Amount of gain (loss) recorded in the income statement</b>
(In Millions)		
<b>2019</b>		
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale (a)	(\$13)
Financial transmission rights	Purchased power expense (b)	\$94
Electricity swaps and options (c)	Competitive business operating revenues	\$12
<b>2018</b>		
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$8
Financial transmission rights	Purchased power expense (b)	\$131
Electricity swaps and options (c)	Competitive business operating revenues	\$8
<b>2017</b>		
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale (a)	(\$31)
Financial transmission rights	Purchased power expense (b)	\$139

- (a) Due to regulatory treatment, the natural gas swaps and options are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps and options are settled are recovered or refunded through fuel cost recovery mechanisms.
- (b) Due to regulatory treatment, the changes in the estimated fair value of financial transmission rights for the Utility operating companies are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the financial transmission rights for the Utility operating companies are settled are recovered or refunded through fuel cost recovery mechanisms.
- (c) There were no gains (losses) recognized in accumulated other comprehensive income from electricity swaps and options.

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2019 and 2018 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	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Registrant
(In Millions)					
<b>2019</b>					
<b>Assets:</b>					
Natural gas swaps and options	Other deferred debits and other assets	\$0.8	\$—	\$0.8	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$3.4	(\$0.1)	\$3.3	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$4.5	\$—	\$4.5	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$0.8	\$—	\$0.8	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$0.3	\$—	\$0.3	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$1.0	(\$0.1)	\$0.9	Entergy Texas
<b>Liabilities:</b>					
Natural gas swaps and options	Other current liabilities	\$2.4	\$—	\$2.4	Entergy Louisiana
Natural gas swaps and options	Other non-current liabilities	\$2.2	\$—	\$2.2	Entergy Louisiana
Natural gas swaps	Other current liabilities	\$2.3	\$—	\$2.3	Entergy Mississippi
Natural gas swaps	Other current liabilities	\$0.2	\$—	\$0.2	Entergy New Orleans

<b>Instrument</b>	<b>Balance Sheet Location</b>	<b>Gross Fair Value (a)</b>	<b>Offsetting Position (b)</b>	<b>Net Fair Value (c) (d)</b>	<b>Registrant</b>
<b>2018</b>					
Assets:					
Natural gas swaps and options	Prepayments and other	\$0.3	\$—	\$0.3	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$1.6	\$—	\$1.6	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$3.6	(\$0.2)	\$3.4	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$8.4	(\$0.1)	\$8.3	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$2.2	\$—	\$2.2	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$1.3	\$—	\$1.3	Entergy New Orleans
Liabilities:					
Natural gas swaps and options	Other current liabilities	\$1.1	\$—	\$1.1	Entergy Louisiana
Natural gas swaps	Other current liabilities	\$0.1	\$—	\$0.1	Entergy New Orleans
Financial transmission rights	Other current liabilities	\$0.9	(\$1.4)	(\$0.5)	Entergy Texas

- (a) Represents the gross amounts of recognized assets/liabilities
- (b) Represents the netting of fair value balances with the same counterparty
- (c) Represents the net amounts of assets/liabilities presented on the Registrant Subsidiaries' balance sheets
- (d) As of December 31, 2019, letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Mississippi. As of December 31, 2018, letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Mississippi and \$4.1 million for Entergy Texas.

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the years ended December 31, 2019, 2018, and 2017 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement	Registrant
		(In Millions)	
<b>2019</b>			
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	(\$5.3)	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$7.7)	(a) Entergy Mississippi
Financial transmission rights	Purchased power	\$22.3	(b) Entergy Arkansas
Financial transmission rights	Purchased power	\$46.7	(b) Entergy Louisiana
Financial transmission rights	Purchased power	\$6.8	(b) Entergy Mississippi
Financial transmission rights	Purchased power	\$2.7	(b) Entergy New Orleans
Financial transmission rights	Purchased power	\$15.7	(b) Entergy Texas
<b>2018</b>			
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$4.4	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$3.2	(a) Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$0.2	(a) Entergy New Orleans
Financial transmission rights	Purchased power	\$25.3	(b) Entergy Arkansas
Financial transmission rights	Purchased power	\$72.7	(b) Entergy Louisiana
Financial transmission rights	Purchased power	\$26.3	(b) Entergy Mississippi
Financial transmission rights	Purchased power	\$13.8	(b) Entergy New Orleans
Financial transmission rights	Purchased power	(\$6.0)	(b) Entergy Texas
<b>2017</b>			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$25.4)	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$5.2)	(a) Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.3)	(a) Entergy New Orleans
Financial transmission rights	Purchased power	\$41.7	(b) Entergy Arkansas
Financial transmission rights	Purchased power	\$45.8	(b) Entergy Louisiana
Financial transmission rights	Purchased power	\$18.9	(b) Entergy Mississippi
Financial transmission rights	Purchased power	\$9.1	(b) Entergy New Orleans
Financial transmission rights	Purchased power	\$22.3	(b) Entergy Texas

(a) Due to regulatory treatment, the natural gas swaps and options are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an

- offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps and options are settled are recovered or refunded through fuel cost recovery mechanisms.
- (b) Due to regulatory treatment, the changes in the estimated fair value of financial transmission rights for the Utility operating companies are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the financial transmission rights for the Utility operating companies are settled are recovered or refunded through fuel cost recovery mechanisms.

### **Fair Values**

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments other than those instruments held by the Entergy Wholesale Commodities business are reflected in future rates and therefore do not affect net income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

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

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

The three levels of the fair value hierarchy are:

- Level 1 - Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of individually owned common stocks, cash equivalents (temporary cash investments, securitization recovery trust account, and escrow accounts), debt instruments, and gas swaps traded on exchanges with active markets. Cash equivalents includes all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at the date of purchase.
- Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden by Entergy if it is believed such would be more reflective of fair value. Level 2 inputs include the following:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability; or
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 consists primarily of individually-owned debt instruments and gas swaps and options valued using observable inputs.

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

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

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

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

On a daily basis, the Business Unit Risk Control group calculates the mark-to-market for electricity swaps and options. The Business Unit Risk Control group also validates forward market prices by comparing them to other sources of forward market prices or to settlement prices of actual market transactions. Significant differences are analyzed and potentially adjusted based on these other sources of forward market prices or settlement prices of actual market transactions. Implied volatilities used to value options are also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available and compared with other sources of market implied volatilities. Moreover, on a quarterly basis, the Office of Corporate Risk Oversight confirms the mark-to-market calculations and prepares price scenarios and credit downgrade scenario analysis. The scenario analysis is communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis is completed to assess the risk of adding the proposed derivative to Entergy



Wholesale Commodities' portfolio. In particular, the credit and liquidity effects are calculated for this analysis. This analysis is communicated to senior management within Entergy and Entergy Wholesale Commodities.

The values of financial transmission rights are based on unobservable inputs, including estimates of congestion costs in MISO between applicable generation and load pricing nodes based on the 50th percentile of historical prices. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Business Unit Risk Control group. The values are calculated internally and verified against the data published by MISO. Entergy's Accounting Policy and Entergy Wholesale Commodities Accounting groups review these valuations for reasonableness, with the assistance of others within the organization with knowledge of the various inputs and assumptions used in the valuation. The Business Unit Risk Control groups report to the Vice President and Treasurer. The Accounting Policy and Entergy Wholesale Commodities Accounting groups report to the Chief Accounting Officer.

The following tables set forth, by level within the fair value hierarchy, Entergy's assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2019 and December 31, 2018. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

2019	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$391	\$—	\$—	\$391
Decommissioning trust funds (a):				
Equity securities	905	—	—	905
Debt securities	1,139	1,824	—	2,963
Common trusts (b)				2,536
Power contracts	—	—	118	118
Securitization recovery trust account	47	—	—	47
Escrow accounts	459	—	—	459
Gas hedge contracts	—	1	—	1
Financial transmission rights	—	—	10	10
	<u>\$2,941</u>	<u>\$1,825</u>	<u>\$128</u>	<u>\$7,430</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$5</u>	<u>\$2</u>	<u>\$—</u>	<u>\$7</u>

2018	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$424	\$—	\$—	\$424
Decommissioning trust funds (a):				
Equity securities	1,686	—	—	1,686
Debt securities	1,259	1,625	—	2,884
Common trusts (b)				2,350
Power contracts	—	—	3	3
Securitization recovery trust account	51	—	—	51
Escrow accounts	403	—	—	403
Gas hedge contracts	—	2	—	2
Financial transmission rights	—	—	15	15
	<u>\$3,823</u>	<u>\$1,627</u>	<u>\$18</u>	<u>\$7,818</u>
<b>Liabilities:</b>				
Power contracts	\$—	\$—	\$34	\$34
Gas hedge contracts	1	—	—	1
	<u>\$1</u>	<u>\$—</u>	<u>\$34</u>	<u>\$35</u>

- (a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 16 to the financial statements for additional information on the investment portfolios.
- (b) Common trust funds are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table. The fund administrator of these investments allows daily trading at the net asset value and trades settle at a later date.

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the years ended December 31, 2019, 2018, and 2017:

	2019		2018		2017	
	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights
(In Millions)						
Balance as of January 1,	(\$31)	\$15	(\$65)	\$21	\$5	\$21
Total gains (losses) for the period (a)						
Included in earnings	12	—	2	(1)	(3)	1
Included in other comprehensive income	232	—	(40)	—	44	—
Included as a regulatory liability/asset	—	54	—	80	—	76
Issuances of financial transmission rights	—	35	—	46	—	62
Settlements	(95)	(94)	72	(131)	(111)	(139)
Balance as of December 31,	<u>\$118</u>	<u>\$10</u>	<u>(\$31)</u>	<u>\$15</u>	<u>(\$65)</u>	<u>\$21</u>

- (a) Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the reporting period is (\$9.2) million, (\$3.5) million, and \$0.9 million for the years ended December 31, 2019, 2018, and 2017, respectively.

The following table sets forth a description of the types of transactions classified as Level 3 in the fair value hierarchy and significant unobservable inputs to each which cause that classification, as of December 31, 2019:

Transaction Type	Fair Value as of December 31, 2019	Significant Unobservable Inputs	Range from Average %	Effect on Fair Value
	(In Millions)			(In Millions)
Power contracts - electricity swaps	\$118	Unit contingent discount	+/- 4.75%	\$11

The values of financial transmission rights are based on unobservable inputs calculated internally and verified against historical pricing data published by MISO.

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

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

The following table sets forth, by level within the fair value hierarchy, the Registrant Subsidiaries' assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2019 and December 31, 2018. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

#### Entergy Arkansas

2019	Level 1	Level 2	Level 3	Total
	(In Millions)			
<b>Assets:</b>				
Decommissioning trust funds (a):				
Equity securities	\$0.6	\$—	\$—	\$0.6
Debt securities	108.7	304.1	—	412.8
Common trusts (b)				687.9
Securitization recovery trust account	4.0	—	—	4.0
Financial transmission rights	—	—	3.3	3.3
	\$113.3	\$304.1	\$3.3	\$1,108.6
2018	Level 1	Level 2	Level 3	Total
	(In Millions)			
<b>Assets:</b>				
Decommissioning trust funds (a):				
Equity securities	\$4.0	\$—	\$—	\$4.0
Debt securities	94.8	286.5	—	381.3
Common trusts (b)				526.7
Securitization recovery trust account	4.7	—	—	4.7
Financial transmission rights	—	—	3.4	3.4
	\$103.5	\$286.5	\$3.4	\$920.1



**Entergy Louisiana**

2019	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$1.5	\$—	\$—	\$1.5
Decommissioning trust funds (a):				
Equity securities	4.3	—	—	4.3
Debt securities	180.8	420.7	—	601.5
Common trusts (b)				958.0
Escrow accounts	295.9	—	—	295.9
Securitization recovery trust account	3.7	—	—	3.7
Gas hedge contracts	—	0.8	—	0.8
Financial transmission rights	—	—	4.5	4.5
	\$486.2	\$421.5	\$4.5	\$1,870.2
<b>Liabilities:</b>				
Gas hedge contracts	\$2.4	\$2.2	\$—	\$4.6

2018	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$43.1	\$—	\$—	\$43.1
Decommissioning trust funds (a):				
Equity securities	13.3	—	—	13.3
Debt securities	162.0	370.9	—	532.9
Common trusts (b)				738.8
Escrow accounts	289.5	—	—	289.5
Securitization recovery trust account	3.6	—	—	3.6
Gas hedge contracts	—	1.9	—	1.9
Financial transmission rights	—	—	8.3	8.3
	\$511.5	\$372.8	\$8.3	\$1,631.4
<b>Liabilities:</b>				
Gas hedge contracts	\$0.7	\$0.4	\$—	\$1.1

**Entergy Mississippi**

2019	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$51.6	\$—	\$—	\$51.6
Escrow accounts	80.2	—	—	80.2
Financial transmission rights	—	—	0.8	0.8
	\$131.8	\$—	\$0.8	\$132.6
<b>Liabilities:</b>				
Gas hedge contracts	\$2.3	\$—	\$—	\$2.3



2018	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$36.9	\$—	\$—	\$36.9
Escrow accounts	32.4	—	—	32.4
Financial transmission rights	—	—	2.2	2.2
	<u>\$69.3</u>	<u>\$—</u>	<u>\$2.2</u>	<u>\$71.5</u>

**Entergy New Orleans**

2019	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$6.0	\$—	\$—	\$6.0
Securitization recovery trust account	2.0	—	—	2.0
Escrow accounts	82.6	—	—	82.6
Financial transmission rights	—	—	0.3	0.3
	<u>\$90.6</u>	<u>\$—</u>	<u>\$0.3</u>	<u>\$90.9</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$0.2</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.2</u>

2018	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$19.7	\$—	\$—	\$19.7
Securitization recovery trust account	2.2	—	—	2.2
Escrow accounts	80.9	—	—	80.9
Financial transmission rights	—	—	1.3	1.3
	<u>\$102.8</u>	<u>\$—</u>	<u>\$1.3</u>	<u>\$104.1</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$0.1</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.1</u>

**Entergy Texas**

2019	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$12.9	\$—	\$—	\$12.9
Securitization recovery trust account	37.7	—	—	37.7
Financial transmission rights	—	—	0.9	0.9
	<u>\$50.6</u>	<u>\$—</u>	<u>\$0.9</u>	<u>\$51.5</u>

2018	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Securitization recovery trust account	\$40.2	\$—	\$—	\$40.2
<b>Liabilities:</b>				
Financial transmission rights	\$—	\$—	\$0.5	\$0.5

**System Energy**

2019	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$68.4	\$—	\$—	\$68.4
Decommissioning trust funds (a):				
Equity securities	13.3	—	—	13.3
Debt securities	176.3	209.9	—	386.2
Common trusts (b)				654.6
	\$258.0	\$209.9	\$—	\$1,122.5

2018	Level 1	Level 2	Level 3	Total
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$95.6	\$—	\$—	\$95.6
Decommissioning trust funds (a):				
Equity securities	4.4	—	—	4.4
Debt securities	224.5	139.7	—	364.2
Common trusts (b)				500.9
	\$324.5	\$139.7	\$—	\$965.1

- (a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 16 to the financial statements for additional information on the investment portfolios.
- (b) Common trust funds are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table. The fund administrator of these investments allows daily trading at the net asset value and trades settle at a later date.



The following table sets forth a reconciliation of changes in the net assets for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the year ended December 31, 2019.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)				
Balance as of January 1, 2019	\$3.4	\$8.3	\$2.2	\$1.3	(\$0.5)
Issuances of financial transmission rights	9.6	18.7	3.9	2.7	0.1
Gains (losses) included as a regulatory liability/asset	12.6	24.2	1.5	(1.0)	17.0
Settlements	(22.3)	(46.7)	(6.8)	(2.7)	(15.7)
Balance as of December 31, 2019	<u>\$3.3</u>	<u>\$4.5</u>	<u>\$0.8</u>	<u>\$0.3</u>	<u>\$0.9</u>

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the year ended December 31, 2018.

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)				
Balance as of January 1, 2018	\$3.0	\$10.2	\$2.1	\$2.2	\$3.4
Issuances of financial transmission rights	11.8	20.0	4.5	3.7	6.1
Gains (losses) included as a regulatory liability/asset	13.9	50.8	21.9	9.2	(16.0)
Settlements	(25.3)	(72.7)	(26.3)	(13.8)	6.0
Balance as of December 31, 2018	<u>\$3.4</u>	<u>\$8.3</u>	<u>\$2.2</u>	<u>\$1.3</u>	<u>(\$0.5)</u>

**NOTE 16. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)**

The NRC requires Entergy subsidiaries to maintain nuclear decommissioning trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Indian Point 1, Indian Point 2, Indian Point 3, and Palisades. Entergy's nuclear decommissioning trust funds invest in equity securities, fixed-rate debt securities, and cash and cash equivalents.

Entergy implemented ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" effective January 1, 2018. The ASU requires investments in equity securities, excluding those accounted for under the equity method or resulting in consolidation of the investee, to be measured at fair value with changes recognized in net income. Entergy implemented this ASU using a modified retrospective method, and Entergy recorded an adjustment increasing retained earnings and increasing accumulated other comprehensive loss by \$633 million as of January 1, 2018, for the cumulative effect of the unrealized gains and losses on investments in equity securities held by the decommissioning trust funds that do not meet the criteria for regulatory accounting treatment. Beginning in 2018, unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds are recorded in earnings as they occur rather than in other comprehensive income. In accordance with the regulatory treatment of the decommissioning trust funds of the

Registrant Subsidiaries, an offsetting amount of unrealized gains/(losses) will continue to be recorded in other regulatory liabilities/assets.

As discussed in Note 14 to the financial statements, in January 2019, Entergy completed the transfer of the Vermont Yankee plant to NorthStar. As part of the transaction, Entergy transferred the Vermont Yankee decommissioning trust fund to NorthStar. As of December 31, 2018, the fair value of the decommissioning trust fund was \$532 million.

As discussed in Note 14 to the financial statements, in August 2019, Entergy completed the transfer of the Pilgrim plant to Holtec. As part of the transaction, Entergy transferred the Pilgrim decommissioning trust fund to Holtec. The disposition-date fair value of the decommissioning trust fund was approximately \$1,030 million.

Entergy records decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the 30% interest in River Bend formerly owned by Cajun, Entergy Louisiana records an offsetting amount in other deferred credits for the unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains/(losses) recorded on the equity securities in the trust funds are recognized in earnings. Unrealized gains recorded on the available-for-sale debt securities in the trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity. Unrealized losses (where cost exceeds fair market value) on the available-for-sale debt securities in the trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. A portion of Entergy's decommissioning trust funds are held in a wholly-owned registered investment company, and unrealized gains and losses on both the equity and debt securities held in the registered investment company are recognized in earnings. Generally, Entergy records gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

The unrealized gains/(losses) recognized during the year ended December 31, 2019 on equity securities still held as of December 31, 2019 were \$640 million. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 index or the Russell 3000 Index. The debt securities are generally held in individual government and credit issuances.

The available-for-sale securities held as of December 31, 2019 and 2018 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
	(In Millions)		
<b>2019</b>			
Debt Securities (a)	\$2,456	\$96	\$6
<b>2018</b>			
Debt Securities (a)	\$2,495	\$19	\$35

(a) Debt securities presented herein do not include the \$507 million and \$389 million of debt securities held in the wholly-owned registered investment company as of December 31, 2019 and 2018, respectively, which are not accounted for as available-for-sale.

The unrealized gains/(losses) above are reported before deferred taxes of \$13 million as of December 31, 2019 and (\$1) million as of December 31, 2018 for debt securities. The amortized cost of available-for-sale debt securities was \$2,366 million as of December 31, 2019 and \$2,511 million as of December 31, 2018. As of December 31, 2019, available-for-sale debt securities have an average coupon rate of approximately 3.27%, an average duration of approximately 6.62 years, and an average maturity of approximately 10.42 years.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2019:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
(In Millions)		
Less than 12 months	\$404	\$5
More than 12 months	38	1
<b>Total</b>	<b>\$442</b>	<b>\$6</b>

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2018:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
(In Millions)		
Less than 12 months	\$652	\$9
More than 12 months	782	26
<b>Total</b>	<b>\$1,434</b>	<b>\$35</b>

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
(In Millions)		
Less than 1 year	\$128	\$199
1 year - 5 years	807	1,066
5 years - 10 years	666	544
10 years - 15 years	125	77
15 years - 20 years	126	78
20 years+	604	531
<b>Total</b>	<b>\$2,456</b>	<b>\$2,495</b>

During the years ended December 31, 2019, 2018, and 2017, proceeds from the dispositions of available-for-sale securities amounted to \$1,427 million, \$2,406 million, and \$3,163 million, respectively. During the years ended December 31, 2019, 2018, and 2017, gross gains of \$25 million, \$7 million, and \$149 million, respectively, and gross losses of \$4 million, \$47 million, and \$13 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of December 31, 2019 are \$556 million for Indian Point 1, \$701 million for Indian Point 2, \$930 million for Indian Point 3, and \$498 million for Palisades. The fair values of the decommissioning trust funds related to the Entergy

Wholesale Commodities nuclear plants as of December 31, 2018 are \$471 million for Indian Point 1, \$598 million for Indian Point 2, \$781 million for Indian Point 3, \$444 million for Palisades, \$1,028 million for Pilgrim, and \$532 million for Vermont Yankee. The fair values of the decommissioning trust funds for the Registrant Subsidiaries' nuclear plants are detailed below.

**Entergy Arkansas**

Entergy Arkansas holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of December 31, 2019 and 2018 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
	(In Millions)		
<b>2019</b>			
Debt Securities	\$412.8	\$9.9	\$2.6
<b>2018</b>			
Debt Securities	\$381.3	\$0.6	\$8.2

The amortized cost of available-for-sale debt securities was \$405.4 million as of December 31, 2019 and \$389 million as of December 31, 2018. As of December 31, 2019, the available-for-sale debt securities have an average coupon rate of approximately 2.79%, an average duration of approximately 6.83 years, and an average maturity of approximately 8.81 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2019 on equity securities still held as of December 31, 2019 were \$147.7 million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2019:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
	(In Millions)	
Less than 12 months	\$104.8	\$2.5
More than 12 months	7.7	0.1
<b>Total</b>	<b>\$112.5</b>	<b>\$2.6</b>

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2018:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
	(In Millions)	
Less than 12 months	\$65.8	\$0.5
More than 12 months	231.1	7.7
<b>Total</b>	<b>\$296.9</b>	<b>\$8.2</b>

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	(In Millions)	
Less than 1 year	\$44.1	\$32.5
1 year - 5 years	109.1	170.3
5 years - 10 years	156.0	114.0
10 years - 15 years	31.3	10.3
15 years - 20 years	23.8	8.1
20 years+	48.5	46.1
<b>Total</b>	<b>\$412.8</b>	<b>\$381.3</b>

During the years ended December 31, 2019, 2018, and 2017, proceeds from the dispositions of available-for-sale securities amounted to \$110.6 million, \$82.1 million, and \$339.4 million, respectively. During the years ended December 31, 2019, 2018, and 2017, gross gains of \$2.9 million, \$0.1 million, and \$17.7 million, respectively, and gross losses of \$0.1 million, \$2.9 million, and \$0.6 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

### **Entergy Louisiana**

Entergy Louisiana holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of December 31, 2019 and 2018 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
	(In Millions)		
<b>2019</b>			
Debt Securities	\$601.5	\$29.3	\$0.8
<b>2018</b>			
Debt Securities	\$532.9	\$4.1	\$6.0

The amortized cost of available-for-sale debt securities was \$573 million as of December 31, 2019 and \$534.8 million as of December 31, 2018. As of December 31, 2019, the available-for-sale debt securities have an average coupon rate of approximately 3.82%, an average duration of approximately 6.80 years, and an average maturity of approximately 13.26 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2019 on equity securities still held as of December 31, 2019 were \$208.1 million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2019:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
(In Millions)		
Less than 12 months	\$71.2	\$0.8
More than 12 months	7.9	—
<b>Total</b>	<b>\$79.1</b>	<b>\$0.8</b>

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2018:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
(In Millions)		
Less than 12 months	\$170.1	\$2.1
More than 12 months	145.8	3.9
<b>Total</b>	<b>\$315.9</b>	<b>\$6.0</b>

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
(In Millions)		
Less than 1 year	\$40.7	\$31.1
1 year - 5 years	142.0	130.5
5 years - 10 years	132.4	111.0
10 years - 15 years	39.8	29.0
15 years - 20 years	49.2	37.1
20 years+	197.4	194.2
<b>Total</b>	<b>\$601.5</b>	<b>\$532.9</b>

During the years ended December 31, 2019, 2018, and 2017, proceeds from the dispositions of available-for-sale securities amounted to \$186 million, \$401.7 million, and \$231.3 million, respectively. During the years ended December 31, 2019, 2018, and 2017, gross gains of \$4.8 million, \$2.1 million, and \$12 million, respectively, and gross losses of \$0.3 million, \$7.5 million, and \$0.4 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

**System Energy**

System Energy holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of December 31, 2019 and 2018 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
	(In Millions)		
<b>2019</b>			
Debt Securities	\$386.2	\$15.1	\$0.3
<b>2018</b>			
Debt Securities	\$364.2	\$2.9	\$5.8

The amortized cost of available-for-sale debt securities was \$371.4 million as of December 31, 2019 and \$367.1 million as of December 31, 2018. As of December 31, 2019, the available-for-sale debt securities have an average coupon rate of approximately 3.12%, an average duration of approximately 6.75 years, and an average maturity of approximately 10.41 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2019 on equity securities still held as of December 31, 2019 were \$140.5 million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2019:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
	(In Millions)	
Less than 12 months	\$56.9	\$0.3
More than 12 months	0.3	—
<b>Total</b>	<b>\$57.2</b>	<b>\$0.3</b>

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2018:

	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
	(In Millions)	
Less than 12 months	\$89.7	\$2.4
More than 12 months	79.8	3.4
<b>Total</b>	<b>\$169.5</b>	<b>\$5.8</b>

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2019 and 2018 are as follows:

	2019	2018
	(In Millions)	
Less than 1 year	\$8.5	\$22.8
1 year - 5 years	154.6	188.0
5 years - 10 years	92.3	73.4
10 years - 15 years	13.4	5.2
15 years - 20 years	14.4	10.2
20 years+	103.0	64.6
<b>Total</b>	<b>\$386.2</b>	<b>\$364.2</b>

During the years ended December 31, 2019, 2018, and 2017, proceeds from the dispositions of available-for-sale securities amounted to \$338.1 million, \$361.9 million, and \$565.4 million, respectively. During the years ended December 31, 2019, 2018, and 2017, gross gains of \$5.4 million, \$0.5 million, and \$1.4 million, respectively, and gross losses of \$0.7 million, \$6.1 million, and \$3.3 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

#### Other-than-temporary impairments and unrealized gains and losses

Energy evaluates the available-for-sale debt securities in the Energy Wholesale Commodities' nuclear decommissioning trust funds with unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Energy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Energy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Energy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the years ended December 31, 2019, 2018, and 2017. Energy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments.

#### **NOTE 17. VARIABLE INTEREST ENTITIES (Energy Corporation, Energy Arkansas, Energy Louisiana, Energy Mississippi, Energy New Orleans, Energy Texas, and System Energy)**

Under applicable authoritative accounting guidance, a variable interest entity (VIE) is an entity that conducts a business or holds property that possesses any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest), or where equity holders do not receive expected losses or returns. An entity may have an interest in a VIE through ownership or other contractual rights or obligations, and is required to consolidate a VIE if it is the VIE's primary beneficiary. The primary beneficiary of a VIE is the entity that has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and has the obligation to absorb losses or has the right to residual returns that would potentially be significant to the entity.

Energy Arkansas, Energy Louisiana, and System Energy consolidate the respective companies from which they lease nuclear fuel, usually in a sale and leaseback transaction. This is because Energy directs the nuclear fuel companies with respect to nuclear fuel purchases, assists the nuclear fuel companies in obtaining financing, and, if financing cannot be arranged, the lessee (Energy Arkansas, Energy Louisiana, or System Energy) is responsible to repurchase nuclear fuel to allow the nuclear fuel company (the VIE) to meet its obligations. During the term of the



arrangements, none of the Entergy operating companies have been required to provide financial support apart from their scheduled lease payments. See Note 4 to the financial statements for details of the nuclear fuel companies' credit facility and commercial paper borrowings and long-term debt that are reported by Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy. These amounts also represent Entergy's and the respective Registrant Subsidiary's maximum exposure to losses associated with their respective interests in the nuclear fuel companies.

Entergy Gulf States Reconstruction Funding I, LLC, and Entergy Texas Restoration Funding, LLC, companies wholly-owned and consolidated by Entergy Texas, are variable interest entities and Entergy Texas is the primary beneficiary. In June 2007, Entergy Gulf States Reconstruction Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Rita reconstruction costs. In November 2009, Entergy Texas Restoration Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs. With the proceeds, the variable interest entities purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of the variable interest entities, including the transition property, and the creditors of the variable interest entities do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to the variable interest entities except to remit transition charge collections. See Note 5 to the financial statements for additional details regarding the securitization bonds.

Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, is a variable interest entity and Entergy Arkansas is the primary beneficiary. In August 2010, Entergy Arkansas Restoration Funding issued storm cost recovery bonds to finance Entergy Arkansas's January 2009 ice storm damage restoration costs. With the proceeds, Entergy Arkansas Restoration Funding purchased from Entergy Arkansas the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy Arkansas balance sheet. The creditors of Entergy Arkansas do not have recourse to the assets or revenues of Entergy Arkansas Restoration Funding, including the storm recovery property, and the creditors of Entergy Arkansas Restoration Funding do not have recourse to the assets or revenues of Entergy Arkansas. Entergy Arkansas has no payment obligations to Entergy Arkansas Restoration Funding except to remit storm recovery charge collections. See Note 5 to the financial statements for additional details regarding the storm cost recovery bonds.

Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, is a variable interest entity and Entergy Louisiana is the primary beneficiary. In September 2011, Entergy Louisiana Investment Recovery Funding issued investment recovery bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. With the proceeds, Entergy Louisiana Investment Recovery Funding purchased from Entergy Louisiana the investment recovery property, which is the right to recover from customers through an investment recovery charge amounts sufficient to service the bonds. The investment recovery property is reflected as a regulatory asset on the consolidated Entergy Louisiana balance sheet. The creditors of Entergy Louisiana do not have recourse to the assets or revenues of Entergy Louisiana Investment Recovery Funding, including the investment recovery property, and the creditors of Entergy Louisiana Investment Recovery Funding do not have recourse to the assets or revenues of Entergy Louisiana. Entergy Louisiana has no payment obligations to Entergy Louisiana Investment Recovery Funding except to remit investment recovery charge collections. See Note 5 to the financial statements for additional details regarding the investment recovery bonds.

Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy New Orleans, is a variable interest entity, and Entergy New Orleans is the primary beneficiary. In July 2015, Entergy New Orleans Storm Recovery Funding issued storm cost recovery bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs, including carrying costs, the costs of funding and replenishing the storm recovery reserve, and up-front financing costs associated with the securitization. With the proceeds, Entergy New Orleans Storm Recovery Funding purchased from Entergy New Orleans the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The

storm recovery property is reflected as a regulatory asset on the consolidated Entergy New Orleans balance sheet. The creditors of Entergy New Orleans do not have recourse to the assets or revenues of Entergy New Orleans Storm Recovery Funding, including the storm recovery property, and the creditors of Entergy New Orleans Storm Recovery Funding do not have recourse to the assets or revenues of Entergy New Orleans. Entergy New Orleans has no payment obligations to Entergy New Orleans Storm Recovery Funding except to remit storm recovery charge collections. See Note 5 to the financial statements for additional details regarding the securitization bonds.

System Energy is considered to hold a variable interest in the lessor from which it leases an undivided interest in the Grand Gulf nuclear plant. System Energy is the lessee under this arrangement, which is described in more detail in Note 10 to the financial statements. System Energy made payments on its lease, including interest, of \$17.2 million in 2019, \$17.2 million in 2018, and \$17.2 million in 2017. The lessor is a bank acting in the capacity of owner trustee for the benefit of equity investors in the transaction pursuant to trust agreement entered solely for the purpose of facilitating the lease transaction. It is possible that System Energy may be considered as the primary beneficiary of the lessor, but it is unable to apply the authoritative accounting guidance with respect to this VIE because the lessor is not required to, and could not, provide the necessary financial information to consolidate the lessor. Because System Energy accounts for this leasing arrangement as a capital financing, however, System Energy believes that consolidating the lessor would not materially affect the financial statements. In the unlikely event of default under a lease, remedies available to the lessor include payment by the lessee of the fair value of the undivided interest in the plant, payment of the present value of the basic rent payments, or payment of a predetermined casualty value. System Energy believes, however, that the obligations recorded on the balance sheet materially represent its potential exposure to loss.

Entergy has also reviewed various lease arrangements, power purchase agreements, including agreements for renewable power, and other agreements that represent variable interests in other legal entities which have been determined to be variable interest entities. In these cases, Entergy has determined that it is not the primary beneficiary of the related VIE because it does not have the power to direct the activities of the VIE that most significantly affect the VIE's economic performance, or it does not have the obligation to absorb losses or the right to residual returns that would potentially be significant to the entity, or both.

**NOTE 18. TRANSACTIONS WITH AFFILIATES (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Each Registrant Subsidiary purchases electricity from or sells electricity to the other Registrant Subsidiaries, or both, under rate schedules filed with the FERC. The Registrant Subsidiaries receive management, technical, advisory, operating, and administrative services from Entergy Services; and receive management, technical, and operating services from Entergy Operations. These transactions are on an "at cost" basis.

As described in Note 1 to the financial statements, all of System Energy's operating revenues consist of billings to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.

As described in Note 4 to the financial statements, the Registrant Subsidiaries participate in Entergy's money pool and earn interest income from the money pool. As described in Note 2 to the financial statements, Entergy Louisiana receives preferred membership interest distributions from Entergy Holdings Company.

The tables below contain the various affiliate transactions of the Utility operating companies, System Energy, and other Entergy affiliates.

**Intercompany Revenues**

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
	(In Millions)					
2019	\$117.5	\$277.8	\$1.4	\$—	\$51.6	\$584.1
2018	\$104.3	\$299.0	\$2.5	\$—	\$58.8	\$456.7
2017	\$127.8	\$282.4	\$1.7	\$—	\$57.9	\$633.5

**Intercompany Operating Expenses**

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
	(In Millions)					
2019	\$534.0	\$665.4	\$306.7	\$292.1	\$255.0	\$156.2
2018	\$471.9	\$627.8	\$266.8	\$256.4	\$240.2	\$176.5
2017	\$510.2	\$619.5	\$310.5	\$286.1	\$234.6	\$197.0

**Intercompany Interest and Investment Income**

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
	(In Millions)					
2019	\$0.4	\$128.5	\$0.4	\$—	\$0.4	\$1.0
2018	\$0.4	\$128.2	\$—	\$—	\$0.2	\$1.2
2017	\$—	\$128.0	\$—	\$0.2	\$—	\$0.9

**Transactions with Equity Method Investees**

EWO Marketing, LLC, an indirect wholly-owned subsidiary of Entergy, paid capacity charges and gas transportation to RS Cogen in the amounts of \$24.5 million in 2019, \$24 million in 2018, and \$24.6 million in 2017.

Entergy's operating transactions with its other equity method investees were not significant in 2019, 2018, or 2017.

**NOTE 19. REVENUE (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Entergy implemented ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” effective January 1, 2018. Topic 606 requires entities to “recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The ASU details a five-step model that should be followed to achieve the core principle. This accounting was applied to all contracts using the modified retrospective method, which requires an adjustment to retained earnings for the cumulative effect of adopting the standard as of the effective date. Because the standard did not result in any material change in Entergy’s revenue recognition no adjustment to retained earnings was required upon implementation. Similarly, there was no effect on revenues recognized under Topic 606 for the year ended December 31, 2018.

Revenues from electric service and the sale of natural gas are recognized when services are transferred to the customer in an amount equal to what Entergy has the right to bill the customer because this amount represents the value of services provided to customers.

Entergy’s total revenues for the years ended December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	(In Thousands)	
<b>Utility:</b>		
Residential	\$3,531,500	\$3,565,522
Commercial	2,475,586	2,426,477
Industrial	2,541,287	2,499,227
Governmental	228,470	225,882
<b>Total billed retail</b>	<b>8,776,843</b>	<b>8,717,108</b>
Sales for resale (a)	285,722	299,567
Other electric revenues (b)	343,143	326,910
<b>Revenues from contracts with customers</b>	<b>9,405,708</b>	<b>9,343,585</b>
Other revenues (c)	24,270	40,526
<b>Total electric revenues</b>	<b>9,429,978</b>	<b>9,384,111</b>
Natural gas	153,954	156,436
<b>Entergy Wholesale Commodities:</b>		
Competitive businesses sales from contracts with customers (a)	1,164,552	1,547,994
Other revenues (c)	130,189	(79,089)
<b>Total competitive businesses revenues</b>	<b>1,294,741</b>	<b>1,468,905</b>
<b>Total operating revenues</b>	<b>\$10,878,673</b>	<b>\$11,009,452</b>

The Registrant Subsidiaries' total revenues for the year ended December 31, 2019 were as follows:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$795,269	\$1,270,478	\$562,219	\$245,081	\$658,453
Commercial	538,850	947,412	444,173	202,138	343,013
Industrial	520,958	1,450,966	164,491	31,824	373,048
Governmental	20,795	71,046	44,300	70,865	21,464
<b>Total billed retail</b>	<b>1,875,872</b>	<b>3,739,902</b>	<b>1,215,183</b>	<b>549,908</b>	<b>1,395,978</b>
Sales for resale (a)	257,864	333,395	39,295	38,626	59,074
Other electric revenues (b)	112,618	135,783	58,269	9,842	32,424
<b>Revenues from contracts with customers</b>	<b>2,246,354</b>	<b>4,209,080</b>	<b>1,312,747</b>	<b>598,376</b>	<b>1,487,476</b>
Other revenues (c)	13,240	13,947	10,296	(3,959)	1,479
<b>Total electric revenues</b>	<b>2,259,594</b>	<b>4,223,027</b>	<b>1,323,043</b>	<b>594,417</b>	<b>1,488,955</b>
Natural gas	—	62,148	—	91,806	—
<b>Total operating revenues</b>	<b>\$2,259,594</b>	<b>\$4,285,175</b>	<b>\$1,323,043</b>	<b>\$686,223</b>	<b>\$1,488,955</b>

The Registrant Subsidiaries' total revenues for the year ended December 31, 2018 were as follows:

2018	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$807,098	\$1,244,413	\$578,568	\$261,585	\$673,858
Commercial	425,523	941,321	461,832	217,182	380,619
Industrial	434,387	1,462,462	175,056	33,371	393,951
Governmental	16,537	68,587	43,747	72,058	24,953
<b>Total billed retail</b>	<b>1,683,545</b>	<b>3,716,783</b>	<b>1,259,203</b>	<b>584,196</b>	<b>1,473,381</b>
Sales for resale (a)	248,861	356,603	25,812	29,506	97,478
Other electric revenues (b)	111,875	144,978	39,897	4,718	31,413
<b>Revenues from contracts with customers</b>	<b>2,044,281</b>	<b>4,218,364</b>	<b>1,324,912</b>	<b>618,420</b>	<b>1,602,272</b>
Other revenues (c)	16,362	14,177	10,200	6,313	3,630
<b>Total electric revenues</b>	<b>2,060,643</b>	<b>4,232,541</b>	<b>1,335,112</b>	<b>624,733</b>	<b>1,605,902</b>
Natural gas	—	63,779	—	92,657	—
<b>Total operating revenues</b>	<b>\$2,060,643</b>	<b>\$4,296,320</b>	<b>\$1,335,112</b>	<b>\$717,390</b>	<b>\$1,605,902</b>

- (a) Sales for resale and competitive businesses sales include day-ahead sales of energy in a market administered by an ISO. These sales represent financially binding commitments for the sale of physical energy the next day. These sales are adjusted to actual power generated and delivered in the real time market. Given the short duration of these transactions, Entergy does not consider them to be derivatives subject to fair value adjustments, and includes them as part of customer revenues.

- (b) Other electric revenues consist primarily of transmission and ancillary services provided to participants of an ISO-administered market and unbilled revenue.
- (c) Other revenues include the settlement of financial hedges, occasional sales of inventory, alternative revenue programs, provisions for revenue subject to refund, and late fees.

### **Electric Revenues**

Entergy's primary source of revenue is from retail electric sales sold under tariff rates approved by regulators in its various jurisdictions. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy's Utility operating companies provide power to customers on demand throughout the month, measured by a meter located at the customer's property. Approved rates vary by customer class due to differing requirements of the customers and market factors involved in fulfilling those requirements. Entergy issues monthly bills to customers at rates approved by regulators for power and related services provided during the previous billing cycle.

To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies record an estimate for energy delivered since the latest billings. The Utility operating companies calculate the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and market prices of power in the respective jurisdiction. The inputs are revised as needed to approximate actual usage and cost. Each month, estimated unbilled amounts are recorded as unbilled revenue and accounts receivable, and the prior month's estimate is reversed. Price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the other.

Entergy may record revenue based on rates that are subject to refund. Such revenues are reduced by estimated refund amounts when Entergy believes refunds are probable based on the status of rate proceedings as of the date financial statements are prepared. Because these refunds will be made through a reduction in future rates, and not as a reduction in bills previously issued, they are presented as other revenues in the table above.

System Energy's only source of revenue is the sale of electric power and capacity generated from its 90% interest in the Grand Gulf nuclear plant to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy issues monthly bills to its affiliated customers equal to its actual operating costs plus a return on common equity approved by the FERC.

Entergy's Utility operating companies also sell excess power not needed for its own customers, primarily through transactions with MISO, a regional transmission organization that maintains functional control over the combined transmission systems of its members and manages one of the largest energy markets in the U.S. In the MISO market, Entergy offers its generation and bids its load into the market. MISO settles these offers and bids based on locational marginal prices. These represent pricing for energy at a given location based on a market clearing price that takes into account physical limitations on the transmission system, generation, and demand throughout the MISO region. MISO evaluates each market participant's energy offers and demand bids to economically and reliably dispatch the entire MISO system. Entergy nets purchases and sales within the MISO market and reports in operating revenues when in a net selling position and in operating expenses when in a net purchasing position.

### **Natural Gas**

Entergy Louisiana and Entergy New Orleans also distribute natural gas to retail customers in and around Baton Rouge, Louisiana, and New Orleans, Louisiana, respectively. Gas transferred to customers is measured by a meter at the customer's property. Entergy issues monthly invoices to customers at rates approved by regulators for the volume of gas transferred to date.

## **Competitive Businesses Revenues**

The Entergy Wholesale Commodities segment derives almost all of its revenue from sales of electric power and capacity produced by its operating plants to wholesale customers. The majority of Entergy Wholesale Commodities' revenues are from Entergy's nuclear power plants located in the northern United States. Entergy issues monthly invoices to the counterparties for these electric sales at the respective contracted or ISO market rate of electricity and related services provided during the previous month.

Most of the Palisades nuclear plant output is sold under a 15-year PPA with Consumers Energy, executed as part of the acquisition of the plant in 2007 and expiring in 2022. Prices under the PPA range from \$43.50/MWh in 2007 to \$61.50/MWh in 2022, and the average price under the PPA is \$51/MWh. Entergy issues monthly invoices to Consumers Energy for electric sales based on the actual output of electricity and related services provided during the previous month at the contract price. The PPA was at below-market prices at the time of the acquisition and Entergy amortizes a liability to revenue over the life of the agreement. The amount amortized each period is based upon the present value, calculated at the date of acquisition, of each year's difference between revenue under the agreement and revenue based on estimated market prices. Amounts amortized to revenue were \$10 million in 2019, \$6 million in 2018, and \$28 million in 2017. Amounts to be amortized to revenue through the remaining life of the agreement will be approximately \$11 million in 2020, \$12 million in 2021, and \$5 million in 2022.

## **Practical Expedients and Exceptions**

Entergy has elected not to disclose the value of unsatisfied performance obligations for contracts with an original expected term of one year or less, or for revenue recognized in an amount equal to what Entergy has the right to bill the customer for services performed.

Most of Entergy's contracts, except in a few cases where there are defined minimums or stated terms, are on demand. This results in customer bills that vary each month based on an approved tariff and usage. Entergy imposes monthly or annual minimum requirements on some customers primarily as credit and cost recovery guarantees and not as pricing for unsatisfied performance obligations. These minimums typically expire after the initial term or when specified costs have been recovered. The minimum amounts are part of each month's bill and recognized as revenue accordingly. Some of the subsidiaries within the Entergy Wholesale Commodities segment have operations and maintenance services contracts that have fixed components and terms longer than one year. The total fixed consideration related to these unsatisfied performance obligations, however, is not material to Entergy revenues.

## **Recovery of Fuel Costs**

Entergy's Utility operating companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Where the fuel component of revenues is based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are based on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

## **Taxes Imposed on Revenue-Producing Transactions**

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

**NOTE 20. QUARTERLY FINANCIAL DATA (UNAUDITED) (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Operating results for the four quarters of 2019 and 2018 for Entergy Corporation and subsidiaries were:

	Operating Revenues	Operating Income (Loss)	Consolidated Net Income (Loss)	Net Income (Loss) Attributable to Entergy Corporation
(In Thousands)				
2019:				
First Quarter	\$2,609,584	\$283,254	\$258,646	\$254,537
Second Quarter	\$2,666,209	\$338,775	\$240,533	\$236,424
Third Quarter	\$3,140,575	\$519,929	\$369,459	\$365,240
Fourth Quarter	\$2,462,305	\$248,539	\$389,606	\$385,025
2018:				
First Quarter	\$2,723,881	\$335,664	\$136,200	\$132,761
Second Quarter	\$2,668,770	\$91,597	\$248,860	\$245,421
Third Quarter	\$3,104,319	\$271,035	\$539,818	\$536,379
Fourth Quarter	\$2,512,482	(\$228,931)	(\$62,323)	(\$65,900)

**Earnings (loss) per average common share**

	2019		2018	
	Basic	Diluted	Basic	Diluted
First Quarter	\$1.34	\$1.32	\$0.73	\$0.73
Second Quarter	\$1.22	\$1.22	\$1.36	\$1.34
Third Quarter	\$1.84	\$1.82	\$2.96	\$2.92
Fourth Quarter	\$1.96	\$1.94	(\$0.37)	(\$0.36)

Results of operations for 2019 include: 1) a loss of \$190 million (\$156 million net-of-tax) as a result of the sale of the Pilgrim plant in August 2019; 2) a \$156 million reduction in income tax expense recognized by Entergy Wholesale Commodities as a result of an internal restructuring; and 3) impairment charges of \$100 million (\$79 million net-of-tax) due to costs being charged directly to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities' merchant power business. See Note 3 to the financial statements for further discussion of the internal restructuring. See Note 14 to the financial statements for further discussion of the sale of the Pilgrim plant.

Results of operations for 2018 include: 1) \$532 million (\$421 million net-of-tax) of impairment charges due to costs being charged directly to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities' merchant power business; 2) a \$170 million reduction of income tax expense and a regulatory liability of \$40 million (\$30 million net-of-tax) as a result of customer credits recognized by Utility, as a result of an internal restructuring; 3) a \$107 million reduction of income tax expense, recognized by Entergy Wholesale Commodities, as a result of a restructuring of the investment holdings in one of its nuclear plant decommissioning trust funds; 4) a \$52 million income tax benefit, recognized by Entergy Louisiana, as a result of the settlement of the 2012-2013 IRS audit, associated with the Hurricane Katrina and Hurricane Rita contingent sharing obligation associated with the Louisiana Act 55 financing; and 5) a \$23 million



reduction of income tax expense, recognized by Entergy Wholesale Commodities, as a result of a state income tax audit. See Note 14 to the financial statements for further discussion of the impairment and related charges. See Notes 2 and 3 to the financial statements for further discussion of the internal restructuring and customer credits. See Note 3 to the financial statements for further discussion of the IRS audit settlement, the state income tax audit, and restructuring of the decommissioning trust fund investment holdings.

The business of the Utility operating companies is subject to seasonal fluctuations with the peak periods occurring during the third quarter. Operating results for the Registrant Subsidiaries for the four quarters of 2019 and 2018 were:

**Operating Revenues**

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
2019:						
First Quarter	\$545,812	\$959,330	\$282,244	\$163,194	\$340,474	\$140,104
Second Quarter	\$542,929	\$1,106,317	\$302,737	\$175,793	\$363,580	\$139,009
Third Quarter	\$687,526	\$1,231,677	\$398,732	\$194,204	\$442,877	\$145,472
Fourth Quarter	\$483,327	\$987,851	\$339,330	\$153,032	\$342,024	\$148,825
2018:						
First Quarter	\$551,024	\$1,029,344	\$315,743	\$188,275	\$348,940	\$148,443
Second Quarter	\$494,605	\$1,072,788	\$353,689	\$178,446	\$403,486	\$112,456
Third Quarter	\$568,399	\$1,206,612	\$367,734	\$200,182	\$477,231	\$78,965
Fourth Quarter	\$446,615	\$987,576	\$297,946	\$150,487	\$376,245	\$116,843

**Operating Income (Loss)**

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
2019:						
First Quarter	\$42,471	\$153,944	\$30,792	\$16,136	\$16,741	\$31,368
Second Quarter	\$69,774	\$241,520	\$45,607	\$17,509	\$36,022	\$24,300
Third Quarter	\$182,176	\$336,754	\$87,024	\$28,876	\$69,510	\$29,086
Fourth Quarter	\$32,576	\$164,424	\$40,331	\$6,164	\$24,229	\$30,231
2018:						
First Quarter	\$66,647	\$141,319	\$41,432	\$17,869	\$41,082	\$30,941
Second Quarter	\$26,501	\$150,160	(\$63,801)	\$27,943	\$58,637	\$23,406
Third Quarter	\$34,785	\$236,518	\$45,215	\$21,544	\$99,966	(\$17,879)
Fourth Quarter	(\$82,704)	\$147,774	\$23,600	\$6,836	\$6,741	\$7,212

**Net Income**

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
2019:						
First Quarter	\$39,121	\$127,633	\$15,398	\$9,023	\$21,342	\$23,578
Second Quarter	\$50,299	\$183,084	\$26,667	\$13,003	\$38,936	\$24,472
Third Quarter	\$149,716	\$255,260	\$56,237	\$24,908	\$73,224	\$25,031
Fourth Quarter	\$23,828	\$125,560	\$21,623	\$5,695	\$25,895	\$26,039
2018:						
First Quarter	\$36,255	\$111,593	\$22,843	\$10,882	\$17,350	\$22,308
Second Quarter	\$82,556	\$184,358	\$38,242	\$18,269	\$30,789	\$23,387
Third Quarter	\$128,890	\$218,308	\$50,733	\$21,407	\$65,846	\$22,972
Fourth Quarter	\$5,006	\$161,355	\$14,260	\$2,594	\$48,250	\$25,442

**Earnings Applicable to Common Equity/Stock**

	<b>Entergy Arkansas</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
(In Thousands)				
2019:				
First Quarter	\$39,121	\$15,398	\$9,023	\$21,342
Second Quarter	\$50,299	\$26,667	\$13,003	\$38,936
Third Quarter	\$149,716	\$56,237	\$24,908	\$73,114
Fourth Quarter	\$23,828	\$21,623	\$5,695	\$25,425
2018:				
First Quarter	\$35,898	\$22,605	\$10,882	\$17,350
Second Quarter	\$82,199	\$38,003	\$18,269	\$30,789
Third Quarter	\$128,533	\$50,495	\$21,407	\$65,846
Fourth Quarter	\$4,828	\$14,141	\$2,594	\$48,250

## ENTERGY'S BUSINESS

Entergy is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 MW of electric generating capacity, including approximately 9,000 MW of nuclear power. Entergy delivers electricity to 2.9 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy had annual revenues of \$10.9 billion in 2019 and had more than 13,000 employees as of December 31, 2019.

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. See “**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**” for discussion of the operation and planned shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants.

See Note 13 to the financial statements for financial information regarding Entergy's business segments.

### Strategy

Entergy's strategy is to operate and grow a world-class utility business that creates sustainable value for its customers, employees, communities, and owners. Entergy's current scope includes electricity generation, transmission, and distribution as well as natural gas distribution. Entergy focuses on operational excellence with an emphasis on safety, reliability, customer service, sustainability, cost efficiency, risk management, and engaged employees. Entergy also continually seeks opportunities to grow its utility business to benefit all stakeholders and to optimize its portfolio of assets in an ever-dynamic market. The Utility business segment will continue to modernize its operations, maintain reliability, and better serve its customers while growing the business. The Entergy Wholesale Commodities business segment will continue to manage the risk of its operating portfolio as Entergy completes its exit from the merchant power business.

### Utility

The Utility business segment includes five retail electric utility subsidiaries: Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas. These companies generate, transmit, distribute, and sell electric power to retail and wholesale customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy Louisiana and Entergy New Orleans also provide natural gas utility services to customers in and around Baton Rouge, Louisiana, and New Orleans, Louisiana, respectively. Also included in the Utility is System Energy, a wholly-owned subsidiary of Entergy Corporation that owns or leases 90 percent of Grand Gulf. System Energy sells its power and capacity from Grand Gulf at wholesale to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The five retail utility subsidiaries are each regulated by the FERC and by state utility commissions, or, in the case of Entergy New Orleans, the City Council. System Energy is regulated by the FERC because all of its transactions are at wholesale. The overall generation portfolio of the Utility, which relies heavily on natural gas and nuclear generation, is consistent with Entergy's strong support for the environment.

## Customers

As of December 31, 2019, the Utility operating companies provided retail electric and gas service to customers in Arkansas, Louisiana, Mississippi, and Texas, as follows:

	Area Served	Electric Customers		Gas Customers	
		(In Thousands)	(%)	(In Thousands)	(%)
Entergy Arkansas	Portions of Arkansas	715	25%		
Entergy Louisiana	Portions of Louisiana	1,091	37%	94	47%
Entergy Mississippi	Portions of Mississippi	451	15%		
Entergy New Orleans	City of New Orleans	205	7%	108	53%
Entergy Texas	Portions of Texas	461	16%		
Total customers		2,923	100%	202	100%

## Electric Energy Sales

The electric energy sales of the Utility operating companies are subject to seasonal fluctuations, with the peak sales period normally occurring during the third quarter of each year. On August 12, 2019, Entergy reached a 2019 peak demand of 21,598 MWh, compared to the 2018 peak of 21,587 MWh recorded on July 20, 2018. Selected electric energy sales data is shown in the table below:

### Selected 2019 Electric Energy Sales Data

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy	Entergy (a)
	(In GWh)						
Sales to retail customers	21,818	56,027	13,236	5,821	19,008	—	115,911
Sales for resale:							
Affiliates	2,180	4,813	—	—	1,472	9,940	—
Others	7,206	1,924	1,776	1,961	343	—	13,210
Total	31,204	62,764	15,012	7,782	20,823	9,940	129,121
Average use per residential customer (kWh)	13,432	14,941	15,005	12,761	14,956	—	14,433

(a) Includes the effect of intercompany eliminations.

The following table illustrates the Utility operating companies' 2019 combined electric sales volume as a percentage of total electric sales volume, and 2019 combined electric revenues as a percentage of total 2019 electric revenue, each by customer class.

Customer Class	% of Sales Volume	% of Revenue
Residential	28.0	37.4
Commercial	22.3	26.3
Industrial (a)	37.5	27.0
Governmental	2.0	2.4
Wholesale/Other	10.2	6.9

(a) Major industrial customers are primarily in the petroleum refining and chemical industries.

See “Selected Financial Data” for each of the Utility operating companies for the detail of their sales by customer class for 2015-2019.

#### Selected 2019 Natural Gas Sales Data

Entergy New Orleans and Entergy Louisiana provide both electric power and natural gas to retail customers. Entergy New Orleans and Entergy Louisiana sold 11,099,812 and 7,090,878 Mcf, respectively, of natural gas to retail customers in 2019. In 2019, 99% of Entergy Louisiana’s operating revenue was derived from the electric utility business, and only 1% from the natural gas distribution business. For Entergy New Orleans, 87% of operating revenue was derived from the electric utility business and 13% from the natural gas distribution business in 2019.

Following is data concerning Entergy New Orleans’s 2019 retail operating revenue sources.

<b>Customer Class</b>	<b>Electric Operating Revenue</b>	<b>Natural Gas Operating Revenue</b>
Residential	44%	48%
Commercial	37%	27%
Industrial	6%	6%
Governmental/Municipal	13%	19%

#### **Retail Rate Regulation**

General (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas)

Each Utility operating company regularly participates in retail rate proceedings. The status of material retail rate proceedings is described in Note 2 to the financial statements. Certain aspects of the Utility operating companies’ retail rate mechanisms are discussed below.

	Rate base (in billions)	Current authorized return on common equity	Weighted average cost of capital (after-tax)	Equity ratio	Regulatory construct
					- forward test year formula rate plan
Entergy Arkansas	\$8.0 (a)	9.25% - 10.25%	5.20%	36.49%	- riders: MISO, capacity, Grand Gulf, tax adjustment, energy efficiency, fuel and purchased power
					- formula rate plan through 2019 test year
Entergy Louisiana (electric)	\$10.4 (b)	9.2% - 10.4%	6.98%	48.64%	- riders/specific recovery: MISO, capacity, transmission, fuel
					- gas rate stabilization plan
Entergy Louisiana (gas)	\$0.07 (c)	9.45% - 10.45%	7.04%	48.26%	- rider: gas infrastructure
					- formula rate plan with forward-looking features
					- riders: power management, Grand Gulf, fuel, MISO, unit power cost, storm damage, energy efficiency, ad valorem tax adjustment, vegetation, grid modernization, restructuring credit
Entergy Mississippi	\$2.6 (d)	9.33% - 11.35%	7.24%	49.67%	
					- formula rate plan with forward-looking features
Entergy New Orleans (electric)	\$0.8 (e)	9.35%	7.09%	50%	- specific recovery: fuel
					- formula rate plan with forward-looking features
Entergy New Orleans (gas)	\$0.1 (e)	9.35%	7.09%	50%	- rider: purchased gas
					- rate case
					- riders: fuel, distribution and transmission, rate case expenses, AMI surcharge, tax reform, among others
Entergy Texas	\$2.4 (f)	9.65%	7.73%	50.9%	
System Energy	\$1.4 (g)	10.94% (h)	8.50%	65% (h)	- monthly cost of service

(a) Based on 2020 test year.

(b) Based on December 31, 2018 test year and excludes approximately \$800 million for the St. Charles Power Station, included in capacity rider, and \$300 million of transmission plant, included in transmission rider.

(c) Based on September 30, 2018 test year.

(d) Based on 2019 forward test year.

(e) Based on December 31, 2018 test year and known and measurables through December 31, 2019.



- (f) Based on December 31, 2017 test year.
- (g) Based on calculation as of December 31, 2019.
- (h) See Note 2 to the financial statements for discussion of ongoing proceedings at the FERC challenging System Energy's authorized return on common equity and capital structure.

### *Entergy Arkansas*

#### Fuel and Purchased Power Cost Recovery

Entergy Arkansas's rate schedules include an energy cost recovery rider to recover fuel and purchased power costs in monthly bills. The rider utilizes prior calendar year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery, including carrying charges, of the energy cost for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs. In December 2007 the APSC issued an order stating that Entergy Arkansas's energy cost recovery rider will remain in effect, and any future termination of the rider would be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

### *Entergy Louisiana*

#### Fuel Recovery

Entergy Louisiana's rate schedules include a fuel adjustment clause designed to recover the cost of fuel and purchased power costs. The fuel adjustment clause contains a surcharge or credit for deferred fuel expense and related carrying charges arising from the monthly reconciliation of actual fuel costs incurred with fuel cost revenues billed to customers, including carrying charges. See Note 2 to the financial statements for a discussion of proceedings related to audits of Entergy Louisiana's fuel adjustment clause filings.

To help stabilize electricity costs, Entergy Louisiana received approval from the LPSC to hedge its exposure to natural gas price volatility through the use of financial instruments. Entergy Louisiana hedges approximately one-third of the projected exposure to natural gas price changes for the gas used to serve its native electric load for all months of the year. The hedge quantity is reviewed on an annual basis. In January 2018, Entergy Louisiana filed an application with the LPSC to suspend these seasonal hedging programs and implement financial hedges with terms up to five years for a portion of its natural gas exposure, which was approved in November 2018.

Entergy Louisiana's gas rates include a purchased gas adjustment clause based on estimated gas costs for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

#### Retail Rates - Gas

In accordance with the settlement of Entergy Gulf States Louisiana's gas rate stabilization plan for the test year ended September 30, 2012, in August 2014, Entergy Gulf States Louisiana submitted for consideration a proposal for implementation of an infrastructure rider to recover expenditures associated with strategic plant investment and relocation projects mandated by local governments. After review by the LPSC staff and inclusion of certain customer safeguards required by the LPSC staff, in December 2014, Entergy Gulf States Louisiana and the LPSC staff submitted a joint settlement for implementation of an accelerated gas pipe replacement program providing for the replacement of approximately 100 miles of pipe over the next ten years, as well as relocation of certain existing pipe resulting from local government-related infrastructure projects, and for a rider to recover the investment associated with these projects. The rider allows for recovery of approximately \$65 million over ten years. The rider recovery will be adjusted on a quarterly basis to include actual investment incurred for the prior quarter and is subject to the following conditions,



among others: a ten-year term; application of any earnings in excess of the upper end of the earnings band as an offset to the revenue requirement of the infrastructure rider; adherence to a specified spending plan, within plus or minus 20% annually; annual filings comparing actual versus planned rider spending with actual spending and explanation of variances exceeding 10%; and an annual true-up. The joint settlement was approved by the LPSC in January 2015. Implementation of the infrastructure rider commenced with bills rendered on and after the first billing cycle of April 2015.

#### Storm Cost Recovery

See Note 2 to the financial statements for a discussion of Entergy Louisiana's filings to recover storm-related costs.

#### Other

In March 2016 the LPSC opened two dockets to examine, on a generic basis, issues that it identified in connection with its review of Cleco Corporation's acquisition by third party investors. The first docket is captioned "In re: Investigation of double leveraging issues for all LPSC-jurisdictional utilities," and the second is captioned "In re: Investigation of tax structure issues for all LPSC-jurisdictional utilities." In April 2016 the LPSC clarified that the concerns giving rise to the two dockets arose as a result of its review of the structure of the Cleco-Macquarie transaction and that the specific intent of the directives is to seek more information regarding intra-corporate debt financing of a utility's capital structure as well as the use of investment tax credits to mitigate the tax obligation at the parent level of a consolidated entity. No schedule has been set for either docket, and limited discovery has occurred.

In December 2019 an LPSC commissioner issued an unopposed directive to staff to research customer-centered options for all customer classes, as well as other regulatory environments, and recommend a plan for how to ensure customers are the focus. There was no opposition to the directive from other commissioners but several remarked that the intent of the directive was not initiated to pursue retail open access. In furtherance of the directive, the LPSC issued a notice of the opening of a docket to conduct a rulemaking to research and evaluate customer-centered options for all electric customer classes as well as other regulatory environments in January 2020.

#### *Entergy Mississippi*

#### Fuel Recovery

Entergy Mississippi's rate schedules include energy cost recovery riders to recover fuel and purchased power costs. The energy cost rate for each calendar year is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery of the energy costs as of the 12-month period ended September 30. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

To help stabilize electricity costs, Entergy Mississippi received approval from the MPSC to hedge its exposure to natural gas price volatility through the use of financial instruments. Entergy Mississippi hedges approximately one-third of the projected exposure to natural gas price changes for the gas used to serve its native electric load for all months of the year. The hedge quantity is reviewed on an annual basis.

#### Storm Cost Recovery

See Note 2 to the financial statements for a discussion of proceedings regarding recovery of Entergy Mississippi's storm-related costs.

### Formula Rate Plan

In August 2012 the MPSC opened inquiries to review whether the current formulaic methodology used to calculate the return on common equity in both Entergy Mississippi's formula rate plan and Mississippi Power Company's annual formula rate plan was still appropriate or could be improved to better serve the public interest. The intent of this inquiry and review was for informational purposes only; the evaluation of any recommendations for changes to the existing methodology would take place in a general rate case or in the existing formula rate plan proceeding. In March 2013 the Mississippi Public Utilities Staff filed its consultant's report which noted the return on common equity estimation methods used by Entergy Mississippi and Mississippi Power Company are commonly used throughout the electric utility industry. The report suggested ways in which the methods used by Entergy Mississippi and Mississippi Power Company might be improved, but did not recommend specific changes in the return on common equity formulas or calculations at that time. In June 2014 the MPSC expanded the scope of the August 2012 inquiry to study the merits of adopting a uniform formula rate plan that could be applied, where possible in whole or in part, to both Entergy Mississippi and Mississippi Power Company in order to achieve greater consistency in the plans. The MPSC directed the Mississippi Public Utilities Staff to investigate and review Entergy Mississippi's formula rate plan rider schedule and Mississippi Power Company's Performance Evaluation Plan by considering the merits and deficiencies and possibilities for improvement of each and then to propose a uniform formula rate plan that, where possible, could be applicable to both companies. No procedural schedule has been set. In October 2014 the Mississippi Public Utilities Staff conducted a public technical conference to discuss performance benchmarking and its potential application to the electric utilities' formula rate plans. The docket remains open.

### *Entergy New Orleans*

#### Fuel Recovery

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

To help stabilize gas costs, Entergy New Orleans seeks approval annually from the City Council to continue implementation of its natural gas hedging program consistent with the City Council's stated policy objectives. The program uses financial instruments to hedge exposure to volatility in the wholesale price of natural gas purchased to serve Entergy New Orleans gas customers. Entergy New Orleans hedges up to 25% of actual gas sales made during the winter months.

#### Storm Cost Recovery

See Note 2 to the financial statements for a discussion of Entergy New Orleans's efforts to recover storm-related costs.

### *Entergy Texas*

#### Fuel Recovery

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, that are not included in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy

Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT. The PUCT fuel cost proceedings are discussed in Note 2 to the financial statements.

At the PUCT's April 2013 open meeting, the PUCT Commissioners discussed their view that a purchased power capacity rider was good public policy. The PUCT issued an order in May 2013 adopting the rule allowing for a purchased power capacity rider, subject to an offsetting adjustment for load growth. The rule, as adopted, also includes a process for obtaining pre-approval by the PUCT of purchased power agreements. Entergy Texas has not exercised the option to recover its capacity costs under the new rider mechanism, but will continue to evaluate the benefits of utilizing the new rider to recover future capacity costs.

### Electric Industry Restructuring

In June 2009, a law was enacted in Texas that required Entergy Texas to cease all activities relating to Entergy Texas's transition to competition. The law allows Entergy Texas to remain a part of the SERC Reliability Corporation (SERC) Region, although it does not prevent Entergy Texas from joining another power region. The law provides that proceedings to certify a power region that Entergy Texas belongs to as a qualified power region can be initiated by the PUCT, or on motion by another party, when the conditions supporting such a proceeding exist. Under the law, the PUCT may not approve a transition to competition plan for Entergy Texas until the expiration of four years from the PUCT's certification of Entergy Texas's power region.

The law also contains provisions that allow Entergy Texas to take advantage of a cost recovery mechanism that permits annual filings for the recovery of reasonable and necessary expenditures for transmission infrastructure improvement and changes in wholesale transmission charges. This mechanism was previously available to other non-ERCOT Texas utility companies, but not to Entergy Texas.

The law further amended already existing law that had required Entergy Texas to propose for PUCT approval a tariff to allow eligible customers the ability to contract for competitive generation. The amending language in the law provides, among other things, that: 1) the tariff shall not be implemented in a manner that harms the sustainability or competitiveness of manufacturers who choose not to participate in the tariff; 2) Entergy Texas shall "purchase competitive generation service, selected by the customer, and provide the generation at retail to the customer;" and 3) Entergy Texas shall provide and price transmission service and ancillary services under that tariff at a rate that is unbundled from its cost of service. The law directs that the PUCT may not issue an order on the tariff that is contrary to an applicable decision, rule, or policy statement of a federal regulatory agency having jurisdiction.

The PUCT determined that unrecovered costs that may be recovered through the rider consist only of those costs necessary to implement and administer the competitive generation program and do not include lost revenues or embedded generation costs. The amount of customer load that may be included in the competitive generation service program is limited to 115 MW.

In September 2011 the PUCT adopted a proposed rule implementing a distribution cost recovery factor to recover capital and capital-related costs related to distribution infrastructure. The distribution cost recovery factor permits utilities once per year to implement an increase or decrease in rates above or below amounts reflected in base rates to reflect depreciation expense, federal income tax and other taxes, and return on investment. The distribution cost recovery factor rider may be changed a maximum of four times between base rate cases.

In September 2019 the PUCT initiated a rulemaking to promulgate a generation cost recovery factor rule, implementing legislation passed in the 2019 Texas legislative session intended to allow electric utilities to recover generation investments between base rate proceedings. The draft rule was approved for publication at the PUCT's February 2020 open meeting, and two rounds of public comment will be taken in March and April 2020. The PUCT is expected to approve a final rule within six months of publication.

Franchises

Entergy Arkansas holds exclusive franchises to provide electric service in approximately 308 incorporated cities and towns in Arkansas. These franchises are unlimited in duration and continue unless the municipalities purchase the utility property. In Arkansas franchises are considered to be contracts and, therefore, are terminable pursuant to the terms of the franchise agreement and applicable statutes.

Entergy Louisiana holds non-exclusive franchises to provide electric service in approximately 175 incorporated municipalities and in the unincorporated areas of approximately 59 parishes of Louisiana. Entergy Louisiana holds non-exclusive franchises to provide natural gas service to customers in the City of Baton Rouge and in East Baton Rouge Parish. Municipal franchise agreement terms range from 25 to 60 years while parish franchise terms range from 25 to 99 years.

Entergy Mississippi has received from the MPSC certificates of public convenience and necessity to provide electric service to areas within 45 counties, including a number of municipalities, in western Mississippi. Under Mississippi statutory law, such certificates are exclusive. Entergy Mississippi may continue to serve in such municipalities upon payment of a statutory franchise fee, regardless of whether an original municipal franchise is still in existence.

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to indeterminate permits set forth in city ordinances. These ordinances contain a continuing option for the City of New Orleans to purchase Entergy New Orleans's electric and gas utility properties.

Entergy Texas holds a certificate of convenience and necessity from the PUCT to provide electric service to areas within approximately 27 counties in eastern Texas, and holds non-exclusive franchises to provide electric service in approximately 68 incorporated municipalities. Entergy Texas typically obtains 25-year franchise agreements as existing agreements expire. Entergy Texas's electric franchises expire over the period 2020-2058.

The business of System Energy is limited to wholesale power sales. It has no distribution franchises.

**Property and Other Generation Resources**Owned Generating Stations

The total capability of the generating stations owned and leased by the Utility operating companies and System Energy as of December 31, 2019, is indicated below:

Company	Owned and Leased Capability MW(a)					
	Total	Gas/Oil	Nuclear	Coal	Hydro	Solar
Entergy Arkansas	5,183	2,106	1,810	1,194	73	—
Entergy Louisiana	10,050	7,556	2,144	350	—	—
Entergy Mississippi	3,342	2,923	—	417	—	2
Entergy New Orleans	508	507	—	—	—	1
Entergy Texas	2,293	2,034	—	259	—	—
System Energy	1,393	—	1,393	—	—	—
<b>Total</b>	<b>22,769</b>	<b>15,126</b>	<b>5,347</b>	<b>2,220</b>	<b>73</b>	<b>3</b>

- (a) "Owned and Leased Capability" is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.

Summer peak load for the Utility has averaged 21,636 MW over the previous decade.

The Utility operating companies' load and capacity projections are reviewed periodically to assess the need and timing for additional generating capacity and interconnections. These reviews consider existing and projected demand, the availability and price of power, the location of new load, the economy, environmental regulations, public policy goals, and the age and condition of Entergy's existing infrastructure.

The Utility operating companies' long-term resource strategy (Portfolio Transformation Strategy) calls for the bulk of capacity needs to be met through long-term resources, whether owned or contracted. Over the past decade, the Portfolio Transformation Strategy has resulted in the addition of about 7,314 MW of new long-term resources and the deactivation of over 4,465 MW of legacy generation. As MISO market participants, the Utility operating companies also participate in MISO's Day Ahead and Real Time Energy and Ancillary Services markets to economically dispatch generation and purchase energy to serve customers reliably and at the lowest reasonable cost.

#### Other Generation Resources

##### RFP Procurements

The Utility operating companies from time to time issue requests for proposals (RFP) to procure supply-side resources from sources other than the spot market to meet the unique regional needs of the Utility operating companies. The RFPs issued by the Utility operating companies have sought resources needed to meet near-term MISO reliability requirements as well as longer-term requirements through a broad range of wholesale power products, including limited-term (1 to 3 years) and long-term contractual products and asset acquisitions. The RFP process has resulted in selections or acquisitions, including, among other things:

- Entergy Louisiana's June 2005 purchase of the 718 MW, gas-fired Perryville plant, of which 35% of the output is sold to Entergy Texas;
- Entergy Arkansas's September 2008 purchase of the 789 MW, combined-cycle, gas-fired Ouachita Generating Facility. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, owns one-third of the facility;
- Entergy Arkansas's November 2012 purchase of the 620 MW, combined-cycle, gas-fired Hot Spring Energy facility;
- Entergy Mississippi's November 2012 purchase of the 450 MW, combined-cycle, gas-fired Hinds Energy facility;
- Entergy Louisiana's construction of the 560 MW, combined-cycle, gas turbine Ninemile 6 generating facility at its existing Ninemile Point electric generating station. The facility began commercial operation in December 2014;
- Entergy Louisiana's construction of the 980 MW, combined-cycle, gas turbine St. Charles generating facility at its existing Little Gypsy electric generating station. The facility began commercial operation in May 2019;
- Entergy Texas's construction of the 993 MW, combined-cycle, gas turbine Montgomery County generating facility at its existing Lewis Creek electric generating station. Entergy Texas received regulatory approval from the PUCT in July 2017 and the facility is scheduled to be in service by mid-2021;
- Entergy Louisiana's construction of the 994 MW, combined-cycle, gas turbine Lake Charles generating facility at its existing Nelson electric generating station. Entergy Louisiana received regulatory approval from the LPSC in July 2017 and the facility is scheduled to be in service by mid-2020;
- In October 2018, Entergy Mississippi signed an asset acquisition agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic facility located in Sunflower County, Mississippi. In December 2018, Entergy Mississippi filed for regulatory approval. A hearing before the MPSC is targeted to occur by the second quarter 2020, and closing is expected to occur by the end of 2021;
- In March 2019, Entergy Arkansas signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar energy facility that will be sited on approximately 800 acres in White County near Searcy, Arkansas. In May 2019, Entergy Arkansas filed a petition with the APSC seeking a finding that the transaction

is in the public interest and requesting all necessary approvals. Closing is expected to occur by the end of 2021; and

- Entergy New Orleans's construction of the 20 MW, self-build solar project New Orleans Solar Station located at the NASA Michoud Facility. In August 2019, Entergy New Orleans received regulatory approval and the facility is scheduled to be in service as early as late-2020.

The RFP process has also resulted in the selection, or confirmation of the economic merits of, long-term purchased power agreements (PPAs), including, among others:

- River Bend 30% life-of-unit PPA between Entergy Louisiana and Entergy New Orleans for 100 MW related to Entergy Louisiana's unregulated portion of the River Bend nuclear station, which portion was formerly owned by Cajun;
- Entergy Arkansas wholesale base load capacity life-of-unit PPAs executed in 2003 totaling approximately 220 MW between Entergy Arkansas and Entergy Louisiana (110 MW) and between Entergy Arkansas and Entergy New Orleans (110 MW) related to the sale of a portion of Entergy Arkansas's coal and nuclear base load resources (which had not been included in Entergy Arkansas's retail rates);
- In December 2009, Entergy Texas and Exelon Generation Company, LLC executed a 10-year agreement for 150-300 MW from the Frontier Generating Station located in Grimes County, Texas;
- In May 2011, Entergy Texas and Calpine Energy Services, L.P. executed a 10-year agreement for 485 MW from the Carville Energy Center located in St. Gabriel, Louisiana. Entergy Louisiana purchases 50% of the facility's capacity and energy from Entergy Texas. In July 2014, LS Power purchased the Carville Energy Center and replaced Calpine Energy Services as the counterparty to the agreement;
- In September 2012, Entergy Gulf States Louisiana executed a 20-year agreement for 28 MW, with the potential to purchase an additional 9 MW when available, from Rain CII Carbon LLC's petroleum coke calcining facility in Sulphur, Louisiana. The facility began commercial operation in May 2013. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, now holds the agreement with the facility;
- In March 2013, Entergy Gulf States Louisiana executed a 20-year agreement for 8.5 MW from Agrilectric Power Partners, LP's refurbished rice hull-fueled electric generation facility located in Lake Charles, Louisiana. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, now holds the agreement with Agrilectric;
- In September 2013, Entergy Louisiana executed a 10-year agreement with TX LFG Energy, LP, a wholly-owned subsidiary of Montauk Energy Holdings, LLC, to purchase approximately 3 MW from its landfill gas-fueled power generation facility located in Cleveland, Texas;
- Entergy Mississippi's cost-based purchase, beginning in January 2013, of 90 MW from Entergy Arkansas's share of Grand Gulf (only 60 MW of this PPA came through the RFP process). Cost recovery for the 90 MW was approved by the MPSC in January 2013;
- In April 2015, Entergy Arkansas and Stuttgart Solar, LLC executed a 20-year agreement for 81 MW from a solar photovoltaic electric generation facility located near Stuttgart, Arkansas. The APSC approved the project and deliveries pursuant to that agreement commenced in June 2018;
- In November 2016, Entergy Louisiana and LS Power executed a 10-year agreement for 485 MW from the Carville Energy Center located in St. Gabriel, Louisiana. The transaction received regulatory approval and will begin in June 2022;
- In November 2016, Entergy Louisiana and Occidental Chemical Corporation executed a 10-year agreement for 500 MW from the Taft Cogeneration facility located in Hahnville, Louisiana. The transaction received regulatory approval and began in June 2018;
- In June 2017, Entergy Arkansas and Chicot Solar, LLC executed a 20-year agreement for 100 MW from a solar photovoltaic electric generating facility located in Chicot County, Arkansas. The transaction received regulatory approval and will begin in August 2020;
- In February 2018, Entergy Louisiana and LA3 West Baton Rouge, LLC (Capital Region Solar project) executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in West Baton Rouge Parish, Louisiana. The transaction received regulatory approval in February 2019 and the agreement is expected to begin in second quarter 2020;

- In July 2018, Entergy New Orleans and St. James Solar, LLC executed a 20-year agreement for 20 MW from a solar photovoltaic electric generating facility located in St. James Parish, Louisiana. The transaction received regulatory approval in July 2019; and
- In February 2019, Entergy New Orleans and Iris Solar, LLC executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in Washington Parish, Louisiana. The transaction received regulatory approval in July 2019.

#### Other Procurements From Third Parties

The Utility operating companies have also made resource acquisitions outside of the RFP process, including Entergy Mississippi's January 2006 acquisition of the 480 MW, combined-cycle, gas-fired Attala power plant; Entergy Gulf States Louisiana's March 2008 acquisition of the 322 MW, simple-cycle, gas-fired Calcasieu Generating Facility; Entergy Louisiana's April 2011 acquisition of the 580 MW, combined-cycle, gas-fired Acadia Energy Center Unit 2; Entergy Arkansas's (Power Block 2), Entergy Louisiana's (Power Blocks 3 and 4), and Entergy New Orleans's (Power Block 1) March 2016 acquisitions of the 1,980 MW (summer rating), natural gas-fired, combined-cycle gas turbine Union Power Station power blocks, each rated at 495 MW (summer rating); and Entergy Mississippi's October 2019 acquisition of the 810 MW, combined-cycle, natural gas-fired Choctaw Generating Station. The Utility operating companies have also entered into various limited- and long-term contracts in recent years as a result of bilateral negotiations.

The Washington Parish Energy Center is a 361 MW natural gas-fired peaking power plant under construction approximately 60 miles north of New Orleans on a site Entergy Louisiana purchased from Calpine in 2019. In May 2018, Entergy Louisiana received LPSC approval of its certification application for this simple-cycle power plant to be developed pursuant to an agreement between Calpine and Entergy Louisiana. Calpine began construction on the plant in early 2019 and Entergy Louisiana will purchase the plant upon completion, anticipated to be later in 2020, for a fixed payment to reimburse construction costs plus an associated premium.

#### Interconnections

The Utility operating companies' generating units are interconnected by a transmission system operating at various voltages up to 500 kV. These generating units consist primarily of steam-electric production facilities and are provided dispatch instructions by MISO. Entergy's Utility operating companies are MISO market participants and are interconnected with many neighboring utilities. MISO is an essential link in the safe, cost-effective delivery of electric power across all or parts of 15 U.S. states and the Canadian province of Manitoba. As a Regional Transmission Organization, MISO assures consumers of unbiased regional grid management and open access to the transmission facilities under MISO's functional supervision. In addition, the Utility operating companies are members of SERC. SERC is a nonprofit corporation responsible for promoting and improving the reliability, adequacy, and critical infrastructure of the bulk power supply systems in all or portions of 16 central and southeastern states. SERC serves as a regional entity with delegated authority from the North American Electric Reliability Corporation (NERC) for the purpose of proposing and enforcing reliability standards within the SERC Region.

#### Gas Property

As of December 31, 2019, Entergy New Orleans distributed and transported natural gas for distribution within New Orleans, Louisiana, through approximately 2,600 miles of gas pipeline. As of December 31, 2019, the gas properties of Entergy Louisiana, which are located in and around Baton Rouge, Louisiana, were not material to Entergy Louisiana's financial position.

#### Title

The Utility operating companies' generating stations are generally located on properties owned in fee simple. Most of the substations and transmission and distribution lines are constructed on private property or public

rights-of-way pursuant to easements, servitudes, or appropriate franchises. Some substation properties are owned in fee simple. The Utility operating companies generally have the right of eminent domain, whereby they may perfect title to, or secure easements or servitudes on, private property for their utility operations.

Substantially all of the physical properties and assets owned by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are subject to the liens of mortgages securing bonds issued by those companies. The Lewis Creek generating station of Entergy Texas was acquired by merger with a subsidiary of Entergy Texas and is currently not subject to the lien of the Entergy Texas indenture.

## Fuel Supply

The sources of generation and average fuel cost per kWh for the Utility operating companies and System Energy for the years 2017-2019 were:

Year	Natural Gas		Nuclear		Coal		Purchased Power		MISO Purchases	
	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh
2019	40	2.33	28	0.73	6	2.31	8	4.86	18	2.71
2018	39	2.84	27	0.84	9	2.24	8	5.23	17	3.71
2017	38	2.60	26	0.86	8	2.35	8	4.02	20	3.09

Actual 2019 and projected 2020 sources of generation for the Utility operating companies and System Energy, including certain power purchases from affiliates under life of unit power purchase agreements, including the Unit Power Sales Agreement, are:

	Natural Gas		Nuclear		Coal		Purchased Power (d)		MISO Purchases (e)	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Entergy Arkansas (a)	28%	33%	53%	53%	15%	13%	1	1%	3%	—
Entergy Louisiana	43%	56%	25%	28%	2%	4%	10%	12%	20%	—
Entergy Mississippi (b)	49%	72%	25%	19%	9%	9%	—	—	17%	—
Entergy New Orleans (b)	51%	58%	39%	39%	2%	2%	1%	1%	7%	—
Entergy Texas	29%	32%	9%	18%	4%	11%	30%	39%	28%	—
System Energy (c)	—	—	100%	100%	—	—	—	—	—	—
Utility (a) (b)	40%	51%	28%	32%	6%	7%	8%	10%	18%	—

- (a) Hydroelectric power provided less than 1% of Entergy Arkansas's generation in 2019 and is expected to provide less than 1% of its generation in 2020.
- (b) Solar power provided less than 1% of Entergy Mississippi's and Entergy New Orleans's generation in 2019 and is expected to provide less than 1% of each of Entergy Mississippi's and Entergy New Orleans's generation in 2020.
- (c) Capacity and energy from System Energy's interest in Grand Gulf is allocated as follows under the Unit Power Sales Agreement: Entergy Arkansas - 36%; Entergy Louisiana - 14%; Entergy Mississippi - 33%; and Entergy New Orleans - 17%. Pursuant to purchased power agreements, Entergy Arkansas is selling a portion of its owned capacity and energy from Grand Gulf to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.
- (d) Excludes MISO purchases.
- (e) In December 2013, Entergy integrated its transmission system into the MISO RTO. Entergy offers all of its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the MISO energy market to serve the demand of its customers, with MISO making dispatch decisions. The MISO purchases metric provided for 2019 is not projected for 2020.



Some of the Utility's gas-fired plants are also capable of using fuel oil, if necessary. Although based on current economics the Utility does not expect fuel oil use in 2020, it is possible that various operational events including weather or pipeline maintenance may require the use of fuel oil.

### Natural Gas

The Utility operating companies have long-term firm and short-term interruptible gas contracts for both supply and transportation. Over 50% of the Utility operating companies' power plants maintain some level of long-term firm transportation. Short-term contracts and spot-market purchases satisfy additional gas requirements. Entergy Texas owns a gas storage facility that provides reliable and flexible natural gas service to certain generating stations.

Many factors, including wellhead deliverability, storage, pipeline capacity, and demand requirements of end users, influence the availability and price of natural gas supplies for power plants. Demand is primarily tied to weather conditions as well as to the prices and availability of other energy sources. Pursuant to federal and state regulations, gas supplies to power plants may be interrupted during periods of shortage. To the extent natural gas supplies are disrupted or natural gas prices significantly increase, the Utility operating companies may in some instances use alternate fuels, such as oil when available, or rely to a larger extent on coal, nuclear generation, and purchased power.

### Coal

Entergy Arkansas has committed to seven one- to three-year and two spot contracts that will supply approximately 85% of the total coal supply needs in 2020. These contracts are staggered in term so that not all contracts have to be renewed the same year. The remaining 15% of total coal requirements will be satisfied by contracts with a term of less than one year. Based on continued improved Powder River Basin (PRB) coal deliveries by rail and the high cost of alternate sources and modes of transportation, no alternative coal consumption is expected at Entergy Arkansas during 2020. Coal will be transported to Arkansas via an existing transportation agreement that is expected to provide all of Entergy Arkansas's rail transportation requirements for 2020.

Entergy Louisiana has committed to four one- to three-year contracts that will supply approximately 90% of Nelson Unit 6 coal needs in 2020. If needed, additional PRB coal will be purchased through contracts with a term of less than one year to provide the remaining supply needs. For the same reasons as for Entergy Arkansas's plants, no alternative coal consumption is expected at Nelson Unit 6 during 2020. Coal will be transported to Nelson primarily via an existing transportation agreement that is expected to provide all of Entergy Louisiana's rail transportation requirements for 2020.

For the year 2019, coal transportation delivery rates to Entergy Arkansas-and Entergy Louisiana-operated coal-fired units were satisfactory to meet supply needs and obligations. Delivery rates improved in the second half of the year as track restoration efforts were completed by the railroads following spring flooding events, although flooding impacts were overall inconsequential to the companies' coal operations. Both Entergy Arkansas and Entergy Louisiana control a sufficient number of railcars to satisfy the rail transportation requirement.

The operator of Big Cajun 2 - Unit 3, Louisiana Generating, LLC, has advised Entergy Louisiana and Entergy Texas that it has adequate rail car and barge capacity to meet the volumes of PRB coal requested for 2020. Entergy Louisiana's and Entergy Texas's coal nomination requests to Big Cajun 2 - Unit 3 are made on an annual basis.

### Nuclear Fuel

The nuclear fuel cycle consists of the following:

- mining and milling of uranium ore to produce a concentrate;
- conversion of the concentrate to uranium hexafluoride gas;

- enrichment of the uranium hexafluoride gas;
- fabrication of nuclear fuel assemblies for use in fueling nuclear reactors; and
- disposal of spent fuel.

The Registrant Subsidiaries that own nuclear plants, Entergy Arkansas, Entergy Louisiana, and System Energy, are responsible through a shared regulated uranium pool for contracts to acquire nuclear material to be used in fueling Entergy's Utility nuclear units. These companies own the materials and services in this shared regulated uranium pool on a pro rata fractional basis determined by the nuclear generation capability of each company. Any liabilities for obligations of the pooled contracts are on a several but not joint basis. The shared regulated uranium pool maintains inventories of nuclear materials during the various stages of processing. The Registrant Subsidiaries purchase enriched uranium hexafluoride for their nuclear plant reload requirements at the average inventory cost from the shared regulated uranium pool. Entergy Operations, Inc. contracts separately for the fabrication of nuclear fuel as agent on behalf of each of the Registrant Subsidiaries that owns a nuclear plant. All contracts for the disposal of spent nuclear fuel are between the DOE and the owner of a nuclear power plant.

Based upon currently planned fuel cycles, the Utility nuclear units have a diversified portfolio of contracts and inventory that provides substantially adequate nuclear fuel materials and conversion and enrichment services at what Entergy believes are reasonably predictable or fixed prices through most of 2023. Entergy's ability to purchase nuclear fuel at reasonably predictable prices, however, depends upon the performance reliability of uranium miners. There are a number of possible supply alternatives that may be accessed to mitigate any supplier performance failure, including potentially drawing upon Entergy's inventory intended for later generation periods depending upon its risk management strategy at that time, although the pricing of any alternate uranium supply from the market will be dependent upon the market for uranium supply at that time. In addition, some nuclear fuel contracts are on a non-fixed price basis subject to prevailing prices at the time of delivery.

The effects of market price changes may be reduced and deferred by risk management strategies, such as negotiation of floor and ceiling amounts for long-term contracts, buying for inventory or entering into forward physical contracts at fixed prices when Entergy believes it is appropriate and useful. Entergy buys uranium from a diversified mix of sellers located in a diversified mix of countries, and from time to time purchases from nearly all qualified reliable major market participants worldwide that sell into the U.S.

Entergy's ability to assure nuclear fuel supply also depends upon the performance reliability of conversion, enrichment, and fabrication services providers. There are fewer of these providers than for uranium. For conversion and enrichment services, like uranium, Entergy diversifies its supply by supplier and country and may take special measures as needed to ensure supply of enriched uranium for the reliable fabrication of nuclear fuel. For fabrication services, each plant is dependent upon the effective performance of the fabricator of that plant's nuclear fuel, therefore, Entergy provides additional monitoring, inspection, and oversight for the fabrication process to assure reliability and quality.

Entergy Arkansas, Entergy Louisiana, and System Energy each have made arrangements to lease nuclear fuel and related equipment and services. The lessors, which are consolidated in the financial statements of Entergy and the applicable Registrant Subsidiary, finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These credit facilities are subject to periodic renewal, and the notes are issued periodically, typically for terms between three and seven years.

#### Natural Gas Purchased for Resale

Entergy New Orleans has several suppliers of natural gas. Its system is interconnected with one interstate and three intrastate pipelines. Entergy New Orleans has a "no-notice" service gas purchase contract with CenterPoint Energy Services which guarantees Entergy New Orleans gas delivery at specific delivery points and at any volume within the minimum and maximum set forth in the contract amounts. The CenterPoint Energy Service gas supply is

transported to Entergy New Orleans pursuant to a transportation service agreement with Gulf South Pipeline Co. This service is subject to FERC-approved rates. Entergy New Orleans also makes interruptible spot market purchases.

Entergy Louisiana purchased natural gas for resale in 2019 under a firm contract from Sequent Energy Management L.P. The gas is delivered through a combination of intrastate and interstate pipelines.

As a result of the implementation of FERC-mandated interstate pipeline restructuring in 1993, curtailments of interstate gas supply could occur if Entergy Louisiana's or Entergy New Orleans's suppliers failed to perform their obligations to deliver gas under their supply agreements. Gulf South Pipeline Co. could curtail transportation capacity only in the event of pipeline system constraints.

### **Federal Regulation of the Utility**

State or local regulatory authorities, as described above, regulate the retail rates of the Utility operating companies. The FERC regulates wholesale sales of electricity rates and interstate transmission of electricity, including System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. See Note 2 to the financial statements for further discussion of federal regulation proceedings.

System Agreement (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Prior to each operating company's termination of participation in the System Agreement (Entergy Arkansas in December 2013, Entergy Mississippi in November 2015, and Entergy Louisiana, Entergy New Orleans, and Entergy Texas each in August 2016), the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which was a rate schedule approved by the FERC. Under the terms of the System Agreement, generating capacity and other power resources were jointly operated by the Utility operating companies that were participating in the System Agreement. The System Agreement provided, among other things, that parties having generating reserves greater than their allocated share of reserves (long companies) would receive payments from those parties having generating reserves that were less than their allocated share of reserves (short companies). Such payments were at amounts sufficient to cover certain of the long companies' costs for intermediate and peaking oil/gas-fired generation, including operating expenses, fixed charges on debt, dividend requirements on preferred equity, and a fair rate of return on common equity investment. Under the System Agreement, the rates used to compensate long companies were based on costs associated with the long companies' steam electric generating units fueled by oil or gas and having an annual average heat rate above 10,000 Btu/kWh. In addition, for all energy exchanged among the Utility operating companies under the System Agreement, the companies purchasing exchange energy were required to pay the cost of fuel consumed in generating such energy plus a charge to cover other associated costs.

Although the System Agreement has terminated, certain of the Utility operating companies' and their retail regulators are pursuing litigation involving the System Agreement at the FERC and in federal courts. The proceedings include challenges to the allocation of costs as defined by the System Agreement and other matters. See Note 2 to the financial statements for discussion of legal proceedings at the FERC and in federal courts involving the System Agreement.

### Transmission and MISO Markets

In December 2013 the Utility operating companies integrated into the MISO RTO. Although becoming a member of MISO did not affect the ownership by the Utility operating companies of their transmission facilities or the responsibility for maintaining those facilities, MISO maintains functional control over the combined transmission systems of its members and administers wholesale energy and ancillary services markets for market participants in the MISO region, including the Utility operating companies. MISO also exercises functional control of transmission

planning and congestion management and provides schedules and pricing for the commitment and dispatch of generation that is offered into MISO's markets, as well as pricing for load that bids into the markets. The Utility operating companies sell capacity, energy, and ancillary services on a bilateral basis to certain wholesale customers and offer available electricity production of their generating facilities into the MISO day-ahead and real-time energy markets pursuant to the MISO tariff and market rules. Each Utility operating company has its own transmission pricing zone and a formula rate template (included as Attachment O to the MISO tariff) used to establish transmission rates within MISO. The terms and conditions of the MISO tariff, including provisions related to the design and implementation of wholesale markets and the allocation of transmission upgrade costs, are subject to regulation by the FERC.

### System Energy and Related Agreements

System Energy recovers costs related to its interest in Grand Gulf through rates charged to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans for capacity and energy under the Unit Power Sales Agreement (described below). In July 2001 a rate proceeding commenced by System Energy at the FERC in 1995 became final, with the FERC approving a prospective 10.94% return on equity. In 1998 the FERC approved requests by Entergy Arkansas and Entergy Mississippi to accelerate a portion of their Grand Gulf purchased power obligations. Entergy Arkansas's and Entergy Mississippi's acceleration of Grand Gulf purchased power obligations ceased effective July 2001 and July 2003, respectively, as approved by the FERC. See Note 2 to the financial statements for discussion of complaints filed with the FERC regarding System Energy's return on equity.

#### *Unit Power Sales Agreement*

The Unit Power Sales Agreement allocates capacity, energy, and the related costs from System Energy's ownership and leasehold interests in Grand Gulf to Entergy Arkansas (36%), Entergy Louisiana (14%), Entergy Mississippi (33%), and Entergy New Orleans (17%). Each of these companies is obligated to make payments to System Energy for its entitlement of capacity and energy on a full cost-of-service basis regardless of the quantity of energy delivered. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenue. The financial condition of System Energy depends upon the continued commercial operation of Grand Gulf and the receipt of such payments. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans generally recover payments made under the Unit Power Sales Agreement through rates charged to their customers.

In the case of Entergy Arkansas and Entergy Louisiana, payments are also recovered through sales of electricity from their respective retained shares of Grand Gulf. Under a settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas retains 22% of its 36% share of Grand Gulf-related costs and recovers the remaining 78% of its share in rates. In the event that Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided cost, which is currently less than Entergy Arkansas's cost from its retained share. Entergy Arkansas has life-of-resources purchased power agreements with Entergy Louisiana and Entergy New Orleans that sell a portion of the output of Entergy Arkansas's retained share of Grand Gulf to those companies, with the remainder of the retained share being sold to Entergy Mississippi through a separate life-of-resources purchased power agreement. In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Entergy Louisiana's share of capacity and energy from Grand Gulf, subject to certain terms and conditions. Entergy Louisiana retains and does not recover from retail ratepayers 18% of its 14% share of the costs of Grand Gulf capacity and energy and recovers the remaining 82% of its share in rates. Entergy Louisiana is allowed to recover through the fuel adjustment clause at 4.6 cents per kWh for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to non-affiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval. Entergy Arkansas also has a life-of-resources purchased power agreement with Entergy Mississippi to sell a portion of the output of Entergy Arkansas's non-retained share of Grand Gulf. Entergy Mississippi was granted rate relief for those purchases by the MPSC through its annual unit power cost rate mechanism.

### *Availability Agreement*

The Availability Agreement among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans was entered into in 1974 in connection with the financing by System Energy of Grand Gulf. The Availability Agreement provides that System Energy make available to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans all capacity and energy available from System Energy's share of Grand Gulf.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans also agreed severally to pay System Energy monthly for the right to receive capacity and energy from Grand Gulf in amounts that (when added to any amounts received by System Energy under the Unit Power Sales Agreement) would at least equal System Energy's total operating expenses for Grand Gulf (including depreciation at a specified rate and expenses incurred in a permanent shutdown of Grand Gulf) and interest charges.

The allocation percentages under the Availability Agreement are fixed as follows: Entergy Arkansas - 17.1%; Entergy Louisiana - 26.9%; Entergy Mississippi - 31.3%; and Entergy New Orleans - 24.7%. The allocation percentages under the Availability Agreement would remain in effect and would govern payments made under such agreement in the event of a shortfall of funds available to System Energy from other sources, including payments under the Unit Power Sales Agreement.

System Energy has assigned its rights to payments and advances from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Availability Agreement as security for its one outstanding series of first mortgage bonds. In these assignments, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans further agreed that, in the event they were prohibited by governmental action from making payments under the Availability Agreement (for example, if the FERC reduced or disallowed such payments as constituting excessive rates), they would then make subordinated advances to System Energy in the same amounts and at the same times as the prohibited payments. System Energy would not be allowed to repay these subordinated advances so long as it remained in default under the related indebtedness or in other similar circumstances.

Each of the assignment agreements relating to the Availability Agreement provides that Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans will make payments directly to System Energy. However, if there is an event of default, those payments must be made directly to the holders of indebtedness that are the beneficiaries of such assignment agreements. The payments must be made pro rata according to the amount of the respective obligations secured.

The obligations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to make payments under the Availability Agreement are subject to the receipt and continued effectiveness of all necessary regulatory approvals. Sales of capacity and energy under the Availability Agreement would require that the Availability Agreement be submitted to the FERC for approval with respect to the terms of such sale. No such filing with the FERC has been made because sales of capacity and energy from Grand Gulf are being made pursuant to the Unit Power Sales Agreement. If, for any reason, sales of capacity and energy are made in the future pursuant to the Availability Agreement, the jurisdictional portions of the Availability Agreement would be submitted to the FERC for approval.

Since commercial operation of Grand Gulf began, payments under the Unit Power Sales Agreement to System Energy have exceeded the amounts payable under the Availability Agreement and, therefore, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments because their Availability Agreement obligations exceed their Unit Power Sales Agreement obligations.

The Availability Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, without further consent of any assignees or other creditors.

### **Service Companies**

Entergy Services, a limited liability company wholly-owned by Entergy Corporation, provides management, administrative, accounting, legal, engineering, and other services primarily to the Utility operating companies, but also provides services to Entergy Wholesale Commodities. Entergy Operations is also wholly-owned by Entergy Corporation and provides nuclear management, operations and maintenance services under contract for ANO, River Bend, Waterford 3, and Grand Gulf, subject to the owner oversight of Entergy Arkansas, Entergy Louisiana, and System Energy, respectively. Entergy Services and Entergy Operations provide their services to the Utility operating companies and System Energy on an “at cost” basis, pursuant to cost allocation methodologies for these service agreements that were approved by the FERC.

### **Jurisdictional Separation of Entergy Gulf States, Inc. into Entergy Gulf States Louisiana and Entergy Texas**

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

Entergy Texas purchases from Entergy Louisiana pursuant to a life-of-unit purchased power agreement a 42.5% share of capacity and energy from the 70% of River Bend subject to retail regulation. Entergy Texas was allocated a share of River Bend’s nuclear and environmental liabilities that is identical to the share of the plant’s output purchased by Entergy Texas under the purchased power agreement. In connection with the termination of the System Agreement effective August 31, 2016, the purchased power agreements that were put in place for certain legacy units at the time of the jurisdictional separation were also terminated at that time. See Note 2 to the financial statements for additional discussion of the purchased power agreements.

### **Entergy Louisiana and Entergy Gulf States Louisiana Business Combination**

On October 1, 2015, the businesses formerly conducted by Entergy Louisiana (Old Entergy Louisiana) and Entergy Gulf States Louisiana (Old Entergy Gulf States Louisiana) were combined into a single public utility. In order to effect the business combination, under the Texas Business Organizations Code (TXBOC), Old Entergy Louisiana allocated substantially all of its assets to a new subsidiary, Entergy Louisiana Power, LLC, a Texas limited liability company (New Entergy Louisiana), and New Entergy Louisiana assumed the liabilities of Old Entergy Louisiana, in a transaction regarded as a merger under the TXBOC. Under the TXBOC, Old Entergy Gulf States Louisiana allocated substantially all of its assets to a new subsidiary (New Entergy Gulf States Louisiana) and New Entergy Gulf States Louisiana assumed the liabilities of Old Entergy Gulf States Louisiana, in a transaction regarded as a merger under the TXBOC. New Entergy Gulf States Louisiana then merged into New Entergy Louisiana with New Entergy Louisiana surviving the merger. Thereupon, Old Entergy Louisiana changed its name from “Entergy Louisiana, LLC” to “EL Investment Company, LLC” and New Entergy Louisiana changed its name from “Entergy Louisiana Power, LLC” to “Entergy Louisiana, LLC” (Entergy Louisiana). With the completion of the business combination, Entergy Louisiana holds substantially all of the assets, and has assumed the liabilities, of Old Entergy Louisiana and Old Entergy Gulf States Louisiana.

### **Entergy New Orleans Internal Restructuring**

In November 2017, pursuant to the agreement in principle, Entergy New Orleans, Inc. undertook a multi-step restructuring, including the following:

- Entergy New Orleans, Inc. redeemed its outstanding preferred stock at a price of approximately \$21 million, which included a call premium of approximately \$819,000, plus any accumulated and unpaid dividends.
- Entergy New Orleans, Inc. converted from a Louisiana corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy New Orleans, Inc. allocated substantially all of its assets to a new subsidiary, Entergy New Orleans Power, LLC, a Texas limited liability company (Entergy New Orleans Power), and Entergy New Orleans Power assumed substantially all of the liabilities of Entergy New Orleans, Inc. in a transaction regarded as a merger under the TXBOC. Entergy New Orleans, Inc. remained in existence and held the membership interests in Entergy New Orleans Power.
- Entergy New Orleans, Inc. contributed the membership interests in Entergy New Orleans Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy New Orleans Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2017, Entergy New Orleans, Inc. changed its name to Entergy Utility Group, Inc., and Entergy New Orleans Power then changed its name to Entergy New Orleans, LLC. Entergy New Orleans, LLC holds substantially all of the assets, and has assumed substantially all of the liabilities, of Entergy New Orleans, Inc. The restructuring was accounted for as a transaction between entities under common control.

### **Entergy Arkansas Internal Restructuring**

In November 2018, Entergy Arkansas undertook a multi-step restructuring, including the following:

- Entergy Arkansas, Inc. redeemed its outstanding preferred stock at the aggregate redemption price of approximately \$32.7 million.
- Entergy Arkansas, Inc. converted from an Arkansas corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Arkansas, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Arkansas Power, LLC, a Texas limited liability company (Entergy Arkansas Power), and Entergy Arkansas Power assumed substantially all of the liabilities of Entergy Arkansas, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Arkansas, Inc. remained in existence and held the membership interests in Entergy Arkansas Power.
- Entergy Arkansas, Inc. contributed the membership interests in Entergy Arkansas Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Arkansas Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Arkansas, Inc. changed its name to Entergy Utility Property, Inc., and Entergy Arkansas Power then changed its name to Entergy Arkansas, LLC. Entergy Arkansas, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Arkansas, Inc. The transaction was accounted for as a transaction between entities under common control.

### **Entergy Mississippi Internal Restructuring**

In November 2018, Entergy Mississippi undertook a multi-step restructuring, including the following:

- Entergy Mississippi, Inc. redeemed its outstanding preferred stock, at the aggregate redemption price of approximately \$21.2 million.
- Entergy Mississippi, Inc. converted from a Mississippi corporation to a Texas corporation.

- Under the Texas Business Organizations Code (TXBOC), Entergy Mississippi, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Mississippi Power and Light, LLC, a Texas limited liability company (Entergy Mississippi Power and Light), and Entergy Mississippi Power and Light assumed substantially all of the liabilities of Entergy Mississippi, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Mississippi, Inc. remained in existence and held the membership interests in Entergy Mississippi Power and Light.
- Entergy Mississippi, Inc. contributed the membership interests in Entergy Mississippi Power and Light to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Mississippi Power and Light is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Mississippi, Inc. changed its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light then changed its name to Entergy Mississippi, LLC. Entergy Mississippi, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Mississippi, Inc. The restructuring was accounted for as a transaction between entities under common control.

### **Entergy Wholesale Commodities**

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 revenues are primarily derived from sales of energy and generation capacity from these plants. Entergy Wholesale Commodities also provides operations and management services, including decommissioning-related services, to nuclear power plants owned by non-affiliated entities in the United States. 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.

See “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” in Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion of the operation and planned shutdown and sale of each of the remaining Entergy Wholesale Commodities nuclear power plants.

### **Property**

#### **Nuclear Generating Stations**

Entergy Wholesale Commodities includes the ownership of the following nuclear power plants:

<b>Power Plant</b>	<b>Market</b>	<b>In Service Year</b>	<b>Acquired</b>	<b>Location</b>	<b>Capacity - Reactor Type</b>	<b>License Expiration Date</b>
Indian Point 3 (a)	NYISO	1976	Nov. 2000	Buchanan, NY	1,041 MW - Pressurized Water	2025 (a)
Indian Point 2 (a)	NYISO	1974	Sept. 2001	Buchanan, NY	1,028 MW - Pressurized Water	2024 (a)
Palisades (b)	MISO	1971	Apr. 2007	Covert, MI	811 MW - Pressurized Water	2031 (b)

(a) The Indian Point 2 and Indian Point 3 plants are expected to cease operation by April 30, 2020 and April 30, 2021, respectively.

(b) The Palisades plant is expected to cease operations no later than May 31, 2022.

See “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” in Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion of the operation and planned shutdown and sale of each of the remaining Entergy Wholesale Commodities nuclear power plants.



Entergy Wholesale Commodities also includes the ownership of two non-operating nuclear facilities, Big Rock Point in Michigan and Indian Point 1 in New York that were acquired when Entergy purchased the Palisades and Indian Point 2 nuclear plants, respectively. These facilities are in various stages of the decommissioning process. Both Big Rock Point and Indian Point 1 are under contract to be sold with their respective plants.

#### Non-nuclear Generating Stations

Entergy Wholesale Commodities includes the ownership, or interests in joint ventures that own, the following non-nuclear power plants:

<b>Plant</b>	<b>Location</b>	<b>Ownership</b>	<b>Net Owned Capacity (a)</b>	<b>Type</b>
Independence Unit 2; 842 MW	Newark, AR	14%	121 MW(b)	Coal
RS Cogen; 425 MW (c)	Lake Charles, LA	50%	213 MW	Gas/Steam
Nelson Unit 6; 550 MW	Westlake, LA	11%	60 MW(b)	Coal

- (a) “Net Owned Capacity” refers to the nameplate rating on the generating unit.
- (b) The owned MW capacity is the portion of the plant capacity owned by Entergy Wholesale Commodities. For a complete listing of Entergy’s jointly-owned generating stations, refer to “**Jointly-Owned Generating Stations**” in Note 1 to the financial statements.
- (c) Indirectly owned through interests in unconsolidated joint ventures.

#### Independent System Operators

The Indian Point plants fall under the authority of the New York Independent System Operator (NYISO). The Palisades plant falls under the authority of the MISO. The primary purpose of NYISO and MISO is to direct the operations of the major generation and transmission facilities in their respective regions; ensure grid reliability; administer and monitor wholesale electricity markets; and plan for their respective region’s energy needs.

#### **Energy and Capacity Sales**

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. Entergy Wholesale Commodities also 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. See “**Market and Credit Risk Sensitive Instruments**” in Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for additional information regarding these contracts.

As part of the purchase of the Palisades plant in 2007, Entergy executed a 15-year PPA with the seller, Consumers Energy, for 100% of the plant’s output, excluding any future uprates. Under the purchased power agreement, Consumers Energy receives the value of any new environmental credits for the first ten years of the agreement. Palisades and Consumers Energy will share on a 50/50 basis the value of any new environmental credits for years 11 through 15 of the agreement. The environmental credits are defined as benefits from a change in law that causes capability of the plant as of the purchase date to become a tradable attribute (e.g., emission credit, renewable energy credit, environmental credit, “green” credit, etc.) or otherwise to have a market value. Entergy intends to shut down the Palisades nuclear power plant permanently on May 31, 2022 and transfer to Holtec thereafter.

## Customers

Entergy Wholesale Commodities' customers for the sale of both energy and capacity from its nuclear plants include retail power providers, utilities, electric power co-operatives, power trading organizations, and other power generation companies. These customers include Consumers Energy, the company from which Entergy purchased the Palisades plant, and NYISO and MISO. Substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants is with counterparties or their guarantors that have public investment grade credit ratings.

## Competition

The NYISO market is highly competitive. Entergy Wholesale Commodities has numerous competitors in New York including generation companies affiliated with regulated utilities, other independent power producers, municipal and co-operative generators, owners of co-generation plants and wholesale power marketers. Entergy Wholesale Commodities is an independent power producer, which means it generates power for sale to third parties at day ahead or spot market prices to the extent that the power is not sold under a fixed price contract. Municipal and co-operative generators also generate power but use most of it to deliver power to their municipal or co-operative power customers. Owners of co-generation plants produce power primarily for their own consumption. Wholesale power marketers do not own generation; rather they buy power from generators or other market participants and resell it to retail providers or other market participants. Competition in the New York power market is affected by, among other factors, the amount of generation and transmission capacity in these markets. MISO does not have a centralized clearing capacity market, but load serving entities do meet the majority of their capacity needs through bilateral contracts and self-supply with a smaller portion coming through voluntary MISO auctions. The majority of Palisades' current output is contracted to Consumers Energy through 2022. Entergy Wholesale Commodities does not expect to be materially affected by competition in the MISO market in the near term.

## Seasonality

Entergy Wholesale Commodities' revenues and operating income are subject to fluctuations during the year due to seasonal factors, weather conditions, and contract pricing. Refueling outages are generally in the spring and fall, and cause volumetric decreases during those seasons. When outdoor and cooling water temperatures are low, generally during colder months, Entergy Wholesale Commodities nuclear power plants operate more efficiently, and consequently, generate more electricity. Many of Entergy Wholesale Commodities' contracts provide for shaped pricing over the course of the year. As a result of these factors, Entergy Wholesale Commodities' revenues are typically higher in the first and third quarters than in the second and fourth quarters.

## **Fuel Supply**

### Nuclear Fuel

See "**Fuel Supply - Nuclear Fuel**" in the Utility portion of Part I, Item 1 for a discussion of the nuclear fuel cycle and markets. Entergy Nuclear Fuels Company, a wholly-owned subsidiary, is responsible for contracts to acquire nuclear materials, except for fuel fabrication, for Entergy Wholesale Commodities nuclear power plants, while Entergy Nuclear Operations, Inc. acts as the agent for the purchase of nuclear fuel assembly fabrication services. All contracts for the disposal of spent nuclear fuel are between the DOE and each of the nuclear power plant owners. The nuclear fuel supply portfolio for the Entergy Wholesale Commodities segment has been adjusted to reflect reduced overall requirements related to the planned permanent shutdowns of the Indian Point 2, Indian Point 3, and Palisades plants. Fuel procurement for the Entergy Wholesale Commodities segment is limited to the requirements of the Palisades plant's final refueling in 2020.

## **Other Business Activities**

Entergy Nuclear Power Marketing, LLC (ENPM) was formed in 2005 to centralize the power marketing function for Entergy Wholesale Commodities nuclear plants. Upon its formation, ENPM entered into long-term power purchase agreements with the Entergy Wholesale Commodities subsidiaries that own nuclear power plants (generating subsidiaries). As part of a series of agreements, ENPM agreed to assume and/or otherwise service the existing power purchase agreements that were in effect between the generating subsidiaries and their customers. ENPM's functions include origination of new energy and capacity transactions and generation scheduling.

Entergy Nuclear, Inc. can pursue service agreements with other nuclear power plant owners who seek the advantages of Entergy's scale and expertise but do not necessarily want to sell their assets. Services provided by either Entergy Nuclear, Inc. or other Entergy Wholesale Commodities subsidiaries include engineering, operations and maintenance, fuel procurement, management and supervision, technical support and training, administrative support, and other managerial or technical services required to operate, maintain, and decommission nuclear electric power facilities.

TLG Services, a subsidiary of Entergy Nuclear, Inc., offers decommissioning, engineering, and related services to nuclear power plant owners.

Entergy provides plant operation support services for the 800 MW Cooper Nuclear Station located near Brownville, Nebraska. In 2010 an Entergy subsidiary signed an agreement to extend the management support services to Cooper Nuclear Station by 15 years, through January 2029.

## **Regulation of Entergy's Business**

### **Federal Power Act**

The Federal Power Act provides the FERC the authority to regulate:

- the transmission and wholesale sale of electric energy in interstate commerce;
- the reliability of the high voltage interstate transmission system through reliability standards;
- sale or acquisition of certain assets;
- securities issuances;
- the licensing of certain hydroelectric projects;
- certain other activities, including accounting policies and practices of electric and gas utilities; and
- changes in control of FERC jurisdictional entities or rate schedules.

The Federal Power Act gives the FERC jurisdiction over the rates charged by System Energy for Grand Gulf capacity and energy provided to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans and over the rates charged by Entergy Arkansas and Entergy Louisiana to unaffiliated wholesale customers. The FERC also regulates wholesale power sales between the Utility operating companies. In addition, the FERC regulates the MISO RTO, an independent entity that maintains functional control over the combined transmission systems of its members and administers wholesale energy, capacity, and ancillary services markets for market participants in the MISO region, including the Utility operating companies. FERC regulation of the MISO RTO includes regulation of the design and implementation of the wholesale markets administered by the MISO RTO, as well as the rates, terms, and conditions of open access transmission service over the member systems and the allocation of costs associated with transmission upgrades.

Entergy Arkansas holds a FERC license that expires in 2053 for two hydroelectric projects totaling 70 MW of capacity.

## State Regulation

### Utility

Entergy Arkansas is subject to regulation by the APSC as to the following:

- utility service;
- utility service areas;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the energy cost recovery rider;
- terms and conditions of service;
- service standards;
- the acquisition, sale, or lease of any public utility plant or property constituting an operating unit or system;
- certificates of convenience and necessity and certificates of environmental compatibility and public need, as applicable, for generating and transmission facilities;
- avoided cost payments to Qualifying Facilities;
- net energy metering;
- integrated resource planning;
- utility mergers and acquisitions and other changes of control; and
- the issuance and sale of certain securities.

Additionally, Entergy Arkansas serves a limited number of retail customers in Tennessee. Pursuant to legislation enacted in Tennessee, Entergy Arkansas is subject to complaints before the Tennessee Regulatory Authority only if it fails to treat its retail customers in Tennessee in the same manner as its retail customers in Arkansas. Additionally, Entergy Arkansas maintains limited facilities in Missouri but does not provide retail electric service to customers in Missouri. Although Entergy Arkansas obtained a certificate with respect to its Missouri facilities, Entergy Arkansas is not subject to the retail rate or regulatory scheme in Missouri.

Entergy Louisiana's electric and gas business is subject to regulation by the LPSC as to the following:

- utility service;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the fuel adjustment clause and purchased gas adjustment charge;
- terms and conditions of service;
- service standards;
- certification of certain transmission projects;
- certification of capacity acquisitions, both for owned capacity and purchase power contracts;
- procurement process to acquire over 50 MW;
- audits of the environmental adjustment charge, avoided cost payment to Qualifying Facilities, and energy efficiency rider;
- integrated resource planning;
- net energy metering; and
- utility mergers and acquisitions and other changes of control.

Entergy Mississippi is subject to regulation by the MPSC as to the following:

- utility service;
- utility service areas;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the energy cost recovery mechanism;
- terms and conditions of service;
- service standards;

- certification of generating facilities and certain transmission projects;
- avoided cost payments to Qualifying Facilities;
- integrated resource planning;
- net energy metering; and
- utility mergers, acquisitions, and other changes of control.

Entergy Mississippi is also subject to regulation by the APSC as to the certificate of environmental compatibility and public need for the Independence Station, which is located in Arkansas.

Entergy New Orleans is subject to regulation by the City Council as to the following:

- utility service;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the fuel adjustment charge and purchased gas adjustment charge;
- terms and conditions of service;
- service standards;
- audit of the environmental adjustment charge;
- certification of the construction or extension of any new plant, equipment, property, or facility that comprises more than 2% of the utility's rate base;
- integrated resource planning;
- net energy metering;
- issuance and sale of certain securities; and
- utility mergers and acquisitions and other changes of control.

To the extent authorized by governing legislation, Entergy Texas is subject to the original jurisdiction of the municipal authorities of a number of incorporated cities in Texas with appellate jurisdiction over such matters residing in the PUCT. Entergy Texas is also subject to regulation by the PUCT as to the following:

- retail rates and charges, including depreciation rates, and terms and conditions of service in unincorporated areas of its service territory, and in municipalities that have ceded jurisdiction to the PUCT;
- fuel recovery, including reconciliations (audits) of the fuel adjustment charges;
- service standards;
- certification of certain transmission and generation projects;
- utility service areas, including extensions into new areas;
- avoided cost payments to Qualifying Facilities; and
- utility mergers, sales/acquisitions/leases of plants over \$10 million, sales of greater than 50% voting stock of utilities, and transfers of controlling interest in or operation of utilities.

## **Regulation of the Nuclear Power Industry**

### Atomic Energy Act of 1954 and Energy Reorganization Act of 1974

Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, the operation of nuclear plants is heavily regulated by the NRC, which has broad power to impose licensing and safety-related requirements. The NRC has broad authority to impose civil penalties or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Entergy Arkansas, Entergy Louisiana, and System Energy, as owners of all or portions of ANO, River Bend and Waterford 3, and Grand Gulf, respectively, and Entergy Operations, as the licensee and operator of these units, are subject to the jurisdiction of the NRC. Entergy subsidiaries in the Entergy Wholesale Commodities segment are subject to the NRC's jurisdiction as the owners and operators of Indian Point Energy Center, Palisades, and Big Rock Point.

## Nuclear Waste Policy Act of 1982

### Spent Nuclear Fuel

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy Arkansas is the only one of the Utility operating companies that generated electric power with nuclear fuel prior to that date and has a recorded liability as of December 31, 2019 of \$191.1 million for the one-time fee. Entergy accepted assignment of the Pilgrim, FitzPatrick and Indian Point 3, Indian Point 1 and Indian Point 2, Vermont Yankee, Palisades, and Big Rock Point spent fuel disposal contracts with the DOE held by their previous owners. The FitzPatrick spent fuel disposal contract was assigned to Exelon as part of the sale of the plant, completed in March 2017. The Vermont Yankee spent fuel disposal contract was assigned to NorthStar as part of the sale of the plant which was completed in January 2019. The Pilgrim spent fuel disposal contract was transferred to Holtec as part of the sale of Entergy Nuclear Generation Company in August 2019. The owners of these plants previous to Entergy have paid or retained liability for the fees for all generation prior to the purchase dates of those plants. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Entergy's total spent fuel fees to date, including the one-time fee liability of Entergy Arkansas, have surpassed \$1.6 billion (exclusive of amounts relating to Entergy plants that were paid or are owed by prior owners of those plants).

The permanent spent fuel repository in the U.S. has been legislated to be Yucca Mountain, Nevada. The DOE is required by law to proceed with the licensing (the DOE filed the license application in June 2008) and, after the license is granted by the NRC, proceed with the repository construction and commencement of receipt of spent fuel. Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. The DOE continues to delay meeting its obligation. Specific steps were taken to discontinue the Yucca Mountain project, including a motion to the NRC to withdraw the license application with prejudice and the establishment of a commission to develop recommendations for alternative spent fuel storage solutions. In August 2013 the U.S. Court of Appeals for the D.C. Circuit ordered the NRC to continue with the Yucca Mountain license review, but only to the extent of funds previously appropriated by Congress for that purpose and not yet used. Although the NRC completed the safety evaluation report for the license review in 2015, the previously appropriated funds are not sufficient to complete the review, including required hearings. The government has taken no effective action to date related to the recommendations of the appointed spent fuel study commission. Accordingly, large uncertainty remains regarding the time frame under which the DOE will begin to accept spent fuel from Entergy's facilities for storage or disposal. As a result, continuing future expenditures will be required to increase spent fuel storage capacity at Entergy's nuclear sites.

Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014.

As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. These subsidiaries have been, and continue to be, involved in litigation to recover

the damages caused by the DOE's delay in performance. See Note 8 to the financial statements for discussion of final judgments recorded by Entergy in 2017, 2018, and 2019 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE. Through 2019, Entergy's subsidiaries won and collected on judgments against the government totaling over \$600 million.

Pending DOE acceptance and disposal of spent nuclear fuel, the owners of nuclear plants are providing their own spent fuel storage. Storage capability additions using dry casks began operations at Palisades in 1993, at ANO in 1996, at River Bend in 2005, at Grand Gulf in 2006, at Indian Point in 2008, and at Waterford 3 in 2011. These facilities will be expanded as needed.

#### Nuclear Plant Decommissioning

Entergy Arkansas, Entergy Louisiana, and System Energy are entitled to recover from customers through electric rates the estimated decommissioning costs for ANO, Waterford 3, and Grand Gulf, respectively. In addition, Entergy Louisiana and Entergy Texas are entitled to recover from customers through electric rates the estimated decommissioning costs for the portion of River Bend subject to retail rate regulation. The collections are deposited in trust funds that can only be used in accordance with NRC and other applicable regulatory requirements. Entergy periodically reviews and updates the estimated decommissioning costs to reflect inflation and changes in regulatory requirements and technology, and then makes applications to the regulatory authorities to reflect, in rates, the changes in projected decommissioning costs.

In July 2010 the LPSC approved increased decommissioning collections for Waterford 3 and the Louisiana regulated share of River Bend and in December 2010 the PUCT approved increased decommissioning collections for the Texas share of River Bend to address previously identified funding shortfalls. This LPSC decision contemplated that the level of decommissioning collections could be revisited should the NRC grant license extensions for both Waterford 3 and River Bend. In July 2019, following the NRC approval of license extensions for Waterford 3 and River Bend, Entergy made a filing with the LPSC seeking to adjust decommissioning and depreciation rates for those plants, including one proposed scenario that would adjust Louisiana-jurisdictional decommissioning collections to zero for both plants (including an offsetting increase in depreciation rates). An evidentiary hearing on the filing has been scheduled for July 2020, and management cannot predict the outcome of the case. In December 2018 the APSC ordered collections in rates for decommissioning ANO 2 and found that ANO 1's decommissioning was adequately funded without additional collections. In November 2019, Entergy Arkansas filed a revised decommissioning cost recovery tariff for ANO indicating that both ANO 1 and ANO 2 decommissioning trusts were adequately funded without further collections, and in December 2019, the APSC ordered zero collections for ANO 1 and ANO 2 decommissioning. In December 2018 the PUCT approved a settlement that eliminated River Bend decommissioning collections for the Texas jurisdictional share of the plant based on a determination by Entergy Texas that the existing decommissioning fund was adequate following license renewal. In September 2016 the NRC issued a 20-year operating license renewal for Grand Gulf. In a 2017 filing at the FERC, System Energy stated that with the renewed operating license, Grand Gulf's decommissioning trust was sufficiently funded, and proposed (among other things) to cease decommissioning collections for Grand Gulf effective October 1, 2017. The FERC accepted a settlement including the proposed decommissioning revenue requirement by letter order in August 2018. Entergy currently believes its decommissioning funding will be sufficient for its nuclear plants subject to retail rate regulation, although decommissioning cost inflation and trust fund performance will ultimately determine the adequacy of the funding amounts.

In January 2019, Entergy sold 100% of the membership interest in Entergy Nuclear Vermont Yankee to a subsidiary of NorthStar. As a result of the sale, NorthStar assumed ownership of Vermont Yankee and its decommissioning and site restoration trusts, together with complete responsibility for the facility's decommissioning and site restoration. See Note 9 to the financial statements for further discussion of Vermont Yankee decommissioning costs and see "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" in Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion of the NorthStar transaction.

In August 2019, Entergy sold 100% of the equity interests in Entergy Nuclear Generation Company, LLC to a subsidiary of Holtec International. As a result of the sale, Holtec assumed ownership of Pilgrim and its decommissioning trust, together with complete responsibility for the facility's decommissioning and site restoration. See Note 14 to the financial statements for further discussion of the sale.

For the Indian Point 3 and FitzPatrick plants purchased in 2000 from NYPA, NYPA retained the decommissioning trust funds and the decommissioning liabilities with the right to require the Entergy subsidiaries to assume each of the decommissioning liabilities provided that it assigns the corresponding decommissioning trust, up to a specified level, to the Entergy subsidiaries. In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust funds and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy, which was completed in January 2017. In March 2017, Entergy sold the FitzPatrick plant to Exelon, and as part of the transaction, the FitzPatrick decommissioning trust fund, along with the decommissioning obligation for that plant, was transferred to Exelon. The FitzPatrick spent fuel disposal contract was assigned to Exelon as part of the transaction. See Note 14 to the financial statements for discussion of the FitzPatrick sale.

In March 2019 filings with the NRC were made for Entergy subsidiaries' nuclear plants reporting on decommissioning funding. Those reports showed that decommissioning funding for each of those nuclear plants met the NRC's financial assurance and planning requirements.

Additional information with respect to Entergy's decommissioning costs and decommissioning trust funds is found in Note 9 and Note 16 to the financial statements.

#### Price-Anderson Act

The Price-Anderson Act requires that reactor licensees purchase and maintain the maximum amount of nuclear liability insurance available and participate in an industry assessment program called Secondary Financial Protection in order to protect the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act limits the contingent liability for a single nuclear incident to a maximum assessment of approximately \$137.6 million per reactor (with 98 nuclear industry reactors currently participating). In the case of a nuclear event in which Entergy Arkansas, Entergy Louisiana, System Energy, or an Entergy Wholesale Commodities company is liable, protection is afforded through a combination of private insurance and the Secondary Financial Protection program. In addition to this, insurance for property damage, costs of replacement power, and other risks relating to nuclear generating units is also purchased. The Price-Anderson Act and insurance applicable to the nuclear programs of Entergy are discussed in more detail in Note 8 to the financial statements.

#### NRC Reactor Oversight Process

The NRC's Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC's inspection program and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC's Reactor Oversight Process Action Matrix columns: "licensee response column," or Column 1, "regulatory response column," or Column 2, "degraded cornerstone column," or Column 3, and "multiple/repetitive degraded cornerstone column," or Column 4. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC with, in general, progressively increasing levels of associated costs. The nuclear generating plants owned and operated by Entergy's Utility and Entergy Wholesale Commodities businesses are currently in Column 1.



## **Environmental Regulation**

Entergy's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy's businesses are in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted below. Because environmental regulations are subject to change, future compliance requirements and costs cannot be precisely estimated. Except to the extent discussed below, at this time compliance with federal, state, and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of Entergy's businesses and is not expected to have a material effect on their competitive position, results of operations, cash flows, or financial position.

### Clean Air Act and Subsequent Amendments

The Clean Air Act and its amendments establish several programs that currently or in the future may affect Entergy's fossil-fueled generation facilities and, to a lesser extent, certain operations at nuclear and other facilities. Individual states also operate similar independent state programs or delegated federal programs that may include requirements more stringent than federal regulatory requirements. These programs include:

- New source review and preconstruction permits for new sources of criteria air pollutants, greenhouse gases, and significant modifications to existing facilities;
- Acid rain program for control of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>);
- Nonattainment area programs for control of criteria air pollutants, which could include fee assessments for air pollutant emission sources under Section 185 of the Clean Air Act if attainment is not reached in a timely manner;
- Hazardous air pollutant emissions reduction programs;
- Interstate Air Transport;
- Operating permit programs and enforcement of these and other Clean Air Act programs;
- Regional Haze programs; and
- New and existing source standards for greenhouse gas and other air emissions.

### New Source Review (NSR)

Preconstruction permits are required for new facilities and for existing facilities that undergo a modification that results in a significant net emissions increase and is not classified as routine repair, maintenance, or replacement. Units that undergo certain non-routine modifications must obtain a permit modification and may be required to install additional air pollution control technologies. In August 2019 the EPA proposed to amend the NSR regulations to clarify when a physical change or change in the method of operation will constitute such a modification. Entergy has an established process for identifying modifications requiring additional permitting approval and is monitoring the regulations and associated guidance provided by the states and the federal government with regard to the determination of routine repair, maintenance, and replacement. Several years ago, however, the EPA implemented an enforcement initiative, aimed primarily at coal plants, to identify modifications that it does not consider routine for which the unit did not obtain a modified permit. Various courts and the EPA have been inconsistent in their judgments regarding modifications that are considered routine and on other legal issues that affect this program.

In February 2011, Entergy received a request from the EPA for several categories of information concerning capital and maintenance projects at the White Bluff and Independence facilities, both located in Arkansas, in order to determine compliance with the Clean Air Act, including NSR requirements and air permits issued by the Arkansas Department of Environmental Quality. In August 2011, Entergy's Nelson facility, located in Louisiana, received a similar request for information from the EPA. In September 2015 an additional request for similar information was received for the White Bluff facility. Entergy responded to all requests. None of these EPA requests for information alleged that the facilities were in violation of law.

In January and February 2018, Entergy Arkansas, Entergy Mississippi, Entergy Power, and other co-owners received 60-day notice of intent to sue letters from the Sierra Club and the National Parks Conservation Association concerning allegations of violations of new source review and permitting provisions of the Clean Air Act at the Independence and White Bluff coal-burning units, respectively. In November 2018, following extensive negotiations, Entergy Arkansas, Entergy Mississippi, and Entergy Power entered a proposed settlement resolving those claims as well as other issues facing Entergy Arkansas's fossil generation plants. The settlement, which formally resolves a complaint filed by the Sierra Club and the National Parks Conservation Association, is subject to approval by the U.S. District Court for the District of Arkansas. In October 2019 the District Court requested supplemental briefing on several issues to be resolved prior to addressing the motion to approve the settlement. For further information about the settlement, see "Regional Haze" discussed below.

### National Ambient Air Quality Standards

The Clean Air Act requires the EPA to set National Ambient Air Quality Standards (NAAQS) for ozone, carbon monoxide, lead, nitrogen dioxide, particulate matter, and sulfur dioxide, and requires periodic review of those standards. When an area fails to meet an ambient standard, it is considered to be in nonattainment and is classified as "marginal," "moderate," "serious," or "severe." When an area fails to meet the ambient air standard, the EPA requires state regulatory authorities to prepare state implementation plans meant to cause progress toward bringing the area into attainment with applicable standards.

#### Ozone Nonattainment

Entergy Texas operates one fossil-fueled generating facility (Lewis Creek) and is in the process of constructing another fossil-fueled generating facility (Montgomery County Power Station) in a geographic area that is not in attainment with the applicable NAAQS for ozone. The ozone nonattainment area that affects Entergy Texas is the Houston-Galveston-Brazoria area. Both Lewis Creek and the Montgomery County Power Station hold all necessary permits for construction and operation and comply with applicable air quality program regulations. Measures enacted to return the area to ozone attainment could make these program regulations more stringent. Entergy will continue to work with state environmental agencies on appropriate methods for assessing attainment and nonattainment with the ozone NAAQS.

#### Potential SO<sub>2</sub> Nonattainment

The EPA issued a final rule in June 2010 adopting an SO<sub>2</sub> 1-hour national ambient air quality standard of 75 parts per billion. In Entergy's utility service territory, only St. Bernard Parish and Evangeline Parish in Louisiana are designated as nonattainment. In August 2017 the EPA issued a letter indicating that East Baton Rouge and St. Charles parishes would be designated by December 31, 2020, as monitors were installed to determine compliance. Entergy continues to monitor this situation.

#### Hazardous Air Pollutants

The EPA released the final Mercury and Air Toxics Standard (MATS) rule in December 2011, which had a compliance date, with a widely granted one-year extension, of April 2016. The required controls have been installed and are operational at all affected Entergy units. In February 2019 the EPA published its proposed rule that finds that it is not "appropriate and necessary" to regulate hazardous air pollutants from electric steam generating units under the provisions of section 112(n) of the Clean Air Act. This is a reversal of the EPA's previous finding requiring such regulation. However, the proposal does not seek to revise the MATS rule at this time. Entergy will continue to monitor this situation.

## Regional Haze

In June 2005 the EPA issued its final Clean Air Visibility Rule (CAVR) regulations that potentially could result in a requirement to install SO<sub>2</sub> and NO<sub>x</sub> pollution control technology as Best Available Retrofit Control Technology (BART) to continue operating certain of Entergy's fossil generation units. The rule leaves certain CAVR determinations to the states.

In Arkansas, the Arkansas Department of Environmental Quality prepared a state implementation plan (SIP) for Arkansas facilities to implement its obligations under the CAVR. In April 2012 the EPA finalized a decision addressing the Arkansas Regional Haze SIP, in which it disapproved a large portion of the Arkansas plan, including the emission limits for NO<sub>x</sub> and SO<sub>2</sub> at White Bluff. In April 2015 the EPA published a proposed federal implementation plan (FIP) for Arkansas, taking comment on requiring installation of scrubbers and low NO<sub>x</sub> burners to continue operating both units at the White Bluff plant and both units at the Independence plant and NO<sub>x</sub> controls to continue operating the Lake Catherine plant. Entergy filed comments by the deadline in August 2015. Among other comments, including opposition to the EPA's proposed controls on the Independence units, Entergy proposed to meet more stringent SO<sub>2</sub> and NO<sub>x</sub> limits at both White Bluff and Independence within three years of the effective date of the final FIP and to cease the use of coal at the White Bluff units at a later date.

In September 2016 the EPA published the final Arkansas Regional Haze FIP. In most respects, the EPA finalized its original proposal but shortened the time for compliance for installation of the NO<sub>x</sub> controls. The FIP required an emission limitation consistent with SO<sub>2</sub> scrubbers at both White Bluff and Independence by October 2021 and NO<sub>x</sub> controls by April 2018. The EPA declined to adopt Entergy's proposals related to ceasing coal use as an alternative to SO<sub>2</sub> scrubbers for White Bluff SO<sub>2</sub> BART. In November 2016, Entergy and other interested parties, including the State of Arkansas, filed petitions for administrative reconsideration and stay at the EPA as well as petitions for judicial review in the U.S. Court of Appeals for the Eighth Circuit. The Eighth Circuit granted the stay pending settlement discussions and pending the State's development of a SIP that, if approved by the EPA, would replace the FIP. The state has proposed its replacement SIP in two parts: Part I considers NO<sub>x</sub> requirements, and Part II considers SO<sub>2</sub> requirements. The EPA approved the Part I NO<sub>x</sub> SIP in January 2018. The Part I SIP requires that Entergy address NO<sub>x</sub> impacts on visibility via compliance with the Cross State Air Pollution Rule ozone-season emission trading program. Arkansas has finalized a Part II SIP which has been approved by the EPA but is currently pending a state court appeal. That appeal has been stayed pending the outcome of a federal court case, which may resolve many of the issues on appeal. The final Part II SIP requires that Entergy achieve SO<sub>2</sub> emission reductions via the use of low-sulfur coal at both White Bluff and Independence within three years. The Part II SIP also requires that Entergy cease to use coal at White Bluff by December 31, 2028 and notes the current planning assumption that Entergy's Independence units will cease to burn coal by December 31, 2030.

In January and February 2018, Entergy Arkansas, Entergy Mississippi, Entergy Power, and other co-owners received 60-day notice of intent to sue letters from the Sierra Club and the National Parks Conservation Association concerning allegations of violations of new source review and permitting provisions of the Clean Air Act at the Independence and White Bluff coal-burning units, respectively. In November 2018, following extensive negotiations, Entergy Arkansas, Entergy Mississippi, and Entergy Power entered a proposed settlement resolving those claims and reducing the risk that Entergy Arkansas, as operator of Independence and White Bluff, might be compelled under the Clean Air Act's regional haze program to install costly emissions control technologies. Consistent with the terms of the settlement and in many cases also the Part II SIP, Entergy Arkansas, along with co-owners, will begin using only low-sulfur coal at Independence and White Bluff by mid-2021; cease to use coal at White Bluff and Independence by the end of 2028 and 2030, respectively; cease operation of the remaining gas unit at Lake Catherine by the end of 2027; reserve the option to develop new generating sources at each plant site; and commit to install or propose to regulators at least 800 MWs of renewable generation by the end of 2027, with at least half installed or proposed by the end of 2022 (which includes two existing Entergy Arkansas projects) and with all qualifying co-owner projects counting toward satisfaction of the obligation. Under the settlement, the Sierra Club and the National Parks Conservation Association also waive certain potential existing claims under federal and state environmental law with respect to specified generating plants. The settlement, which formally resolves a complaint filed by the Sierra Club and the

National Parks Conservation Association, is subject to approval by the U.S. District Court for the Eastern District of Arkansas. The EPA, which is allowed to comment on such a settlement agreement, has stated that it has no objections to the settlement. Pending before the court are a motion by the plaintiffs to approve the settlement, in support of which Entergy made a filing, and motions by the Arkansas Attorney General and the Arkansas Affordable Energy Coalition to intervene and to stay the proceedings. The Arkansas Attorney General also filed an application before the APSC in December 2018 seeking an investigation into the effects of the settlement. The Arkansas Affordable Energy Coalition filed to support the application, and Entergy Arkansas filed a motion to dismiss. The application remains pending before the APSC. In October 2019 the District Court requested supplemental briefing on several issues to be resolved prior to addressing the motion to approve the settlement.

In Louisiana, Entergy has worked with the Louisiana Department of Environmental Quality (LDEQ) and the EPA to revise the Louisiana SIP for regional haze, which had been disapproved in part in 2012. The LDEQ submitted a revised SIP in February 2017. In May 2017 the EPA proposed to approve a majority of the revisions. In September 2017 the EPA issued a proposed SIP approval for the Nelson plant, requiring an emission limitation consistent with the use of low-sulfur coal, with a compliance date of January 22, 2021. The EPA issued final approval in December 2017. The EPA approval was appealed to the U.S. Court of Appeals for the Fifth Circuit. In October 2019 the Fifth Circuit affirmed EPA's SIP approval.

#### New and Existing Source Performance Standards for Greenhouse Gas Emissions

In July 2019 the EPA released the Affordable Clean Energy Rule (ACE), which applies only to existing coal-fired electric generating units. The ACE determines that heat rate improvements are the best system of emission reductions and lists six candidate technologies for consideration by states at each coal unit. The rule and associated rulemakings by the EPA replace the Obama administration's Clean Power Plan rule. The ACE rule provides states discretion in determining how the best system for emission reductions applies to individual units, including through the consideration of technical feasibility and the remaining useful life of the facility. Entergy is evaluating the final Affordable Clean Energy Rule's impacts on its coal units and will monitor litigation challenging the rule. The EPA also has proposed a revision to the new source performance standard on greenhouse gas emissions that primarily impacts new coal units and, therefore, should not impact Entergy.

#### Potential Legislative, Regulatory, and Judicial Developments

In addition to the specific instances described above, there are a number of legislative and regulatory initiatives concerning air emissions, as well as other media, that are under consideration at the federal, state, and local level. Because of the nature of Entergy's business, the imposition of any of these initiatives could affect Entergy's operations. Entergy continues to monitor these initiatives and activities in order to analyze their potential operational and cost implications. These initiatives include:

- designation by the EPA and state environmental agencies of areas that are not in attainment with national ambient air quality standards;
- introduction of bills in Congress and development of regulations by the EPA proposing further limits on NO<sub>x</sub>, SO<sub>2</sub>, mercury, and carbon dioxide and other air emissions. New legislation or regulations applicable to stationary sources could take the form of market-based cap-and-trade programs, direct requirements for the installation of air emission controls onto air emission sources, or other or combined regulatory programs;
- efforts in Congress or at the EPA to establish a federal carbon dioxide emission tax, control structure or unit performance standards;
- revisions to the estimates of the Social Cost of Carbon and its use for regulatory impact analysis of Federal laws and regulations;
- implementation of the Regional Greenhouse Gas Initiative by several states in the northeastern United States and similar actions in other regions of the United States;

- efforts on the state and federal level to codify renewable portfolio standards, clean energy standards, or a similar mechanism requiring utilities to produce or purchase a certain percentage of their power from defined renewable energy sources or energy sources with lower emissions;
- efforts to develop more stringent state water quality standards, effluent limitations for Entergy’s industry sector, stormwater runoff control regulations, and cooling water intake structure requirements;
- efforts to restrict the previously-approved continued use of oil-filled equipment containing certain levels of PCBs;
- efforts by certain external groups to encourage reporting and disclosure of carbon dioxide emissions and risk;
- the listing of additional species as threatened or endangered, the protection of critical habitat for these species, and developments in the legal protection of eagles and migratory birds; and
- the regulation of the management, disposal, and beneficial reuse of coal combustion residuals.

Entergy continues to support national legislation that would increase planning certainty for electric utilities while addressing carbon dioxide emissions in a responsible and flexible manner. By virtue of its proportionally large investment in low-emitting gas-fired and nuclear generation technologies, Entergy has a low overall carbon dioxide emission “intensity,” or rate of carbon dioxide emitted per megawatt-hour of electricity generated. In anticipation of the imposition of carbon dioxide emission limits on the electric industry, Entergy initiated actions designed to reduce its exposure to potential new governmental requirements related to carbon dioxide emissions. These voluntary actions included a formal program to stabilize owned power plant carbon dioxide emissions at 2000 levels through 2005, and Entergy succeeded in reducing emissions below 2000 levels. In 2006, Entergy started including emissions from controllable power purchases in addition to its ownership share of generation and established a second formal voluntary program to stabilize power plant carbon dioxide emissions and emissions from controllable power purchases, cumulatively over the period, at 20% below 2000 levels through 2010. In 2011, Entergy extended this commitment through 2020. Total carbon dioxide emissions representing Entergy’s ownership share of power plants and controllable power purchases in the United States were approximately 40.7 million tons in 2019 and 43.7 tons in 2018.

Entergy voluntarily conducted a climate scenario analysis and published a comprehensive report in March 2019. The report follows the framework and recommendations of the Task Force on Climate-related Disclosures, describing climate-related governance, strategy, risk management, and metrics and targets. Scenario analysis resulted in Entergy developing and publishing a new goal of reducing the Utility’s emission rate by 50 percent from 2000 levels by 2030.

Entergy participates in the M.J. Bradley & Associates’ Annual Benchmarking Air Emissions Report, an annual analysis of the 100 largest U.S. electric power producers. The report is available on the M.J. Bradley website. Entergy’s annual greenhouse gas emissions inventory is also third-party verified, and that certification is made available on the American Carbon Registry website. Entergy participates annually in the Dow Jones Sustainability Index and in 2019 was listed on the North American Index. Entergy has been listed on the World or North American Index, or both, for eighteen consecutive years.

#### Clean Water Act

The 1972 amendments to the Federal Water Pollution Control Act (known as the Clean Water Act) provide the statutory basis for the National Pollutant Discharge Elimination System (NPDES) permit program, section 402, and the basic structure for regulating the discharge of pollutants from point sources to waters of the United States. The Clean Water Act requires virtually all discharges of pollutants to waters of the United States to be permitted. Section 316(b) of the Clean Water Act regulates cooling water intake structures, section 401 of the Clean Water Act requires a water quality certification from the state in support of certain federal actions and approvals, and section 404 regulates the dredge and fill of waters of the United States, including jurisdictional wetlands.

### Steam Electric Effluent Guidelines

The 2015 Steam Electric Effluent Limitations Guidelines (ELG) rule requires, among other things, that there be no discharge of bottom ash transport water. The no-discharge requirement contains no exceptions and could cause compliance problems for Entergy's coal facilities during heavy storm events and under certain non-routine operational conditions. The ELG rule's compliance dates currently are delayed while the EPA reconsiders the rule. Additionally, the Fifth Circuit Court of Appeals recently vacated and remanded the provisions of the rule related to legacy wastewater and leachate. In November 2019 the EPA released a proposed rule revision on bottom ash transport water that will allow some flexibility for storm events and non-routine operations. A separate rulemaking is expected to address the legacy wastewater and leachate issues. Despite the impending rulemaking, Entergy is implementing projects at its White Bluff and Independence plants to convert to zero-discharge systems to comply with the ELG rule and the coal combustion residuals restrictions on impoundments. Additionally, the Nelson Unit 6 facility is implementing operational and maintenance measures to ensure its original zero-discharge design is maintained for compliance with the ELG rule.

### Federal Jurisdiction of Waters of the United States

In February 2019 the EPA published its proposed revised definition of Waters of the United States, which proposes to narrow the scope of Clean Water Act jurisdiction, as compared to a 2015 definition which had been stayed by several federal courts. The final rule was released in January 2020. In October 2019 the EPA repealed the 2015 rule and re-codified the pre-existing regulations. That rule was effective late December 2019. Numerous challenges are expected for both rules.

### Groundwater at Certain Nuclear Sites

The NRC requires nuclear power plants to monitor and report regularly the presence of radioactive material in the environment. Entergy joined other nuclear utilities and the Nuclear Energy Institute in 2006 to develop a voluntary groundwater monitoring and protection program. This initiative began after detection of very low levels of radioactive material, primarily tritium, in groundwater at several plants in the United States. Tritium is a radioactive form of hydrogen that occurs naturally and is also a byproduct of nuclear plant operations. In addition to tritium, other radionuclides have been found in site groundwater at nuclear plants.

As part of the groundwater monitoring and protection program, Entergy has: (1) performed reviews of plant groundwater characteristics (hydrology) and historical records of past events on site that may have potentially impacted groundwater; (2) implemented fleet procedures on how to handle events that could impact groundwater; and (3) installed groundwater monitoring wells and began periodic sampling. The program also includes protocols for notifying local officials if contamination is found. To date, radionuclides such as tritium have been detected at Arkansas Nuclear One, Indian Point, Palisades, Grand Gulf, and River Bend. Each of these sites has installed groundwater monitoring wells and implemented a program for testing groundwater at the sites for the presence of tritium and other radionuclides. Based on current information, the concentrations and locations of radionuclides detected at these plants pose no threat to public health or safety, but each site continues to evaluate the results from its groundwater monitoring program.

### Comprehensive Environmental Response, Compensation, and Liability Act of 1980

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), authorizes the EPA to mandate clean-up by, or to collect reimbursement of clean-up costs from, owners or operators of sites at which hazardous substances may be or have been released. Certain private parties also may use CERCLA to recover response costs. Parties that transported hazardous substances to these sites or arranged for the disposal of the substances are also deemed liable by CERCLA. CERCLA has been interpreted to impose strict, joint and several liability on responsible parties. Many states have adopted programs similar to CERCLA. Entergy subsidiaries in the Utility and Entergy Wholesale Commodities businesses have sent waste materials to various disposal

sites over the years, and releases have occurred at Entergy facilities including nuclear facilities that have been or will be sold to decommissioning companies. In addition, environmental laws now regulate certain of Entergy's operating procedures and maintenance practices that historically were not subject to regulation. Some disposal sites used by Entergy subsidiaries have been the subject of governmental action under CERCLA or similar state programs, resulting in site clean-up activities. Entergy subsidiaries have participated to various degrees in accordance with their respective potential liabilities in such site clean-ups and have developed experience with clean-up costs. The affected Entergy subsidiaries have established provisions for the liabilities for such environmental clean-up and restoration activities. Details of potentially material CERCLA and similar state program liabilities are discussed in the "[Other Environmental Matters](#)" section below.

### Coal Combustion Residuals

In June 2010 the EPA issued a proposed rule on coal combustion residuals (CCRs) that contained two primary regulatory options: (1) regulating CCRs destined for disposal in landfills or received (including stored) in surface impoundments as so-called "special wastes" under the hazardous waste program of RCRA Subtitle C; or (2) regulating CCRs destined for disposal in landfills or surface impoundments as non-hazardous wastes under Subtitle D of RCRA. Under both options, CCRs that are beneficially reused in certain processes would remain excluded from hazardous waste regulation. In April 2015 the EPA published the final CCR rule with the material being regulated under the second scenario presented above - as non-hazardous wastes regulated under RCRA Subtitle D.

The final regulations create new compliance requirements including modified storage, new notification and reporting practices, product disposal considerations, and CCR unit closure criteria. Entergy believes that on-site disposal options will be available at its facilities, to the extent needed for CCR that cannot be transferred for beneficial reuse. As of December 31, 2019, Entergy has recorded asset retirement obligations related to CCR management of \$19.2 million.

In December 2016 the Water Infrastructure Improvements for the Nation Act (WIIN Act) was signed into law, which authorizes states to regulate coal ash rather than leaving primary enforcement to citizen suit actions. States may submit to the EPA proposals for a permit program. In September 2017 the EPA agreed to reconsider certain provisions of the CCR rule in light of the WIIN Act. In July 2018 the EPA released its initial revisions extending certain deadlines and incorporating some risk-based standards. In August 2018 the D.C. Circuit vacated several provisions of the CCR rule on the basis that they were inconsistent with the Resource Conservation and Recovery Act and remanded the matter to the EPA to conduct further rulemaking. In August 2019 the EPA released its second set of proposed revisions to the CCR rule and plans at least three additional rulemakings.

Pursuant to the EPA Rule, Entergy operates groundwater monitoring systems surrounding its coal combustion residual landfills located at White Bluff, Independence, and Nelson. Monitoring to date has detected concentrations of certain listed constituents in the area, but has not indicated that these constituents originated at the active landfill cells. Reporting has occurred as required, and detection monitoring will continue as the rule requires. In late-2017, Entergy determined that certain in-ground wastewater treatment system recycle ponds at its White Bluff and Independence facilities require management under the new EPA regulations. In order to meet these regulations, one of two recycle ponds at White Bluff commenced closure in October 2018. Additionally, the second recycle pond at White Bluff plans to initiate closure on or before October 31, 2020. Any potential requirements for corrective action or operational changes under the new EPA rule continue to be assessed. Notably, ongoing litigation has resulted in the EPA's continuing review of the rule. Consequently, the nature and cost of additional corrective action requirements may depend, in part, on the outcome of the EPA's review.

## Other Environmental Matters

### Entergy Louisiana and Entergy Texas

Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, currently is involved in the second phase of the remedial investigation of the Lake Charles Service Center site, located in Lake Charles, Louisiana. A manufactured gas plant (MGP) is believed to have operated at this site from approximately 1916 to 1931. Coal tar, a by-product of the distillation process employed at MGPs, apparently was routed to a portion of the property for disposal. The same area also has been used as a landfill. In 1999, Entergy Gulf States, Inc. signed a second administrative consent order with the EPA to perform a removal action at the site. Removal actions addressed contaminated source material, soil, and sediment and included capping certain soil on and off-site. In 2002 approximately 7,400 tons of contaminated soil and debris were excavated and disposed of from an area within the service center. In 2003 a cap was constructed over the remedial area to prevent the migration of contamination to the surface. In August 2005 an administrative order was issued by the EPA requiring that a 10-year groundwater study be conducted at this site. The groundwater monitoring study commenced in January 2006. The EPA released the second Five Year Review in 2015. In that review, the EPA indicated that the remediation technique was insufficient and that Entergy would need to utilize other remediation technologies on the site. In July 2015, Entergy submitted a Focused Feasibility Study to the EPA outlining the potential remedies and suggesting installation of the new remedial method, a waterloo barrier. The estimated cost for this remedy is approximately \$2 million, to be allocated between Entergy Louisiana and Entergy Texas. In early 2017 the EPA indicated that the waterloo barrier may not be necessary and requested revisions to the Focused Feasibility Study. The EPA released the third Five Year Review in late-2019 confirming that a new remedial method is not necessary but requiring continuation of the current groundwater monitoring. The site's remedy includes monitored natural attenuation of groundwater, and institutional controls to restrict groundwater and land use. The EPA has determined that no additional actions are needed for the remedy to be protective over the long-term, and the remedy is protective of human health and the environment.

### Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas

The Texas Commission on Environmental Quality (TCEQ) notified Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas that the TCEQ believes those entities are potentially responsible parties (PRPs) concerning contamination existing at the San Angelo Electric Service Company (SESCO) facility in San Angelo, Texas. The facility operated as a transformer repair and scrapping facility from the 1930s until 2003. Both soil and groundwater contamination existed at the site. Entergy subsidiaries sent transformers to this facility. Entergy Arkansas, Entergy Louisiana, and Entergy Texas responded to an information request from the TCEQ. Entergy Louisiana and Entergy Texas joined a group of PRPs responding to site conditions in cooperation with the State of Texas, creating cost allocation models based on review of SESCO documents and employee interviews, and investigating contribution actions against other PRPs. Entergy Louisiana and Entergy Texas have agreed to contribute to the remediation of contaminated soil and groundwater at the site in a measure proportionate to those companies' involvement at the site. Current estimates, although variable depending on ultimate remediation design and performance, indicate that Entergy's total share of remediation costs likely will be approximately \$1.5 million to \$2 million. Groundwater monitoring wells at the site were plugged and abandoned in December 2019 following receipt of a certificate of completion issued by the TCEQ. Site decommissioning activities will occur, and final disposition of the property will be determined at a later time.



## Entergy Texas

In December 2016 a transformer inside the Hartburg, Texas Substation had an internal fault resulting in a release of approximately 15,000 gallons of non-PCB mineral oil. Cleanup ensued immediately; however, rain caused much of the oil to spread across the substation yard and into a nearby wetland. The Texas Commission on Environmental Quality (TCEQ) and the National Response Center were immediately notified, and the TCEQ responded to the site approximately two hours after the cleanup was initiated. The remediation liability is estimated at \$2.2 million; however, this number could fluctuate depending on the remediation extent and wetland mitigation requirements. In July 2017, Entergy entered into the Voluntary Cleanup Program with the TCEQ. In November 2017, additional soil sampling was completed in the wetland area and, in February 2018, a site summary report of findings was submitted to the TCEQ. The TCEQ responded in June 2018 and requested an ecological exclusion criteria checklist/Tier II screening-level ecological risk assessment, and additional site assessment, additional soil samples, groundwater samples, and some additional diagrams and maps. In October 2018, Entergy submitted the requested information to the TCEQ. In January 2019 the TCEQ responded with another request for information. In March 2019, Entergy submitted the requested information to the TCEQ. In August 2019 the TCEQ responded with a request for additional information including an Affected Property Assessment Report (APAR) and water well survey. The TCEQ has agreed that the necessity of the water well survey is dependent on the results of the groundwater resampling that will occur. Groundwater sampling was completed in December 2019 and results were submitted to the TCEQ for review. Based on the groundwater sampling results, the TCEQ has indicated that a water well survey is not necessary. The deadline for submittal of the APAR will be 180 days following the receipt of the TCEQ's letter confirming approval of the groundwater sampling results.

### **Litigation**

Entergy uses legal and appropriate means to contest litigation threatened or filed against it, but certain states in which Entergy operates have proven to be unusually litigious environments. Judges and juries in Louisiana, Mississippi, and Texas have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. The litigation environment in these states poses a significant business risk to Entergy.

Ratepayer and Fuel Cost Recovery Lawsuits (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

#### Mississippi Attorney General Complaint

See Note 2 to the financial statements for a discussion of this proceeding.

Asbestos Litigation (Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)

See Note 8 to the financial statements for a discussion of this litigation.

Employment and Labor-related Proceedings (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 8 to the financial statements for a discussion of these proceedings.

**Employees**

Employees are an integral part of Entergy’s commitment to serving customers. As of December 31, 2019, Entergy subsidiaries employed 13,635 people.

Utility:	
Entergy Arkansas	1,251
Entergy Louisiana	1,670
Entergy Mississippi	745
Entergy New Orleans	308
Entergy Texas	643
System Energy	—
Entergy Operations	3,564
Entergy Services	3,899
Entergy Nuclear Operations	1,505
Other subsidiaries	50
<b>Total Entergy</b>	<b>13,635</b>

Approximately 4,100 employees are represented by the International Brotherhood of Electrical Workers, the Utility Workers Union of America, the International Brotherhood of Teamsters, the United Government Security Officers of America, and the International Union, Security, Police, and Fire Professionals of America.

**Availability of SEC filings and other information on Entergy’s website**

Entergy electronically files reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies, and amendments to such reports. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. Copies of the reports that Entergy files with the SEC can be obtained at the SEC’s website.

Entergy uses its website, <http://www.entergy.com>, as a routine channel for distribution of important information, including news releases, analyst presentations and financial information. Filings made with the SEC are posted and available without charge on Entergy’s website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. These filings include annual and quarterly reports on Forms 10-K and 10-Q (including related filings in Inline XBRL format) and current reports on Form 8-K; proxy statements; and any amendments to those reports or statements. All such postings and filings are available on Entergy’s Investor Relations website free of charge. Entergy is providing the address to its internet site solely for the information of investors and does not intend the address to be an active link. The contents of the website are not incorporated into this report.

## RISK FACTORS

Investors should review carefully the following risk factors and the other information in this Form 10-K. The risks that Entergy faces are not limited to those in this section. There may be additional risks and uncertainties (either currently unknown or not currently believed to be material) that could adversely affect Entergy's financial condition, results of operations, and liquidity. See "**FORWARD-LOOKING INFORMATION.**"

### Utility Regulatory Risks

**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

*The terms and conditions of service, including electric and gas rates, of the Utility operating companies and System Energy are determined through regulatory approval proceedings that can be lengthy and subject to appeal that could result in delays in effecting rate changes and uncertainty as to ultimate results.*

The Utility operating companies are regulated on a cost-of-service and rate of return basis and are subject to statutes and regulatory commission rules and procedures. The rates that the Utility operating companies and System Energy charge reflect their capital expenditures, operations and maintenance costs, allowed rates of return, financing costs, and related costs of service. These rates significantly influence the financial condition, results of operations, and liquidity of Entergy and each of the Utility operating companies and System Energy. These rates are determined in regulatory proceedings and are subject to periodic regulatory review and adjustment, including adjustment upon the initiative of a regulator or affected stakeholders.

In addition, regulators may initiate proceedings to investigate the prudence of costs in the Utility operating companies' base rates and examine, among other things, the reasonableness or prudence of the companies' operation and maintenance practices, level of expenditures (including storm costs and costs associated with capital projects), allowed rates of return and rate base, proposed resource acquisitions, and previously incurred capital expenditures that the operating companies seek to place in rates. The regulators may disallow costs subject to their jurisdiction found not to have been prudently incurred or found not to have been incurred in compliance with applicable tariffs, creating some risk to the ultimate recovery of those costs. Regulatory proceedings relating to rates and other matters typically involve multiple parties seeking to limit or reduce rates. Traditional base rate proceedings, as opposed to formula rate plans, generally have long timelines, are primarily based on historical costs, and may or may not be limited in scope or duration by statute. The length of these base rate proceedings can cause the Utility operating companies and System Energy to experience regulatory lag in recovering costs through rates, such that the Utility operating companies may not fully recover all costs during the rate effective period and the Utility operating companies may, therefore, earn less than their allowed returns. Decisions are typically subject to appeal, potentially leading to additional uncertainty associated with rate case proceedings.

The Utility operating companies have large customer and stakeholder bases and, as a result, could be the subject of public criticism or adverse publicity focused on issues including the operation of their assets and infrastructure or the quality of their service. Criticism or adverse publicity of this nature could render legislatures and other governing bodies, public service commissions and other regulatory authorities, and government officials less likely to view the applicable operating company in a favorable light and could potentially negatively affect legislative or regulatory processes or outcomes, as well as lead to increased regulatory oversight or more stringent legislative or regulatory requirements.

The base rates of Entergy Texas are established largely in traditional base rate case proceedings. Between base rate proceedings, Entergy Texas has available rate riders to recover the revenue requirements associated with certain incremental costs. For example, Entergy Texas has recovered distribution-related capital investments through the distribution cost recovery factor rider mechanism, transmission-related capital investments and certain non-fuel MISO charges through the transmission cost recovery factor rider mechanism, and MISO fuel and energy-related costs

through the fixed fuel factor mechanism. Entergy Texas is also required to make a filing every three years, at a minimum, reconciling its fuel and purchased power costs and fuel factor revenues. In the course of this reconciliation, the PUCT determines whether eligible fuel and fuel-related expenses and revenues are necessary and reasonable, and makes a prudence finding for each of the fuel-related contracts for the reconciliation period.

Between base rate cases, Entergy Arkansas and Entergy Mississippi are able to adjust base rates annually through formula rate plans that utilize a forward test year (Entergy Arkansas) or forward-looking features (Entergy Mississippi). In response to Entergy Arkansas's application for a general change in rates in 2015, the APSC approved the formula rate plan tariff proposed by Entergy Arkansas including its use of a projected year test period and an initial five-year term. The initial five-year term expires in 2021 unless Entergy Arkansas requests, and the APSC approves, the extension of the formula rate plan tariff for an additional five years through 2026. If Entergy Arkansas's formula rate plan were terminated or not extended beyond the initial term, Entergy Arkansas could file an application for a general change in rates that may include a request for continued regulation under a formula rate review mechanism. If Entergy Mississippi's formula rate plan is terminated, it would revert to the more traditional rate case environment or seek approval of a new formula rate plan. Entergy Arkansas and Entergy Mississippi recover fuel and purchased energy and certain non-fuel costs through other APSC-approved and MPSC-approved tariffs, respectively.

Entergy Louisiana historically sets electric base rates annually through a formula rate plan using an historic test year. The form of the formula rate plan, on a combined basis, was approved in connection with the business combination of Entergy Louisiana and Entergy Gulf States Louisiana and largely followed the formula rate plans that were approved by the LPSC in connection with the full electric base rate cases filed by those companies in February 2013. The formula rate plan was most recently extended through the test year 2019; certain modifications were made in that extension, including a decrease to the allowed return on equity and the addition of a transmission cost recovery mechanism. The formula rate plan continues to include exceptions from the rate cap and sharing requirements for certain large capital investment projects, including acquisition or construction of generating facilities and purchase power agreements approved by the LPSC and as noted, for certain transmission investment, among other items. MISO fuel and energy-related costs are recoverable in Entergy Louisiana's fuel adjustment clause. In the event that the electric formula rate plan is not renewed or extended, Entergy Louisiana would revert to the more traditional rate case environment.

Entergy New Orleans previously operated under a formula rate plan that ended with the 2011 test year. Based on a settlement agreement approved by the City Council, with limited exceptions, the base rates of Entergy New Orleans were frozen until rates were implemented in connection with the base rate case filed by Entergy New Orleans in 2018. In November 2019 the City Council issued a resolution resolving the rate case, with rates to become effective retroactive to August 2019. The resolution allows Entergy New Orleans to implement a three-year formula rate plan, beginning with the 2019 test year as adjusted for forward-looking known and measurable changes. Entergy New Orleans has appealed the resolution. See Note 2 to the financial statements for further discussion.

The rates of System Energy are established by the FERC, and the costs allowed to be charged pursuant to these rates are, in turn, passed through to the participating Utility operating companies through the Unit Power Sales Agreement, which allows monthly adjustments to reflect the current operating costs of, and investment in, Grand Gulf. The Unit Power Sales Agreement is currently the subject of several litigation proceedings at the FERC, including a challenge with respect to System Energy's authorized return on equity and capital structure and a request in a separate proceeding for FERC to initiate a broader investigation of rates under the Unit Power Sales Agreement. See Note 2 to the financial statements for further discussion of the proceedings. The Utility operating companies have agreed to implement certain protocols for providing retail regulators with information regarding rates billed under the Unit Power Sales Agreement.

The Utility operating companies and System Energy, and the energy industry as a whole, have experienced a period of rising costs and investments, and an upward trend in spending, especially with respect to infrastructure investments, which is likely to continue in the foreseeable future and could result in more frequent rate cases and

requests for, and the continuation of, cost recovery mechanisms. For information regarding rate case proceedings and formula rate plans applicable to the Utility operating companies, see Note 2 to the financial statements.

***Changes to state or federal legislation or regulation affecting electric generation, electric and natural gas transmission, distribution and related activities could adversely affect Entergy and the Utility operating companies' financial position, results of operations or cash flows and their utility businesses.***

If legislative and regulatory structures evolve in a manner that erodes the Utility operating companies' exclusive rights to serve their regulated customers, they could lose customers and sales and their results of operations, financial position or cash flows could be materially affected. Additionally, technological advances in energy efficiency and distributed energy resources are reducing the costs of these technologies and together with ongoing state and federal subsidies, the increasing penetration of these technologies could result in reduced sales by the Utility operating companies. Such loss of sales could put upward pressure on rates, resulting in adverse regulatory actions to mitigate such effects on rates. Entergy and the Utility operating companies cannot predict if or when they may be subject to changes in legislation or regulation, or the extent and timing of reductions of the cost of distributed energy resources, nor can they predict the impact of these changes on their results of operations, financial position or cash flows.

***The Utility operating companies recover fuel, purchased power, and associated costs through rate mechanisms that are subject to risks of delay or disallowance in regulatory proceedings.***

The Utility operating companies recover their fuel, purchased power, and associated costs from their customers through rate mechanisms subject to periodic regulatory review and adjustment. Because regulatory review can result in the disallowance of incurred costs found not to have been prudently incurred, including the cost of replacement power purchased when generators experience outages, with the possibility of refunds to ratepayers, there exists some risk to the ultimate recovery of those costs. Regulators may also initiate proceedings to investigate the continued usage or the adequacy and operation of the fuel and purchased power recovery clauses of the Utility operating companies and, therefore, there can be no assurance that existing recovery mechanisms will remain unchanged or in effect at all.

The Utility operating companies' cash flows can be negatively affected by the time delays between when gas, power, or other commodities are purchased and the ultimate recovery from customers of the costs in rates. On occasion, when the level of incurred costs for fuel and purchased power rises very dramatically, some of the Utility operating companies may agree to defer recovery of a portion of that period's fuel and purchased power costs for recovery at a later date, which could increase the near-term working capital and borrowing requirements of those companies. For a description of fuel and purchased power recovery mechanisms and information regarding the regulatory proceedings for fuel and purchased power costs recovery, see Note 2 to the financial statements.

***There remains uncertainty regarding the effect of the termination of the System Agreement on the Utility operating companies.***

The Utility operating companies historically engaged in the coordinated planning, construction, and operation of generating resources and bulk transmission facilities under the terms of the System Agreement, which is a rate schedule that had been approved by the FERC. The System Agreement terminated in its entirety on August 31, 2016.

There remains uncertainty regarding the long-term effect of the termination of the System Agreement on the Utility operating companies because of the significant effect of the agreement on the generation and transmission functions of the Utility operating companies and the significant period of time (over 30 years) that it had been in existence. In the absence of the System Agreement, there remains uncertainty around the effectiveness of governance processes and the potential absence of federal authority to resolve certain issues among the Utility operating companies and their retail regulators.

In addition, although the System Agreement terminated in its entirety in August 2016, there are a number of outstanding System Agreement proceedings at the FERC that may require future adjustments, including challenges to

the level and timing of payments made by Entergy Arkansas under the System Agreement. The outcome and timing of these FERC proceedings and resulting recovery and impact on rates cannot be predicted at this time.

For further information regarding the regulatory proceedings relating to the System Agreement, see Note 2 to the financial statements.

***The Utility operating companies are subject to economic risks associated with participation in the MISO markets and the allocation of transmission upgrade costs. The operation of the Utility operating companies' transmission system pursuant to the MISO RTO tariff and their participation in the MISO RTO's wholesale markets may be adversely affected by regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.***

On December 19, 2013, the Utility operating companies integrated into the MISO RTO. MISO maintains functional control over the combined transmission systems of its members and administers wholesale energy and ancillary services markets for market participants in the MISO region, including the Utility operating companies. The Utility operating companies sell capacity, energy, and ancillary services on a bilateral basis to certain wholesale customers and offer available electricity production of their generating facilities into the MISO day-ahead and real-time energy markets pursuant to the MISO tariff and market rules. The Utility operating companies are subject to economic risks associated with participation in the MISO markets. MISO tariff rules and system conditions, including transmission congestion, could affect the Utility operating companies' ability to sell power in certain regions and/or the economic value of such sales, and MISO market rules may change in ways that cause additional risk.

The Utility operating companies participate in the MISO regional transmission planning process and are subject to risks associated with planning decisions that MISO makes in the exercise of control over the planning of the Utility operating companies' transmission assets that are under MISO's functional control. The Utility operating companies pay transmission rates that reflect the cost of transmission projects that the Utility operating companies do not own, which could increase cash or financing needs. MISO has made filings with FERC proposing changes in the transmission project criteria in MISO. These changes, if adopted, could potentially result in a larger volume of competitively bid and regionally cost allocated transmission projects. In addition to the cash and financing-related risks arising from the potential additional cost allocation to the Utility operating companies from these projects, there is a risk that the Utility operating companies' business and financial position could be harmed as a result of lost investment opportunities and other effects that flow from an increased number of competitive projects being approved and constructed that are interconnected with their transmission systems. Further, the terms and conditions of the MISO tariff, including provisions related to the design and implementation of wholesale markets, the allocation of transmission upgrade costs, the MISO-wide allowed base rate of return on equity, and any required MISO-related charges and credits are subject to regulation by the FERC. The operation of the Utility operating companies' transmission system pursuant to the MISO tariff and their participation in the MISO wholesale markets may be adversely affected by regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements. In addition, orders from each of the Utility operating companies' respective retail regulators generally require that the Utility operating companies make periodic filings, or generally allow the retail regulator to direct the making of such filings, setting forth the results of analysis of the costs and benefits realized from MISO membership as well as the projected costs and benefits of continued membership in MISO and/or requesting approval of their continued membership in MISO. These filings have been submitted periodically by each of the Utility operating companies as required by their respective retail regulators, and the outcome of the resulting proceedings may affect the Utility operating companies' continued membership in MISO.

**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)**

*A delay or failure in recovering amounts for storm restoration costs incurred as a result of severe weather could have material effects on Entergy and those Utility operating companies affected by severe weather.*

Entergy's and its Utility operating companies' results of operations, liquidity, and financial condition can be materially affected by the destructive effects of severe weather. Severe weather can also result in significant outages for the customers of the Utility operating companies and, therefore, reduced revenues for the Utility operating companies during the period of the outages. A delay or failure in recovering amounts for storm restoration costs incurred or revenues lost as a result of severe weather could have a material effect on Entergy and those Utility operating companies affected by severe weather.

**Nuclear Operating, Shutdown and Regulatory Risks**

**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)**

*Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities must consistently operate their nuclear power plants at high capacity factors in order to be successful, and lower capacity factors could materially affect Entergy's and their results of operations, financial condition, and liquidity.*

Nuclear capacity factors significantly affect the results of operations of certain Utility operating companies, System Energy, and Entergy Wholesale Commodities. Nuclear plant operations involve substantial fixed operating costs. Consequently, to be successful, a plant owner must consistently operate its nuclear power plants at high capacity factors, consistent with safety requirements. For the Utility operating companies that own nuclear plants, lower capacity factors can increase production costs by requiring the affected companies to generate additional energy, sometimes at higher costs, from their owned or contractually controlled facilities or purchase additional energy in the spot or forward markets in order to satisfy their supply needs. For the Entergy Wholesale Commodities nuclear plants, lower capacity factors directly affect revenues and cash flow from operations. Entergy Wholesale Commodities' forward sales are comprised of various hedge products, many of which have some degree of operational-contingent price risk. Certain unit-contingent contracts guarantee specified minimum capacity factors. In the event plants with these contracts were operating below the guaranteed capacity factors, Entergy would be subject to price risk for the undelivered power. Further, Entergy Wholesale Commodities' nuclear forward sales contracts can also be on a firm LD basis, which subjects Entergy to increasing price risk as capacity factors decrease. Many of these firm hedge products have damages risk.

*Certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities nuclear plant owners periodically shut down their nuclear power plants to replenish fuel. Plant maintenance and upgrades are often scheduled during such refueling outages. If refueling outages last longer than anticipated or if unplanned outages arise, Entergy's and their results of operations, financial condition, and liquidity could be materially affected.*

Outages at nuclear power plants to replenish fuel require the plant to be "turned off." Refueling outages generally are planned to occur once every 18 to 24 months. Plant maintenance and upgrades are often scheduled during such planned outages, which typically extends the planned outage duration. When refueling outages last longer than anticipated or a plant experiences unplanned outages, capacity factors decrease, and maintenance costs may increase. Lower than forecasted capacity factors may cause Entergy Wholesale Commodities to experience reduced revenues and may also create damages risk with certain hedge products as previously discussed.

***Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities face risks related to the purchase of uranium fuel (and its conversion, enrichment, and fabrication). These risks could materially affect Entergy's and their results of operations, financial condition and liquidity.***

Based upon currently planned fuel cycles, Entergy's nuclear units have a diversified portfolio of contracts and inventory that provides substantially adequate nuclear fuel materials and conversion and enrichment services at what Entergy believes are reasonably predictable prices through 2020 and beyond. The nuclear fuel supply portfolio for the Entergy Wholesale Commodities segment has been adjusted to reflect reduced overall requirements related to the planned permanent shutdown and sale of the Palisades, Indian Point 2 and Indian Point 3 plants over the next three years and fuel procurement is limited to the final refueling of the Palisades plant in 2020. Entergy's ability to purchase nuclear fuel at reasonably predictable prices, however, depends upon the performance reliability of uranium miners. While there are a number of possible alternate suppliers that may be accessed to mitigate any supplier performance failure, the pricing of any such alternate uranium supply from the market will be dependent upon the market for uranium supply at that time. Entergy buys uranium from a diversified mix of sellers located in a diversified mix of countries, and from time to time purchases from nearly all qualified reliable major market participants worldwide that sell into the U.S. Market prices for nuclear fuel have been extremely volatile from time to time in the past and may be subject to increased volatility due to the imposition of tariffs, domestic purchase requirements or shifting trade arrangements between countries. Although Entergy's nuclear fuel contract portfolio provides a degree of hedging against market risks for several years, costs for nuclear fuel in the future cannot be predicted with certainty due to normal inherent market uncertainties, and price changes could materially affect the liquidity, financial condition, and results of operations of certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities.

Entergy's ability to assure nuclear fuel supply also depends upon the performance and reliability of conversion, enrichment, and fabrication services providers. These service providers are fewer in number than uranium suppliers. For conversion and enrichment services, Entergy diversifies its supply by supplier and country and may take special measures to ensure a reliable supply of enriched uranium for fabrication into nuclear fuel. For fabrication services, each plant is dependent upon the performance of the fabricator of that plant's nuclear fuel; therefore, Entergy relies upon additional monitoring, inspection, and oversight of the fabrication process to assure reliability and quality of its nuclear fuel. Certain of the suppliers and service providers are located in or dependent upon countries, such as Russia, in which international sanctions or tariffs could restrict the ability of such suppliers to continue to supply fuel or provide such services at acceptable prices or at all. The inability of such suppliers or service providers to perform such obligations could materially affect the liquidity, financial condition, and results of operations of certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities.

***Entergy Arkansas, Entergy Louisiana, System Energy, and the Entergy Wholesale Commodities business face the risk that the NRC will change or modify its regulations, suspend or revoke their licenses, or increase oversight of their nuclear plants, which could materially affect Entergy's and their results of operations, financial condition, and liquidity.***

Under the Atomic Energy Act and Energy Reorganization Act, the NRC regulates the operation of nuclear power plants. The NRC may modify, suspend, or revoke licenses, shut down a nuclear facility and impose civil penalties for failure to comply with the Atomic Energy Act, related regulations, or the terms of the licenses for nuclear facilities. Interested parties may also intervene which could result in prolonged proceedings. A change in the Atomic Energy Act, other applicable statutes, or the applicable regulations or licenses, or the NRC's interpretation thereof, may require a substantial increase in capital expenditures or may result in increased operating or decommissioning costs and could materially affect the results of operations, liquidity, or financial condition of Entergy (through Entergy Wholesale Commodities), its Utility operating companies, or System Energy. A change in the classification of a plant owned by one of these companies under the NRC's Reactor Oversight Process, which is the NRC's program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response, also could cause the owner of the plant to incur material additional costs as a result of the increased oversight activity and potential response costs associated with the change in classification. For additional information concerning the current classification of the plants owned by Entergy Arkansas, Entergy Louisiana, System Energy, and



the Entergy Wholesale Commodities business, see “**Regulation of Entergy’s Business - Regulation of the Nuclear Power Industry - NRC Reactor Oversight Process**” in Part I, Item 1 and Note 8 to the financial statements.

Events at nuclear plants owned by one of these companies, as well as those owned by others, may lead to a change in laws or regulations or the terms of the applicable licenses, or the NRC’s interpretation thereof, or may cause the NRC to increase oversight activity or initiate actions to modify, suspend, or revoke licenses, shut down a nuclear facility, or impose civil penalties. As a result, if an incident were to occur at any nuclear generating unit, whether an Entergy nuclear generating unit or not, it could materially affect the financial condition, results of operations, and liquidity of Entergy, certain of the Utility operating companies, System Energy, or Entergy Wholesale Commodities.

***Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities are exposed to risks and costs related to operating and maintaining their nuclear power plants, and their failure to maintain operational efficiency at their nuclear power plants could materially affect Entergy’s and their results of operations, financial condition, and liquidity.***

The nuclear generating units owned by certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business began commercial operations in the 1970s-1980s. Older equipment may require more capital expenditures to keep each of these nuclear power plants operating safely and efficiently. This equipment is also likely to require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages, or any unanticipated capital expenditures, could result in increased costs, some of which costs may not be fully recoverable by the Utility operating companies and System Energy in regulatory proceedings should there be a determination of imprudence. Operations at any of the nuclear generating units owned and operated by Entergy’s subsidiaries could degrade to the point where the affected unit needs to be shut down or operated at less than full capacity. If this were to happen, identifying and correcting the causes may require significant time and expense. A decision may be made to close a unit rather than incur the expense of restarting it or returning the unit to full capacity. For the Utility operating companies and System Energy, this could result in certain costs being stranded and potentially not fully recoverable in regulatory proceedings. For Entergy Wholesale Commodities, this could result in lost revenue and increased fuel and purchased power expense to meet supply commitments and penalties for failure to perform under their contracts with customers. In addition, the operation and maintenance of Entergy’s nuclear facilities require the commitment of substantial human resources that can result in increased costs.

The nuclear industry continues to address susceptibility to the effects of stress corrosion cracking and other corrosion mechanisms on certain materials within plant systems. The issue is applicable at all nuclear units to varying degrees and is managed in accordance with industry standard practices and guidelines that include in-service examinations, replacements, and mitigation strategies. Developments in the industry or identification of issues at the nuclear units could require unanticipated remediation efforts that cannot be quantified in advance.

Moreover, Entergy is becoming more dependent on fewer suppliers for key parts of Entergy’s nuclear power plants that may need to be replaced or refurbished, and in some cases, parts are no longer available and have to be reverse-engineered for replacement. In addition, certain major parts have long lead-times to manufacture if an unplanned replacement is needed. This dependence on a reduced number of suppliers and long lead-times on certain major parts for unplanned replacements could result in delays in obtaining qualified replacement parts and, therefore, greater expense for Entergy.

***The costs associated with the storage of the spent nuclear fuel of certain of the Utility operating companies, System Energy, and the owners of the Entergy Wholesale Commodities nuclear power plants, as well as the costs of and their ability to fully decommission their nuclear power plants, could be significantly affected by the timing of the opening of a spent nuclear fuel disposal facility, as well as interim storage and transportation requirements.***

Certain of the Utility operating companies, System Energy and the owners of the Entergy Wholesale Commodities nuclear plants incur costs for the on-site storage of spent nuclear fuel. The approval of a license for a national repository for the disposal of spent nuclear fuel, such as the one proposed for Yucca Mountain, Nevada, or

any interim storage facility, and the timing of such facility opening, will significantly affect the costs associated with on-site storage of spent nuclear fuel. For example, while the DOE is required by law to proceed with the licensing of Yucca Mountain and, after the license is granted by the NRC, to construct the repository and commence the receipt of spent fuel, the NRC licensing of the Yucca Mountain repository is effectively at a standstill. These actions are prolonging the time before spent fuel is removed from Entergy's plant sites. Because the DOE has not accomplished its objectives, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts, and Entergy has sued the DOE for such breach. Furthermore, Entergy is uncertain as to when the DOE will commence acceptance of spent fuel from its facilities for storage or disposal. As a result, continuing future expenditures will be required to increase spent fuel storage capacity at the companies' nuclear sites and maintenance costs on existing storage facilities, including aging management of fuel storage casks, may increase. The costs of on-site storage are also affected by regulatory requirements for such storage. In addition, the availability of a repository or other off-site storage facility for spent nuclear fuel may affect the ability to fully decommission the nuclear units and the costs relating to decommissioning. For further information regarding spent fuel storage, see the "**Critical Accounting Estimates – Nuclear Decommissioning Costs – Spent Fuel Disposal**" section of Management's Financial Discussion and Analysis for Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy and Note 8 to the financial statements.

***Certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities nuclear plant owners may be required to pay substantial retrospective premiums imposed under the Price-Anderson Act in the event of a nuclear incident, and losses not covered by insurance could have a material effect on Entergy's and their results of operations, financial condition, or liquidity.***

Accidents and other unforeseen problems at nuclear power plants have occurred both in the United States and elsewhere. The Price-Anderson Act limits each reactor owner's public liability (off-site) for a single nuclear incident to the payment of retrospective premiums into a secondary insurance pool, which is referred to as Secondary Financial Protection, up to approximately \$137.6 million per reactor. With 98 reactors currently participating, this translates to a total public liability cap of approximately \$14 billion per incident. The limit is subject to change to account for the effects of inflation, a change in the primary limit of insurance coverage, and changes in the number of licensed reactors. As required by the Price-Anderson Act, the Utility operating companies, System Energy, and Entergy Wholesale Commodities carry the maximum available amount of primary nuclear off-site liability insurance with American Nuclear Insurers, which is \$450 million for each operating site. Claims for any nuclear incident exceeding that amount are covered under Secondary Financial Protection. As a result, in the event of a nuclear incident that causes damages (off-site) in excess of the primary insurance coverage, each owner of a nuclear plant reactor, including Entergy's Utility operating companies, System Energy, and the Entergy Wholesale Commodities plant owners, regardless of fault or proximity to the incident, will be required to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary insurance level, up to a maximum of approximately \$137.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$1.101 billion). The retrospective premium payment is currently limited to approximately \$21 million per year per incident per reactor until the aggregate public liability for each licensee is paid up to the \$137.6 million cap.

NEIL is a utility industry mutual insurance company, owned by its members, including the Utility operating companies, System Energy, and the owners of the Entergy Wholesale Commodities plants. All member plants could be subject to an annual assessment (retrospective premium of up to 10 times current annual premium for all policies) should the NEIL surplus (reserve) be significantly depleted due to insured losses. As of December 31, 2019, the maximum annual assessment amounts total \$112 million for the Utility plants. Retrospective premium insurance available through NEIL's reinsurance treaty can cover the potential assessments and the Entergy Wholesale Commodities plants currently maintain the retrospective premium insurance to cover those potential assessments.

As an owner of nuclear power plants, Entergy participates in industry self-insurance programs and could be liable to fund claims should a plant owned by a different company experience a major event. Any resulting liability from a nuclear accident may exceed the applicable primary insurance coverage and require contribution of additional funds through the industry-wide program that could significantly affect the results of operations, financial condition,

or liquidity of Entergy, certain of the Utility operating companies, System Energy, or the Entergy Wholesale Commodities subsidiaries.

***The decommissioning trust fund assets for the nuclear power plants owned by the Utility operating companies, System Energy and the Entergy Wholesale Commodities nuclear plant owners may not be adequate to meet decommissioning obligations if market performance and other changes decrease the value of assets in the decommissioning trusts, if one or more of Entergy's nuclear power plants is retired earlier than the anticipated shutdown date, if the plants cost more to decommission than estimated, or if current regulatory requirements change, which then could require significant additional funding.***

Owners of nuclear generating plants have an obligation to decommission those plants. Certain of the Utility operating companies, System Energy, and owners of the Entergy Wholesale Commodities nuclear power plants maintain decommissioning trust funds for this purpose. Certain of the Utility operating companies collect funds from their customers, which are deposited into the trusts covering the units operated for or on behalf of those companies. Those rate collections, as adjusted from time to time by rate regulators, are generally based upon operating license lives and trust fund balances as well as estimated trust fund earnings and decommissioning costs. Assets in these trust funds are subject to market fluctuations, will yield uncertain returns that may fall below projected return rates, and may result in losses resulting from the recognition of impairments of the value of certain securities held in these trust funds.

Under NRC regulations, nuclear plant owners are permitted to project the NRC-required decommissioning amount, based on an NRC formula or a site-specific estimate, and the amount that will be available in each nuclear power plant's decommissioning trusts combined with any other decommissioning financial assurances in place. The projections are made based on the operating license expiration date and the mid-point of the subsequent decommissioning process, or the anticipated actual completion of decommissioning if a site-specific estimate is used. If the projected amount of each individual plant's decommissioning trusts exceeds the NRC-required decommissioning amount, then its decommissioning obligations are considered to be funded in accordance with NRC regulations. If the projected costs do not sufficiently reflect the actual costs required to decommission these nuclear power plants, or funding is otherwise inadequate, or if the formula, formula inputs, or site-specific estimate is changed to require increased funding, additional resources or commitments would be required. Furthermore, depending upon the level of funding available in the trust funds, the NRC may not permit the trust funds to be used to pay for related costs such as the management of spent nuclear fuel that are not included in the NRC's formula. The NRC may also require a plan for the provision of separate funding for spent fuel management costs. In addition to NRC requirements, there are other decommissioning-related obligations for certain of the Entergy Wholesale Commodities nuclear power plants, which management believes it will be able to satisfy.

Further, federal or state regulatory changes, including mandated increases in decommissioning funding or changes in the methods or standards for decommissioning operations, may also increase the funding requirements of, or accelerate the timing for funding of, the obligations related to the decommissioning of the Utility operating companies, System Energy, or Entergy Wholesale Commodities nuclear power plants or may restrict the decommissioning-related costs that can be paid from the decommissioning trusts. Such changes also could result in the need for additional contributions to decommissioning trusts, or the posting of parent guarantees, letters of credit, or other surety mechanisms. As a result, under any of these circumstances, Entergy's results of operations, liquidity, and financial condition could be materially affected.

An early plant shutdown (either generally or relative to current expectations), poor investment results or higher than anticipated decommissioning costs (including as a result of changing regulatory requirements) could cause trust fund assets to be insufficient to meet the decommissioning obligations, with the result that the Utility operating companies, System Energy or the Entergy Wholesale Commodities nuclear plant owners may be required to provide significant additional funds or credit support to satisfy regulatory requirements for decommissioning, which, with respect to the Utility operating companies, may not be recoverable from customers in a timely fashion or at all.

For further information regarding nuclear decommissioning costs, management's decision to exit the merchant

power business, the impairment charges that resulted from such decision, and the planned sale of Palisades (which will include the transfer of the decommissioning trust), see the “**Critical Accounting Estimates - Nuclear Decommissioning Costs**” section of Management’s Financial Discussion and Analysis for Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy, the “**Entergy Wholesale Commodities Exit from the Merchant Power Business**” section of Management’s Financial Discussion and Analysis for Entergy Corporation and Subsidiaries, and Notes 9 and 14 to the financial statements.

*New or existing safety concerns regarding operating nuclear power plants and nuclear fuel could lead to restrictions upon the operation and decommissioning of Entergy’s nuclear power plants.*

New and existing concerns are being expressed in public forums about the safety of nuclear generating units and nuclear fuel. These concerns have led to, and may continue to lead to, various proposals to Federal regulators and governing bodies in some localities where Entergy’s subsidiaries own nuclear generating units for legislative and regulatory changes that might lead to the shutdown of nuclear units, additional requirements or restrictions related to spent nuclear fuel on-site storage and eventual disposal, or other adverse effects on owning, operating and decommissioning nuclear generating units. Entergy vigorously responds to these concerns and proposals. If any of the existing proposals, or any proposals that may arise in the future with respect to legislative and regulatory changes, become effective, they could have a material effect on Entergy’s results of operations and financial condition.

#### **(Entergy Corporation)**

##### *Entergy Wholesale Commodities nuclear power plants are exposed to price risk.*

Entergy and its subsidiaries do not have a regulator-authorized rate of return on their capital investments in non-utility businesses. As a result, the sale of capacity and energy from the Entergy Wholesale Commodities nuclear power plants, unless otherwise contracted, is subject to the fluctuation of market power prices. In order to reduce future price risk to desired levels, Entergy Wholesale Commodities utilizes contracts that are unit-contingent and Firm LD and various products such as forward sales, options, and collars. As of December 31, 2019, Entergy Wholesale Commodities’ nuclear power generation plants had sold forward 97% in 2020, 92% in 2021, and 66% in 2022 of its generation portfolio’s planned energy output, reflecting the planned shutdown and sale of the remaining Entergy Wholesale Commodities nuclear power plants by mid-2022.

Market conditions such as product cost, market liquidity, and other portfolio considerations influence the product and contractual mix. The obligations under unit-contingent agreements depend on a generating asset that is operating; if the generation asset is not operating, the seller generally is not liable for damages. For some unit-contingent obligations, however, there is also a guarantee of availability that provides for the payment to the power purchaser of contract damages, if incurred, in the event the unit owner 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. Firm LD sales transactions may be exposed to substantial operational price risk, a portion of which may be capped through the use of risk management products, to the extent that the plants do not run as expected and market prices exceed contract prices.

Market prices may fluctuate substantially, sometimes over relatively short periods of time, and at other times experience sustained increases or decreases. Demand for electricity and its fuel stock can fluctuate dramatically, creating periods of substantial under- or over-supply. During periods of over-supply, prices might be depressed. Also, from time to time there may be political pressure, or pressure from regulatory authorities with jurisdiction over wholesale and retail energy commodity and transportation rates, to impose price limitations, credit requirements, bidding rules and other mechanisms to address volatility and other issues in these markets.

The effects of sustained low natural gas prices and power market structure challenges have resulted in lower market prices for electricity in the power regions where the Entergy Wholesale Commodities nuclear power plants are located. 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. These conditions were primary

factors leading to Entergy's decision to shut down (or sell) Entergy Wholesale Commodities' nuclear power plants before the end of their operating licenses (or requested operating licenses for Indian Point 2 and Indian Point 3).

The price that different counterparties offer for various products including forward sales is influenced both by market conditions as well as the contract terms such as damage provisions, credit support requirements, and the number of available counterparties interested in contracting for the desired forward period. Depending on differences between market factors at the time of contracting versus current conditions, Entergy Wholesale Commodities' contract portfolio may have average contract prices above or below current market prices, including at the expiration of the contracts, which may significantly affect Entergy Wholesale Commodities' results of operations, financial condition, or liquidity. New hedges are generally layered into on a rolling forward basis, which tends to drive hedge over-performance to market in a falling price environment, and hedge underperformance to market in a rising price environment; however, hedge timing, product choice, and hedging costs will also affect these results. See the "**Market and Credit Risk Sensitive Instruments**" section of Management's Financial Discussion and Analysis for Entergy Corporation and Subsidiaries. Since Entergy Wholesale Commodities has announced the closure (or sale) of its nuclear plants, Entergy Wholesale Commodities may enter into fewer forward sales contracts for output from such plants.

*The Entergy Wholesale Commodities business is subject to substantial governmental regulation and may be adversely affected by legislative, regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.*

The Entergy Wholesale Commodities business is subject to extensive regulation under federal, state, and local laws. Compliance with the requirements under these various regulatory regimes may cause the Entergy Wholesale Commodities business to incur significant additional costs, and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines and/or civil or criminal liability.

Public utilities under the Federal Power Act are required to obtain FERC acceptance of their rate schedules for wholesale sales of electricity. Each of the owners of the Entergy Wholesale Commodities nuclear power plants that generates electricity, as well as Entergy Nuclear Power Marketing, LLC, is a "public utility" under the Federal Power Act by virtue of making wholesale sales of electric energy and/or owning wholesale electric transmission facilities. The FERC has granted these generating and power marketing companies the authority to sell electricity at market-based rates. The FERC's orders that grant the Entergy Wholesale Commodities' generating and power marketing companies market-based rate authority reserve the right to revoke or revise that authority if the FERC subsequently determines that the Entergy Wholesale Commodities business can exercise market power in transmission or generation, create barriers to entry, or engage in abusive affiliate transactions. In addition, the Entergy Wholesale Commodities' market-based sales are subject to certain market behavior rules, and if any of its generating and power marketing companies were deemed to have violated one of those rules, they would be subject to potential disgorgement of profits associated with the violation and/or suspension or revocation of their market-based rate authority and potential penalties of up to \$1 million per day per violation. If the Entergy Wholesale Commodities' generating or power marketing companies were to lose their market-based rate authority, such companies would be required to obtain the FERC's acceptance of a cost-of-service rate schedule and could become subject to the accounting, record-keeping, and reporting requirements that are imposed on utilities with cost-based rate schedules. This could have an adverse effect on the rates the Entergy Wholesale Commodities business charges for power from its facilities.

The Entergy Wholesale Commodities business is also affected by legislative and regulatory changes, as well as changes to market design, market rules, tariffs, cost allocations, and bidding rules imposed by the existing Independent System Operators. The Independent System Operators that oversee most of the wholesale power markets may impose, and in the future may continue to impose, mitigation, including price limitations, offer caps and other mechanisms, to address some of the volatility and the potential exercise of market power in these markets. These types of price limitations and other regulatory mechanisms may have an adverse effect on the profitability of the Entergy Wholesale Commodities business' generation facilities that sell energy and capacity into the wholesale power markets. For further information regarding federal, state and local laws and regulation applicable to the Entergy Wholesale Commodities business, see the "**Regulation of Entergy's Business**" section in Part I, Item 1.

The regulatory environment applicable to the electric power industry is subject to changes as a result of restructuring initiatives at both the state and federal levels. Entergy cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on the Entergy Wholesale Commodities business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, have raised claims that the competitive marketplace is not working because energy prices in wholesale markets exceed the marginal cost of operating nuclear power plants, and have made proposals to re-regulate the markets, impose a generation tax, or require divestitures by generating companies to reduce their market share. Other proposals to re-regulate may be made and legislative or other attention to the electric power market restructuring process may delay or reverse the deregulation process, which could require material changes to business planning models. If competitive restructuring of the electric power markets is reversed, modified, discontinued, or delayed, the Entergy Wholesale Commodities business' results of operations, financial condition, and liquidity could be materially affected.

***The power plants owned by the Entergy Wholesale Commodities business are subject to impairment charges in certain circumstances, which could have a material effect on Entergy's results of operations, financial condition or liquidity.***

Entergy reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from the operations of such assets. Projected net cash flows depend on the expected operating life of the assets, the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy and capacity over the remaining life of the assets. In particular, the remaining assets of the Entergy Wholesale Commodities business are subject to further impairment in connection with the closure and sale of its nuclear power plants. Moreover, prior to the closure and sale of these plants, the failure of the Entergy Wholesale Commodities business to achieve forecasted operating results and cash flows, an unfavorable change in forecasted operating results or cash flows, a reduction in the expected remaining useful life of a unit, or a decline in observable industry market multiples could all result in potential additional impairment charges for the affected assets.

If Entergy concludes that any of its nuclear power plants is unlikely to operate through its planned shutdown date, which conclusion would be based on a variety of factors, such a conclusion could result in a further impairment of part or all of the carrying value of the plant. Any impairment charge taken by Entergy with respect to its long-lived assets, including the remaining power plants owned by the Entergy Wholesale Commodities business, would likely be material in the quarter that the charge is taken and could otherwise have a material effect on Entergy's results of operations, financial condition, or liquidity. For further information regarding evaluating long-lived assets for impairment, see the "**Critical Accounting Estimates - Impairment of Long-lived Assets and Trust Fund Investments**" section of Management's Financial Discussion and Analysis for Entergy Corporation and Subsidiaries and for further discussion of the impairment charges, see Note 14 to the financial statements.

### **General Business**

**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)**

***Entergy and the Utility operating companies depend on access to the capital markets and, at times, may face potential liquidity constraints, which could make it more difficult to handle future contingencies such as natural disasters or substantial increases in gas and fuel prices. Disruptions in the capital and credit markets may adversely affect Entergy's and its subsidiaries' ability to meet liquidity needs, access capital and operate and grow their businesses, and the cost of capital.***

Entergy's business is capital intensive and dependent upon its ability to access capital at reasonable rates and

other terms. At times there are also spikes in the price for natural gas and other commodities that increase the liquidity requirements of the Utility operating companies and Entergy Wholesale Commodities. In addition, Entergy's and the Utility operating companies' liquidity needs could significantly increase in the event of a hurricane or other weather-related or unforeseen disaster similar to that experienced in Entergy's service territory with Hurricane Katrina and Hurricane Rita in 2005, Hurricane Gustav and Hurricane Ike in 2008, and Hurricane Isaac in 2012. The occurrence of one or more contingencies, including a delay in regulatory recovery of fuel or purchased power costs or storm restoration costs, an acceleration of payments or decreased credit lines, less cash flow from operations than expected, changes in regulation or governmental policy (including tax and trade policy), or other unknown events, could cause the financing needs of Entergy and its subsidiaries to increase. In addition, accessing the debt capital markets more frequently in these situations may result in an increase in leverage. Material leverage increases could negatively affect the credit ratings of Entergy and the Utility operating companies, which in turn could negatively affect access to the capital markets.

The inability to raise capital on favorable terms, particularly during times of high interest rates, and uncertainty or reduced liquidity in the capital markets, could negatively affect Entergy and its subsidiaries' ability to maintain and to expand their businesses. Access to capital markets could be restricted and/or borrowing costs could be increased due to certain sources of debt and equity capital being unwilling to invest in companies that experience extreme weather events, that rely on fossil fuels or offerings to fund fossil fuel projects, or due to risks related to climate change. Events beyond Entergy's control may create uncertainty that could increase its cost of capital or impair its ability to access the capital markets, including the ability to draw on its bank credit facilities. Entergy and its subsidiaries are unable to predict the degree of success they will have in renewing or replacing their credit facilities as they come up for renewal. Moreover, the size, terms, and covenants of any new credit facilities may not be comparable to, and may be more restrictive than, existing facilities. If Entergy and its subsidiaries are unable to access the credit and capital markets on terms that are reasonable, they may have to delay raising capital, issue shorter-term securities and/or bear an unfavorable cost of capital, which, in turn, could impact their ability to grow their businesses, decrease earnings, significantly reduce financial flexibility and/or limit Entergy Corporation's ability to sustain its current common stock dividend level.

**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

*A downgrade in Entergy Corporation's or its subsidiaries' credit ratings could negatively affect Entergy Corporation's and its subsidiaries' ability to access capital and/or could require Entergy Corporation or its subsidiaries to post collateral, accelerate certain payments, or repay certain indebtedness.*

There are a number of factors that rating agencies evaluate to arrive at credit ratings for each of Entergy Corporation and the Registrant Subsidiaries, including each Registrant's regulatory framework, ability to recover costs and earn returns, diversification and financial strength and liquidity. If one or more rating agencies downgrade Entergy Corporation's, any of the Utility operating companies', or System Energy's ratings, particularly below investment grade, borrowing costs would increase, the potential pool of investors and funding sources would likely decrease, and cash or letter of credit collateral demands may be triggered by the terms of a number of commodity contracts, leases, and other agreements.

Most of Entergy Corporation's and its subsidiaries' suppliers and counterparties require sufficient creditworthiness to enter into transactions. If Entergy Corporation's or its subsidiaries' ratings decline, particularly below investment grade, or if certain counterparties believe Entergy Corporation or the Utility operating companies are losing creditworthiness and demand adequate assurance under fuel, gas, and purchased power contracts, the counterparties may require posting of collateral in cash or letters of credit, prepayment for fuel, gas or purchased power or accelerated payment, or counterparties may decline business with Entergy Corporation or its subsidiaries. At December 31, 2019, based on power prices at that time, Entergy had liquidity exposure of \$78 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$19 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 December 31, 2019, Entergy would have been required to provide approximately \$30 million of additional cash or letters of credit under some of the agreements. As of December 31, 2019, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$90 million for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

***Recent U.S. tax legislation may materially adversely affect Entergy's financial condition, results of operations, and cash flows.***

The Tax Cuts and Jobs Act of 2017 significantly changed the U.S. Internal Revenue Code, including taxation of U.S. corporations, by, among other things, reducing the federal corporate income tax rate, limiting interest deductions, and altering the expensing of capital expenditures. The legislation and interpretive guidance from the IRS are unclear in certain respects and will require further interpretations and implementing regulations by the IRS, as well as state tax authorities, and the legislation could be subject to potential amendments and technical corrections, any of which could lessen or increase certain impacts of the legislation.

As further described in Note 3 to the financial statements, as a result of amortization of accumulated deferred income taxes and payment of such amounts to customers in 2019, Entergy's net regulatory liability for income taxes balance is \$1.7 billion as of December 31, 2019. Depending on the outcome of IRS examinations or tax positions and elections that Entergy may make, Entergy and the Registrant Subsidiaries may be required to record additional charges or credits to income tax expense. Further, there may be other material effects resulting from the legislation that have not been identified.

For further information regarding the effects of the Act, see the "**Income Tax Legislation**" section of Management's Financial Discussion and Analysis for Entergy. Also, Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018 and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

***Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition and liquidity.***

Entergy and its subsidiaries make judgments regarding the potential tax effects of various transactions and results of operations to estimate their obligations to taxing authorities. These tax obligations include income, franchise, real estate, sales and use, and employment-related taxes. These judgments include provisions for potential adverse outcomes regarding tax positions that have been taken. Entergy and its subsidiaries also estimate their ability to utilize tax benefits, including those in the form of carryforwards for which the benefits have already been reflected in the financial statements. Changes in federal, state, or local tax laws, adverse tax audit results or adverse tax rulings on positions taken by Entergy and its subsidiaries could negatively affect Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity. For further information regarding Entergy's income taxes, see Note 3 to the financial statements.

***Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete strategic transactions, is subject to significant risks, and, as a result, they may be unable to achieve some or all of the anticipated results of such strategies, which could materially affect their future prospects, results of operations and benefits that they anticipate from such transactions.***

Entergy and its subsidiaries' future prospects and results of operations significantly depend on their ability to successfully implement their business strategies, which are subject to business, regulatory, economic and other risks and uncertainties, many of which are beyond their control. As a result, Entergy and its subsidiaries may be unable to fully achieve the anticipated results of such strategies.



Additionally, Entergy and its subsidiaries have pursued and may continue to pursue strategic transactions including merger, acquisition, divestiture, joint venture, restructuring or other strategic transactions. For example, Entergy has entered into an agreement to sell its equity interests in the subsidiary that owns the Palisades Nuclear Plant and the decommissioned Big Rock Point Nuclear Power Plant and an agreement to sell the equity interests of Indian Point 1, Indian Point 2, and Indian Point 3, in each case after each of the plants has been shut down and defueled. Also, a significant portion of Entergy's utility business over the next several years includes the construction and /or purchase of a variety of generating units. These transactions and plans are or may become subject to regulatory approval and other material conditions or contingencies. The failure to complete these transactions or plans or any future strategic transaction successfully or on a timely basis could have an adverse effect on Entergy's or its subsidiaries' financial condition or results of operations and the market's perception of Entergy's ability to execute its strategy. Further, these transactions, and any completed or future strategic transactions, involve substantial risks, including the following:

- acquired businesses or assets may not produce revenues, earnings or cash flow at anticipated levels;
- acquired businesses or assets could have environmental, permitting or other problems for which contractual protections prove inadequate;
- Entergy and/or its subsidiaries may assume liabilities that were not disclosed to them, that exceed their estimates, or for which their rights to indemnification from the seller are limited;
- Entergy may experience issues integrating businesses into its internal controls over financial reporting;
- the disposition of a business, including Entergy's planned exit from the merchant power business, could divert management's attention from other business concerns;
- Entergy and/or its subsidiaries may be unable to obtain the necessary regulatory or governmental approvals to close a transaction, such approvals may be granted subject to terms that are unacceptable to them, or Entergy or its subsidiaries otherwise may be unable to achieve anticipated regulatory treatment of any such transaction or acquired business or assets; and
- Entergy or its subsidiaries otherwise may be unable to achieve the full strategic and financial benefits that they anticipate from the transaction, or such benefits may be delayed or may not occur at all.

Entergy and its subsidiaries may not be successful in managing these or any other significant risks that they may encounter in acquiring or divesting a business, or engaging in other strategic transactions, which could have a material effect on their business, financial condition or results of operations.

***The completion of capital projects, including the construction of power generation facilities, and other capital improvements involve substantial risks. Should such efforts be unsuccessful, the financial condition, results of operations, or liquidity of Entergy and the Utility operating companies could be materially affected.***

Entergy's and the Utility operating companies' ability to complete capital projects, including the construction of power generation facilities, or make other capital improvements, in a timely manner and within budget is contingent upon many variables and subject to substantial risks. These variables include, but are not limited to, project management expertise, escalating costs for materials, labor, and environmental compliance, and reliance on suppliers for timely and satisfactory performance. Delays in obtaining permits, shortages in materials and qualified labor, levels of public support or opposition, suppliers and contractors not performing as expected or required under their contracts and/or experiencing financial problems that inhibit their ability to fulfill their obligations under contracts, changes in the scope and timing of projects, poor quality initial cost estimates from contractors, the inability to raise capital on favorable terms, changes in commodity prices affecting revenue, fuel costs, or materials costs, downward changes in the economy, changes in law or regulation, including environmental compliance requirements, and other events beyond the control of the Utility operating companies or the Entergy Wholesale Commodities business may occur that may materially affect the schedule, cost, and performance of these projects. If these projects or other capital improvements are significantly delayed or become subject to cost overruns or cancellation, Entergy and the Utility operating companies could incur additional costs and termination payments, or face increased risk of potential write-off of the investment in the project. In addition, the Utility operating companies could be exposed to higher costs and market volatility, which could affect cash flow and cost recovery, should their respective regulators decline to approve the construction of the project or new generation needed to meet the reliability needs of customers at the lowest reasonable cost.

For further information regarding capital expenditure plans and other uses of capital in connection with capital projects, including the potential construction and/or purchase of additional generation supply sources within the Utility operating companies' service territory, and as to the Entergy Wholesale Commodities business, see the "**Capital Expenditure Plans and Other Uses of Capital**" section of Management's Financial Discussion and Analysis for Entergy and each of the Registrant Subsidiaries.

***Failure to attract, retain and manage an appropriately qualified workforce could negatively affect Entergy or its subsidiaries' results of operations.***

We rely on a large and changing workforce of team members, including employees, contractors and temporary staffing. Certain events, such as an aging workforce, mismatching of skill sets, failing to appropriately anticipate future workforce needs, or the unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may increase. Failure to hire and adequately train replacement employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities and new skills required to operate a modernized, technology-enabled power grid. If Entergy and its subsidiaries are unable to successfully attract, retain and manage an appropriately qualified workforce, their results of operations, financial position and cash flows could be negatively affected.

***The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs to fulfill their obligations related to environmental and other matters.***

The businesses in which the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business operate are subject to extensive environmental regulation by local, state, and federal authorities. These laws and regulations affect the manner in which the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business conduct their operations and make capital expenditures. These laws and regulations also affect how the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business manage air emissions, discharges to water, wetlands impacts, solid and hazardous waste storage and disposal, cooling and service water intake, the protection of threatened and endangered species, certain migratory birds and eagles, hazardous materials transportation, and similar matters. Federal, state, and local authorities continually revise these laws and regulations, and the laws and regulations are subject to judicial interpretation and to the permitting and enforcement discretion vested in the implementing agencies. Developing and implementing plans for facility compliance with these requirements can lead to capital, personnel, and operation and maintenance expenditures. Violations of these requirements can subject the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business to enforcement actions, capital expenditures to bring existing facilities into compliance, additional operating costs or operating restrictions to achieve compliance, remediation and clean-up costs, civil penalties, and exposure to third parties' claims for alleged health or property damages or for violations of applicable permits or standards. In addition, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business potentially are subject to liability under these laws for the costs of remediation of environmental contamination of property now or formerly owned or operated by the Utility operating companies, System Energy, and Entergy Wholesale Commodities and of property contaminated by hazardous substances they generate. The Utility operating companies are currently involved in proceedings relating to sites where hazardous substances have been released and may be subject to additional proceedings in the future. The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business have incurred and expect to incur significant costs related to environmental compliance.

Emissions of nitrogen and sulfur oxides, mercury, particulates, greenhouse gases, and other regulated air emissions from generating plants are potentially subject to increased regulation, controls and mitigation expenses. In addition, existing air regulations and programs promulgated by the EPA often are challenged legally, or are revised or withdrawn by the EPA, sometimes resulting in large-scale changes to anticipated regulatory regimes and the resulting need to shift course, both operationally and economically, depending on the nature of the changes. Risks relating to

global climate change, initiatives to compel greenhouse gas emission reductions, and water availability issues are discussed below.

Entergy and its subsidiaries may not be able to obtain or maintain all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals, or if Entergy and its subsidiaries fail to obtain, maintain, or comply with any such approval, the operation of its facilities could be stopped or become subject to additional costs. For further information regarding environmental regulation and environmental matters, see the “**Regulation of Entergy’s Business – Environmental Regulation**” section of Part I, Item 1.

***The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs related to reliability standards.***

Entergy’s business is subject to extensive and mandatory reliability standards. Such standards, which are established by the NERC, the SERC, and other regional enforcement entities, are approved by the FERC and frequently are reviewed, amended, and supplemented. Failure to comply with such standards could result in the imposition of fines or civil penalties, and potential exposure to third party claims for alleged violations of such standards. The standards, as well as the laws and regulations that govern them, are subject to judicial interpretation and to the enforcement discretion vested in the implementing agencies. In addition to exposure to civil penalties and fines, the Utility operating companies have incurred and expect to incur significant costs related to compliance with new and existing reliability standards, including costs associated with the Utility operating companies’ transmission system and generation assets. In addition, the retail regulators of the Utility operating companies possess the jurisdiction, and in some cases have exercised such jurisdiction, to impose standards governing the reliable operation of the Utility operating companies’ distribution systems, including penalties if these standards are not met. The changes to the reliability standards applicable to the electric power industry are ongoing, and Entergy cannot predict the ultimate effect that the reliability standards will have on its Utility and Entergy Wholesale Commodities businesses.

**(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)**

***Weather, economic conditions, technological developments, and other factors may have a material impact on electricity and gas usage and otherwise materially affect the Utility operating companies’ results of operations.***

Temperatures above normal levels in the summer tend to increase electric cooling demand and revenues, and temperatures below normal levels in the winter tend to increase electric and gas heating demand and revenues. As a corollary, mild temperatures in either season tend to decrease energy usage and resulting revenues. Higher consumption levels coupled with seasonal pricing differentials typically cause the Utility operating companies to report higher revenues in the third quarter of the fiscal year than in the other quarters. Extreme weather conditions including hurricanes or tropical storms, flooding events, or ice storms may stress the Utility operating companies’ generation facilities and transmission and distribution systems, resulting in increased maintenance and capital costs (and potential increased financing needs), limits on their ability to meet peak customer demand, increased regulatory oversight, and reduced customer satisfaction. These extreme conditions could have a material effect on the Utility operating companies’ financial condition, results of operations, and liquidity.

Entergy’s electricity sales volumes are affected by a number of factors including weather and economic conditions, trends in energy efficiency, new technologies and self-generation alternatives, including the willingness and ability of large industrial customers to develop co-generation facilities that greatly reduce their grid demand. Some of these factors are inherently cyclical or temporary in nature, such as the weather or economic conditions, and rarely have a long-lasting effect on Entergy’s operating results. Others, such as the organic turnover of appliances and their replacement with more efficient ones, adoption of newer technologies including smart thermostats, new building codes, distributed energy resources, energy storage, demand side management, and rooftop solar are having a more permanent effect by reducing sales growth rates from historical norms. As a result of these emerging efficiencies and technologies, the Utility operating companies may lose customers or experience lower average use per customer in the residential and commercial classes, and continuing advances have the potential to further limit sales growth in the future. The

Utility operating companies also may face competition from other companies offering products and services to Entergy's customers. Electricity sales to industrial customers, in particular, benefit from steady economic growth and favorable commodity markets; however, industrial sales are sensitive to changes in conditions in the markets in which its customers operate. Negative changes in any of these or other factors, particularly sustained economic downturns or sluggishness, have the potential to result in slower sales growth or sales declines and increased bad debt expense, which could materially affect Entergy's and the Utility operating companies' results of operations, financial condition, and liquidity.

***The effects of climate change and environmental and regulatory obligations intended to compel greenhouse gas emission reductions or increase clean or renewable energy requirements or to place a price on greenhouse gas emissions could materially affect the financial condition, results of operations, and liquidity of Entergy, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.***

In an effort to address climate change concerns, some federal, state, and local authorities are calling for additional laws and regulations aimed at known or suspected causes of climate change. For example, in response to the United States Supreme Court's 2007 decision holding that the EPA has authority to regulate emissions of CO<sub>2</sub> and other "greenhouse gases" under the Clean Air Act, the EPA, various environmental interest groups, and other organizations focused considerable attention on CO<sub>2</sub> emissions from power generation facilities and their potential role in climate change. In 2010, the EPA promulgated its first regulations controlling greenhouse gas emissions from certain vehicles and from new and significantly modified stationary sources of emissions, including electric generating units. During 2012 and 2014, the EPA proposed CO<sub>2</sub> emission standards for new and existing sources. The EPA finalized these standards in 2015; however, in June 2019, the EPA repealed and replaced certain aspects of those regulations. As examples of state action, in the Northeast, the Regional Greenhouse Gas Initiative establishes a cap on CO<sub>2</sub> emissions from electric power plants and requires generators to purchase emission permits to cover their CO<sub>2</sub> emissions, and a similar program has been developed in California. The impact that continued changes in the governmental response to climate change risk will have on existing and pending environmental laws and regulations related to greenhouse gas emissions is currently unclear.

Developing and implementing plans for compliance with greenhouse gas emissions reduction or clean/renewable energy requirements can lead to additional capital, personnel, and operation and maintenance expenditures and could significantly affect the economic position of existing facilities and proposed projects. The operations of low or non-emitting generating units (such as nuclear units) at lower than expected capacity factors could require increased generation from higher emitting units, thus increasing the company's greenhouse gas emission rate. Moreover, long-term planning to meet environmental requirements can be negatively impacted and costs may increase to the extent laws and regulations change prior to full implementation. These requirements could, in turn, lead to changes in the planning or operations of balancing authorities or organized markets in areas where the Utility operating companies, System Energy, or Entergy Wholesale Commodities do business. Violations of such requirements may subject Entergy Wholesale Commodities and the Utility operating companies to enforcement actions, capital expenditures to bring existing facilities into compliance, additional operating costs or operating restrictions to achieve compliance, civil penalties, and exposure to third parties' claims for alleged health or property damages or for violations of applicable permits or standards. To the extent Entergy believes any of these costs are recoverable in rates, however, additional material rate increases for customers could be resisted by Entergy's regulators and, in extreme cases, Entergy's regulators might deny or defer timely recovery of these costs. Future changes in environmental regulation governing the emission of CO<sub>2</sub> and other greenhouse gases or mix of generation sources could (i) result in significant additional costs to Entergy's utility operating companies, their suppliers or customers, (ii) make some of Entergy's electric generating units uneconomical to maintain or operate, (iii) result in the early retirement of generation facilities and stranded costs if Entergy's utility operating companies are unable to fully recover the costs and investment in generation and (iv) could increase the difficulty that Entergy and its utility operating companies have with obtaining or maintaining required environmental regulatory approvals, each of which could materially affect the financial condition, results of operations and liquidity of Entergy and its subsidiaries. In addition, lawsuits have occurred or are reasonably expected against emitters of greenhouse gases alleging that these companies are liable for personal injuries and property damage caused by climate change. These lawsuits may seek injunctive relief, monetary compensation, and punitive damages.

In addition to the regulatory and financial risks associated with climate change discussed above, potential physical risks from climate change include an increase in sea level, wind and storm surge damages, wildfires, wetland and barrier island erosion, risks of flooding and changes in weather conditions, (such as increases in precipitation, drought, or changes in average temperatures), and potential increased impacts of extreme weather conditions or storms. Entergy subsidiaries own assets in, and serve, communities that are at risk from sea level rise, changes in weather conditions, storms, and loss of the protection offered by coastal wetlands. A significant portion of the nation's oil and gas infrastructure is located in these areas and susceptible to storm damage that could be aggravated by the physical impacts of climate change, which could give rise to fuel supply interruptions and price spikes. Entergy and its subsidiaries also face the risk that climate change could impact the availability and quality of water supply necessary for operations.

These and other physical changes could result in changes in customer demand, increased costs associated with repairing and maintaining generation facilities and transmission and distribution systems resulting in increased maintenance and capital costs (and potential increased financing needs), limits on the Entergy System's ability to meet peak customer demand, more frequent and longer lasting outages, increased regulatory oversight, and lower customer satisfaction. Also, to the extent that climate change adversely impacts the economic health of a region or results in energy conservation or demand side management programs, it may adversely impact customer demand and revenues. Such physical or operational risks could have a material effect on Entergy's, Entergy Wholesale Commodities', System Energy's, and the Utility operating companies' financial condition, results of operations, and liquidity.

***Continued and future availability and quality of water for cooling, process, and sanitary uses could materially affect the financial condition, results of operations, and liquidity of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.***

Water is a vital natural resource that is also critical to the Utility operating companies', System Energy's, and Entergy Wholesale Commodities' business operations. Entergy's facilities use water for cooling, boiler make-up, sanitary uses, potable supply, and many other uses. Entergy's Utility operating companies also own and/or operate hydroelectric facilities. Accordingly, water availability and quality are critical to Entergy's business operations. Impacts to water availability or quality could negatively impact both operations and revenues.

Entergy secures water through various mechanisms (ground water wells, surface waters intakes, municipal supply, etc.) and operates under the provisions and conditions set forth by the provider and/or regulatory authorities. Entergy also obtains and operates in substantial compliance with water discharge permits issued under various provisions of the Clean Water Act and/or state water pollution control provisions. Regulations and authorizations for both water intake and use and for waste discharge can become more stringent in times of water shortages, low flows in rivers, low lake levels, low groundwater aquifer volumes, and similar conditions. The increased use of water by industry, agriculture, and the population at large, population growth, and the potential impacts of climate change on water resources may cause water use restrictions that affect Entergy and its subsidiaries.

***Entergy and its subsidiaries may not be adequately hedged against changes in commodity prices, which could materially affect Entergy's and its subsidiaries' results of operations, financial condition, and liquidity.***

To manage near-term financial exposure related to commodity price fluctuations, Entergy and its subsidiaries, including the Utility operating companies and the Entergy Wholesale Commodities business, may enter into contracts to hedge portions of their purchase and sale commitments, fuel requirements, and inventories of natural gas, uranium and its conversion and enrichment, coal, refined products, and other commodities, within established risk management guidelines. As part of this strategy, Entergy and its subsidiaries may utilize fixed- and variable-price forward physical purchase and sales contracts, futures, financial swaps, and option contracts traded in the over-the-counter markets or on exchanges. However, Entergy and its subsidiaries normally cover only a portion of the exposure of their assets and positions to market price volatility, and the coverage will vary over time. In addition, Entergy also elects to leave certain volumes during certain years unhedged. To the extent Entergy and its subsidiaries have unhedged positions,

fluctuating commodity prices can materially affect Entergy's and its subsidiaries' results of operations and financial position.

Although Entergy and its subsidiaries devote a considerable effort to these risk management strategies, they cannot eliminate all the risks associated with these activities. As a result of these and other factors, Entergy and its subsidiaries cannot predict with precision the impact that risk management decisions may have on their business, results of operations, or financial position.

Entergy's over-the-counter financial derivatives are subject to rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act that are designed to promote transparency, mitigate systemic risk and protect against market abuse. Entergy cannot predict the impact any proposed or not fully-implemented final rules will have on its ability to hedge its commodity price risk or on over-the-counter derivatives markets as a whole, but such rules and regulations could have a material effect on Entergy's risk exposure, as well as reduce market liquidity and further increase the cost of hedging activities.

Entergy has guaranteed or indemnified the performance of a portion of the obligations relating to hedging and risk management activities. Reductions in Entergy's or its subsidiaries' credit quality or changes in the market prices of energy commodities could increase the cash or letter of credit collateral required to be posted in connection with hedging and risk management activities, which could materially affect Entergy's or its subsidiaries' liquidity and financial position.

***The Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties may not meet their obligations, which may materially affect the Utility operating companies and Entergy Wholesale Commodities.***

The hedging and risk management practices of the Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties that owe Entergy and its subsidiaries money, energy, or other commodities will not perform their obligations. Currently, some hedging agreements contain provisions that require the counterparties to provide credit support to secure all or part of their obligations to Entergy or its subsidiaries. If the counterparties to these arrangements fail to perform, Entergy or its subsidiaries may enforce and recover the proceeds from the credit support provided and acquire alternative hedging arrangements, which credit support may not always be adequate to cover the related obligations. In such event, Entergy and its subsidiaries might incur losses in addition to amounts, if any, already paid to the counterparties. In addition, the credit commitments of Entergy's lenders under its bank facilities may not be honored for a variety of reasons, including unexpected periods of financial distress affecting such lenders, which could materially affect the adequacy of its liquidity sources.

***Market performance and other changes may decrease the value of benefit plan assets, which then could require additional funding and result in increased benefit plan costs.***

The performance of the capital markets affects the values of the assets held in trust under Entergy's pension and postretirement benefit plans. A decline in the market value of the assets may increase the funding requirements relating to Entergy's benefit plan liabilities and also result in higher benefit costs. As the value of the assets decreases, the "expected return on assets" component of benefit costs decreases, resulting in higher benefits costs. Additionally, asset losses are incorporated into benefit costs over time, thus increasing benefits costs. Volatility in the capital markets has affected the market value of these assets, which may affect Entergy's planned levels of contributions in the future. Additionally, changes in interest rates affect the liabilities under Entergy's pension and postretirement benefit plans; as interest rates decrease, the liabilities increase, potentially requiring additional funding and recognition of higher liability carrying costs. The funding requirements of the obligations related to the pension benefit plans can also increase as a result of changes in, among other factors, retirement rates, life expectancy assumptions, or Federal regulations. For further information regarding Entergy's pension and other postretirement benefit plans, refer to the "**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**" section of Management's Financial Discussion and Analysis for Entergy and each of its Registrant Subsidiaries and Note 11 to the financial statements.

***The litigation environment in the states in which certain Entergy subsidiaries operate poses a significant risk to those businesses.***

Entergy and its subsidiaries are involved in the ordinary course of business in a number of lawsuits involving employment, commercial, asbestos, hazardous material and ratepayer matters, and injuries and damages issues, among other matters. The states in which the Utility operating companies operate, in particular Louisiana, Mississippi, and Texas, have proven to be unusually litigious environments. Judges and juries in these states have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. Entergy and its subsidiaries use legal and appropriate means to contest litigation threatened or filed against them, but the litigation environment in these states poses a significant business risk.

***Terrorist attacks, cyber attacks, system failures or data breaches of Entergy's and its subsidiaries' or our suppliers' technology systems may adversely affect Entergy's results of operations.***

Entergy and its subsidiaries operate in a business that requires evolving information technology systems that include sophisticated data collection, processing systems, software, network infrastructure and other technologies that are becoming more complex and may be subject to mandatory and prescriptive reliability and security standards. The functionality of Entergy's technology systems depends on its own and its suppliers' and their contractors' technology. Suppliers' and their contractors' technology systems to which Entergy is connected directly or indirectly support a variety of business processes and activities to store sensitive data, including (i) intellectual property, (ii) proprietary business information, (iii) personally identifiable information of customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply chain activities. Any significant failure or malfunction of such information technology systems could result in loss of data or disruptions of operations.

There have been attacks and threats of attacks on energy infrastructure by cyber actors, including those associated with foreign governments. As an operator of critical infrastructure, Entergy and its subsidiaries face heightened risk of an act or threat of terrorism, cyber attacks, and data breaches, whether as a direct or indirect act against one of Entergy's generation, transmission or distribution facilities, operations centers, infrastructure, or information technology systems used to manage, monitor, and transport power to customers and perform day-to-day business functions. An actual act could affect Entergy's ability to operate, including its ability to operate the information technology systems and network infrastructure on which it relies to conduct business.

Given the rapid technological advancements of existing and emerging threats, Entergy's technology systems remain inherently vulnerable despite implementations and enhancements of the multiple layers of security and controls. If Entergy's or its subsidiaries' technology systems were compromised and unable to detect or recover in a timely fashion to a normal state of operations, Entergy or its subsidiaries could be unable to perform critical business functions that are essential to the company's well-being and could result in a loss of its confidential, sensitive, and proprietary information, including personal information of its customers, employees, suppliers, and others in Entergy's care. Although malware was discovered on Entergy's business network in 2018, it was remediated on a timely basis and did not affect Entergy's operational systems, generation plants (including nuclear), or transmission and distribution networks, nor did it have a material effect on Entergy's business operations.

Any such attacks, failures or data breaches could have a material effect on Entergy's and the Utility operating companies' business, financial condition, results of operations or reputation. Insurance may not be adequate to cover losses that might arise in connection with these events. Such events may also expose Entergy to an increased risk of litigation (and associated damages and fines).

**(Entergy New Orleans)**

*The effect of higher purchased gas cost charges to customers taking gas service may adversely affect Entergy New Orleans's results of operations and liquidity.*

Gas rates charged to retail gas customers are comprised primarily of purchased gas cost charges, which provide no return or profit to Entergy New Orleans, and distribution charges, which provide a return or profit to the utility. Distribution charges recover fixed costs on a volumetric basis and, thus, are affected by the amount of gas sold to customers. When purchased gas cost charges increase due to higher gas procurement costs, customer usage may decrease, especially in weaker economic times, resulting in lower distribution charges for Entergy New Orleans, which could adversely affect results of operations. Purchased gas cost charges, which comprise most of a customer's bill and may be adjusted monthly, represent gas commodity costs that Entergy New Orleans recovers from its customers. Entergy New Orleans's cash flows can be affected by differences between the time period when gas is purchased and the time when ultimate recovery from customers occurs.

**(System Energy)**

*System Energy owns and, through an affiliate, operates a single nuclear generating facility, and it is dependent on affiliated companies for all of its revenues.*

System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% ownership/leasehold interest in Grand Gulf. Charges under the Unit Power Sales Agreement are paid by the Utility operating companies as consideration for their respective entitlements to receive capacity and energy. The useful economic life of Grand Gulf is finite and is limited by the terms of its operating license, which expires in November 2044. System Energy's financial condition depends both on the receipt of payments from the Utility operating companies under the Unit Power Sales Agreement and on the continued commercial operation of Grand Gulf. The Unit Power Sales Agreement is currently the subject of several litigation proceedings at the FERC, including a challenge with respect to System Energy's authorized return on equity and capital structure and a request in separate proceeding for FERC to initiate a broader investigation of rates under the Unit Power Sales Agreement. See Note 2 to the financial statements for further discussion of the proceedings. The Utility operating companies have agreed to implement certain protocols for providing retail regulators with information regarding rates billed under the Unit Power Sales Agreement.

For information regarding the Unit Power Sales Agreement, the sale and leaseback transactions and certain other agreements relating to the Entergy System companies' support of System Energy, see Notes 8 and 10 to the financial statements and the "[Utility - System Energy and Related Agreements](#)" section of Part I, Item 1.

**(Entergy Corporation)**

*As a holding company, Entergy Corporation depends on cash distributions from its subsidiaries to meet its debt service and other financial obligations and to pay dividends on its common stock.*

Entergy Corporation is a holding company with no material revenue generating operations of its own or material assets other than the stock of its subsidiaries. Accordingly, all of its operations are conducted by its subsidiaries. Entergy Corporation's ability to satisfy its financial obligations, including the payment of interest and principal on its outstanding debt, and to pay dividends on its common stock depends on the payment to it of dividends or distributions by its subsidiaries. The subsidiaries of Entergy Corporation are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any dividends or make distributions to Entergy Corporation. The ability of such subsidiaries to make payments of dividends or distributions to Entergy Corporation depends on their results of operations and cash flows and other items affecting retained earnings, and on any applicable legal, regulatory, or contractual limitations on subsidiaries' ability to pay such dividends or distributions. Prior to providing funds to Entergy Corporation, such subsidiaries have financial and regulatory obligations that must be satisfied, including among others, debt service and, in the case of Entergy Utility Holding Company and Entergy Texas, dividends and distributions on preferred securities. Any distributions from the Registrant Subsidiaries other than Entergy Texas and System Energy



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Part I Item 1A & 1B

Entergy Corporation, Utility operating companies, and System Energy

are paid directly to Entergy Utility Holding Company and are therefore subject to prior payment of distributions on its preferred securities.

**ENTERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Results of Operations****2019 Compared to 2018**Net Income

Net income increased \$10.3 million primarily due to higher retail electric price and lower nuclear refueling outage expenses, partially offset by lower volume/weather, higher interest expense, and higher depreciation and amortization expenses.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2019 to 2018:

	<u>Amount</u>
	(In Millions)
2018 operating revenues	\$2,060.6
Fuel, rider, and other revenues that do not significantly affect net income	(74.9)
Return of unprotected excess accumulated deferred income taxes to customers	241.4
Retail electric price	66.7
Volume/weather	(34.2)
<b>2019 operating revenues</b>	<b><u><u>\$2,259.6</u></u></b>

Entergy Arkansas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The return of unprotected excess accumulated deferred income taxes to customers resulted from the return of unprotected excess accumulated deferred income taxes through a tax adjustment rider beginning in April 2018. In 2019, \$126.3 million was returned to customers as compared to \$367.7 million in 2018. There was no effect on net income as the reduction in operating revenues in each period was offset by a reduction in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The retail electric price variance is primarily due to an increase in formula rate plan rates effective with the first billing cycle of January 2019, as approved by the APSC. See Note 2 to the financial statements for further discussion of the formula rate plan filing.

The volume/weather variance is primarily due to a decrease of 707 GWh, or 3%, in billed electricity usage, including the effect of less favorable weather on residential and commercial sales and a decrease in industrial usage. The decrease in industrial usage is primarily due to a decrease in small industrial sales.

Other Income Statement Variances

Nuclear refueling outage expenses decreased primarily due to the amortization of lower costs associated with the most recent outages as compared to previous outages.

Other operation and maintenance expenses decreased primarily due to:

- a decrease of \$20.2 million in nuclear generation expenses primarily due to a lower scope of work performed in 2019 as compared to 2018;
- the effects of recording in 2019 a final judgment to resolve claims in the ANO damages case against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$11.9 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- a decrease of \$5.5 million in vegetation maintenance costs.

The decrease was partially offset by:

- an \$11.2 million write-off in 2019 of specific costs related to the potential construction of scrubbers at the White Bluff plant;
- an increase of \$8.5 million in information technology expenses primarily due to higher costs related to applications and infrastructure support, enhanced cyber security, and upgrades and maintenance;
- an increase of \$7.4 million due to spending on initiatives to explore new customer products and services; and
- an increase of \$5.5 million in compensation and benefits costs primarily due to higher incentive-based compensation accruals in 2019 as compared to prior year.

Taxes other than income taxes increased primarily due to increases in local franchise taxes and ad valorem taxes. The increase in local franchise taxes is primarily due to higher electric retail revenues. The increase in ad valorem taxes is primarily due to higher assessments and millage rates.

Depreciation and amortization expenses increased primarily due to additions to plant in service and an increase in the ANO 1 and ANO 2 asset retirement cost assets. See Note 9 to the financial statements for discussion of the increase in the asset retirement cost assets.

Interest expense increased primarily due to the issuance of \$350 million of 4.20% Series mortgage bonds in March 2019 and the issuance of \$250 million of 4.00% Series mortgage bonds in May 2018.

The effective income tax rates were (21.6%) for 2019 and 669.7% for 2018. The differences in the effective income tax rates versus the federal statutory rate of 21% for 2019 and 2018 were primarily due to the amortization of excess accumulated deferred income taxes. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates.

## **2018 Compared to 2017**

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Entergy Arkansas’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

## **Income Tax Legislation**

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

**Liquidity and Capital Resources**

**Cash Flow**

Cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$119	\$6,216	\$20,509
Net cash provided by (used in):			
Operating activities	677,766	211,825	555,556
Investing activities	(676,293)	(688,727)	(829,312)
Financing activities	1,927	470,805	259,463
Net increase (decrease) in cash and cash equivalents	<u>3,400</u>	<u>(6,097)</u>	<u>(14,293)</u>
Cash and cash equivalents at end of period	<u>\$3,519</u>	<u>\$119</u>	<u>\$6,216</u>

**2019 Compared to 2018**

**Operating Activities**

Net cash flow provided by operating activities increased \$465.9 million in 2019 primarily due to:

- a decrease in the return of unprotected excess accumulated deferred income taxes to customers in 2019 as compared to 2018. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act;
- payments in 2018 of \$135 million to the other Utility operating companies as a result of a compliance filing made in response to the FERC's October 2018 order in the opportunity sales proceeding. See Note 2 to the financial statements for further discussion of the opportunity sales proceeding;
- income tax refunds of \$34 million in 2019 compared to income tax payments of \$44.4 million in 2018. Entergy Arkansas had income tax refunds in 2019 and income tax payments in 2018 in accordance with an intercompany income tax allocation agreement. The income tax refunds in 2019 resulted from the utilization of Entergy Arkansas's net operating losses. The income tax payments in 2018 primarily resulted from the settlement of the 2012-2013 audit;
- a decrease of \$44.1 million in spending on nuclear refueling outages in 2019; and
- the timing of recovery of fuel and purchased power costs.

The increase was partially offset by the timing of collection of receivables from customers and an increase of \$11.8 million in pension contributions in 2019. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" below and Note 11 to the financial statements for a discussion of qualified pension and other postretirement benefits funding.

## Investing Activities

Net cash flow used in investing activities decreased \$12.4 million in 2019 primarily due to:

- a decrease of \$32.1 million in nuclear construction expenditures primarily due to a lower scope of work performed on various nuclear projects in 2019 as compared to 2018;
- a decrease of \$25.8 million in transmission construction expenditures primarily due to a lower scope of work performed on various projects in 2019 as compared to 2018; and
- a decrease of \$13 million as a result of fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle.

The decrease was partially offset by an increase of \$35.6 million in distribution construction expenditures primarily due to investment in the reliability and infrastructure of Entergy Arkansas's distribution system, including increased spending on advanced metering infrastructure, and an increase of \$15.6 million in storm spending.

## Financing Activities

Entergy Arkansas's cash provided by financing activities decreased \$468.9 million in 2019 primarily due to:

- a \$350 million capital contribution from Entergy Corporation in May 2018 in anticipation of the return of unprotected excess accumulated deferred income taxes to customers and upcoming planned capital investments;
- the issuance of \$250 million of 4.0% Series first mortgage bonds in May 2018;
- money pool activity;
- net repayments of long-term borrowings of \$44.5 million in 2019 compared to net long-term borrowings of \$34.7 million in 2018 on the Entergy Arkansas nuclear fuel company variable interest entity credit facility; and
- an increase of \$23.2 million in common equity distributions paid in 2019 primarily to maintain Entergy Arkansas's capital structure.

The decrease was partially offset by:

- the issuance of \$350 million of 4.20% Series mortgage bonds in March 2019;
- net repayments of short-term borrowings of \$50 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2018; and
- the redemption of \$31.4 million of preferred stock in 2018 in connection with the internal restructuring. See Note 2 to the financial statements for further discussion of the internal restructuring and Note 6 to the financial statements for details of preferred stock activity.

Decreases in Entergy Arkansas's payable to the money pool are a use of cash flow, and Entergy Arkansas's payable to the money pool decreased by \$161.1 million in 2019 compared to increasing by \$16.6 million in 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

See Note 5 to the financial statements for further details of long-term debt.

2018 Compared to 2017

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow**” in Entergy Arkansas’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

**Capital Structure**

Entergy Arkansas’s debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the issuance of long-term debt in 2019.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Debt to capital	53.0%	52.0%
Effect of excluding the securitization bonds	—%	(0.2%)
Debt to capital, excluding securitization bonds (a)	53.0%	51.8%
Effect of subtracting cash	—%	—%
Net debt to net capital, excluding securitization bonds (a)	53.0%	51.8%

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

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy Arkansas’s financial condition because the securitization bonds are non-recourse to Entergy Arkansas, as more fully described in Note 5 to the financial statements. Entergy Arkansas also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Arkansas’s financial condition because net debt indicates Entergy Arkansas’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Arkansas seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Arkansas may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy Arkansas may receive equity contributions to maintain its capital structure.

**Uses of Capital**

Entergy Arkansas requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distribution and interest payments.

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

	2020	2021	2022
(In Millions)			
<b>Planned construction and capital investment:</b>			
Generation	\$250	\$445	\$595
Transmission	110	50	65
Distribution	190	125	125
Utility Support	185	165	240
<b>Total</b>	<b>\$735</b>	<b>\$785</b>	<b>\$1,025</b>

Following are the amounts of Entergy Arkansas's existing debt and lease obligations (includes estimated interest payments) and other purchase obligations.

	2020	2021-2022	2023-2024	After 2024	Total
(In Millions)					
Long-term debt (a)	\$142	\$737	\$877	\$4,377	\$6,133
Operating leases (b)	\$13	\$20	\$13	\$12	\$58
Finance leases (b)	\$3	\$4	\$3	\$2	\$12
Purchase obligations (c)	\$553	\$939	\$561	\$4,485	\$6,538

- (a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.
- (c) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy Arkansas, almost all of the total consists of unconditional fuel and purchased power obligations, including its obligations under the Unit Power Sales Agreement, which are discussed in Note 8 to the financial statements.

In addition to the contractual obligations given above, Entergy Arkansas currently expects to contribute approximately \$32.5 million to its qualified pension plans and approximately \$509 thousand to its other postretirement health care and life insurance plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, Entergy Arkansas has \$207.1 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Arkansas includes specific investments, such as transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to enhance reliability and improve service to customers, including advanced meters and related investments; resource planning, including potential generation projects; system improvements; investments in ANO 1 and 2; software and security; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital. Management provides more information on long-term debt maturities in Note 5 to the financial statements.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Arkansas pays distributions from its earnings at a percentage determined monthly.

Searcy Solar Facility

In March 2019, Entergy Arkansas announced that it signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar energy facility that will be sited on approximately 800 acres in White County near Searcy, Arkansas. The purchase is contingent upon, among other things, obtaining necessary approvals from applicable federal and state regulatory and permitting agencies. The project will be constructed by a subsidiary of NextEra Energy Resources. Entergy Arkansas will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. Closing is expected to occur by the end of 2021. In May 2019, Entergy Arkansas filed a petition with the APSC seeking a finding that the transaction is in the public interest and requesting all necessary approvals. In September 2019 other parties filed testimony largely supporting the resource acquisition but disputing Entergy Arkansas’s proposed method of cost recovery. Entergy Arkansas filed its rebuttal testimony in October 2019. In February 2020, Entergy Arkansas, the Attorney General, and the APSC general staff filed a partial settlement agreement asking the APSC to approve, based on the record in the proceeding, all issues except certain issues that are submitted to the APSC for determination.

**Sources of Capital**

Entergy Arkansas’s sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt or preferred membership interest issuances;
- capital contributions; and
- bank financing under new or existing facilities.

Entergy Arkansas may refinance, redeem, or otherwise retire debt prior to maturity, to the extent market conditions and interest rates are favorable.

All debt and common and preferred membership interest issuances by Entergy Arkansas require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in Entergy Arkansas’s bond indentures and other agreements. Entergy Arkansas has sufficient capacity under these tests to meet its foreseeable capital needs.

Entergy Arkansas’s payables to the money pool were as follows as of December 31 for each of the following years.

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
(In Thousands)			
\$21,634	\$182,738	\$166,137	\$51,232

See Note 4 to the financial statements for a description of the money pool.

Entergy Arkansas has a credit facility in the amount of \$150 million scheduled to expire in September 2024. Entergy Arkansas also has a \$20 million credit facility scheduled to expire in April 2020. The \$150 million credit facility includes fronting commitments for the issuance of letters of credit against \$5 million of the borrowing capacity of the facility. As of December 31, 2019, there were no cash borrowings and no letters of credit outstanding under the credit facilities. In addition, Entergy Arkansas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2019, a \$1 million letter of credit was outstanding under Entergy Arkansas’s uncommitted letter of credit facility. See Note 4 to the financial statements for further discussion of the credit facilities.



The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of \$80 million scheduled to expire in September 2021. As of December 31, 2019, \$15.1 million in loans were outstanding under the Entergy Arkansas nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements for further discussion of the nuclear fuel company variable interest entity credit facility.

Entergy Arkansas obtained authorization from the FERC through November 2020 for short-term borrowings not to exceed an aggregate amount of \$250 million at any time outstanding and borrowings by its nuclear fuel company variable interest entity. See Note 4 to the financial statements for further discussion of Entergy Arkansas's short-term borrowing limits. The long-term securities issuances of Entergy Arkansas are limited to amounts authorized by the FERC. The APSC has concurrent jurisdiction over Entergy Arkansas's first mortgage bond/secured issuances. Entergy Arkansas has obtained long-term financing authorization from the FERC that extends through November 2020. Entergy Arkansas has obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2020.

## **State and Local Rate Regulation and Fuel-Cost Recovery**

### **Retail Rates**

#### **2017 Formula Rate Plan Filing**

In July 2017, Entergy Arkansas filed with the APSC its 2017 formula rate plan filing showing Entergy Arkansas's projected earned return on common equity for the twelve months ended December 31, 2018 test period to be below the formula rate plan bandwidth. The filing projected a \$129.7 million revenue requirement increase to achieve Entergy Arkansas's target earned return on common equity of 9.75%. Entergy Arkansas's formula rate plan is subject to a four percent annual revenue constraint and the projected annual revenue requirement increase exceeded the four percent, resulting in a proposed increase for the 2017 formula rate plan of \$70.9 million. In October 2017, Entergy Arkansas filed with the APSC revised formula rate plan attachments that projected a \$126.2 million revenue requirement increase based on acceptance of certain adjustments and recommendations made by the APSC staff and other intervenors. The revised formula rate plan filing included a proposed \$71.1 million revenue requirement increase based on a revision to the four percent constraint calculation. In October 2017, Entergy Arkansas and the parties to the proceeding filed a joint motion to approve a unanimous settlement agreement resolving all issues in the proceeding and providing for recovery of certain 2017 and 2018 nuclear costs. In December 2017 the APSC approved the settlement agreement and the \$71.1 million revenue requirement increase, as well as Entergy Arkansas's formula rate plan compliance tariff, and the rates became effective with the first billing cycle of January 2018.

#### **2018 Formula Rate Plan Filing**

In July 2018, Entergy Arkansas filed with the APSC its 2018 formula rate plan filing to set its formula rate for the 2019 calendar year. The filing showed Entergy Arkansas's projected earned return on common equity for the twelve months ended December 31, 2019 test period to be below the formula rate plan bandwidth. Additionally, the filing includes the first netting adjustment under the current formula rate plan for the historical test year 2017, reflecting the change in formula rate plan revenues associated with actual 2017 results when compared to the allowed rate of return on equity. The filing includes a projected \$73.4 million revenue deficiency for 2019 and a \$95.6 million revenue deficiency for the 2017 historical test year, for a total revenue requirement of \$169 million for this filing. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeds the constraint, the resulting increase is limited to four percent of total revenue, which originally was \$65.4 million but was increased to \$66.7 million based upon the APSC staff's updated calculation of 2018 revenue. In October 2018, Entergy Arkansas and the parties to the proceeding filed joint motions to approve a partial settlement agreement as to certain factual issues and agreed to brief contested legal issues. In November 2018 the APSC held a hearing and was briefed on a certain contested legal issue. In December 2018 the APSC issued a decision related to the initial legal brief, approved the

partial settlement agreement and \$66.7 million revenue requirement increase, as well as Entergy Arkansas's formula rate plan, with updated rates going into effect for the first billing cycle of January 2019.

### 2019 Formula Rate Plan Filing

In July 2019, Entergy Arkansas filed with the APSC its 2019 formula rate plan filing to set its formula rate for the 2020 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2020 and a netting adjustment for the historical year 2018. The total proposed formula rate plan rider revenue change designed to produce a target rate of return on common equity of 9.75% is \$15.3 million, which is based upon a deficiency of approximately \$61.9 million for the 2020 projected year, netted with a credit of approximately \$46.6 million in the 2018 historical year netting adjustment. During 2018 Entergy Arkansas experienced higher-than-expected sales volume, and actual costs were lower than forecasted. These changes, coupled with a reduced income tax rate resulting from the Tax Cuts and Jobs Act, resulted in the credit for the historical year netting adjustment. In the fourth quarter 2018 Entergy Arkansas recorded a provision of \$35.1 million that reflected the estimate of the historical year netting adjustment that was expected to be included in the 2019 filing. In 2019, Entergy Arkansas recorded additional provisions totaling \$11.5 million to reflect the updated estimate of the historical year netting adjustment included in the 2019 filing. In October 2019 other parties in the proceeding filed their errors and objections requesting certain adjustments to Entergy Arkansas's filing that would reduce or eliminate Entergy Arkansas's proposed revenue change. Entergy Arkansas filed its response addressing the requested adjustments in October 2019. In its response, Entergy Arkansas accepted certain of the adjustments recommended by the General Staff of the APSC that would reduce the proposed formula rate plan rider revenue change to \$14 million. Entergy Arkansas disputed the remaining adjustments proposed by the parties. In October 2019, Entergy Arkansas filed a unanimous settlement agreement with the other parties in the proceeding seeking APSC approval of a revised total formula rate plan rider revenue change of \$10.1 million. In its July 2019 formula rate plan filing, Entergy Arkansas proposed to recover an \$11.2 million regulatory asset, amortized over five years, associated with specific costs related to the potential construction of scrubbers at the White Bluff plant. Although Entergy Arkansas does not concede that the regulatory asset lacks merit, for purposes of reaching a settlement on the total formula rate plan rider amount, Entergy Arkansas agreed not to include the White Bluff scrubber regulatory asset cost in the 2019 formula rate plan filing or future filings. Entergy Arkansas recorded a write-off in 2019 of the \$11.2 million White Bluff scrubber regulatory asset. In December 2019, the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2020.

### Internal Restructuring

In November 2017, Entergy Arkansas filed an application with the APSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Arkansas to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. In July 2018, Entergy Arkansas filed a settlement, reached by all parties in the APSC proceeding, resolving all issues. The APSC approved the settlement agreement and restructuring in August 2018. Pursuant to the settlement agreement, Entergy Arkansas will credit retail customers \$39.6 million over six years, beginning in 2019. Entergy Arkansas also received the required FERC and NRC approvals.

In November 2018, Entergy Arkansas undertook a multi-step restructuring, including the following:

- Entergy Arkansas, Inc. redeemed its outstanding preferred stock at the aggregate redemption price of approximately \$32.7 million.
- Entergy Arkansas, Inc. converted from an Arkansas corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Arkansas, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Arkansas Power, LLC, a Texas limited liability company (Entergy Arkansas Power), and Entergy Arkansas Power assumed substantially all of the liabilities of Entergy Arkansas, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Arkansas, Inc. remained in existence and held the membership interests in Entergy Arkansas Power.

- Entergy Arkansas, Inc. contributed the membership interests in Entergy Arkansas Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Arkansas Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Arkansas, Inc. changed its name to Entergy Utility Property, Inc., and Entergy Arkansas Power then changed its name to Entergy Arkansas, LLC. Entergy Arkansas, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Arkansas, Inc. The transaction was accounted for as a transaction between entities under common control.

#### Advanced Metering Infrastructure (AMI)

In September 2016, Entergy Arkansas filed an application seeking a finding from the APSC that Entergy Arkansas's deployment of AMI is in the public interest. Entergy Arkansas proposed to replace existing meters with advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Arkansas's modernized power grid. The filing included an estimate of implementation costs for AMI of \$208 million and identified a number of quantified and unquantified benefits. Entergy Arkansas proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which began in January 2019. Deployment of the communications network began in 2018. In October 2017 the APSC issued an order finding that Entergy Arkansas's AMI deployment is in the public interest and approving the settlement agreement subject to a minor modification. Entergy Arkansas is recovering the AMI deployment costs and the quantified benefits through its formula rate plan. Entergy Arkansas will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized over 15 years, as approved by the APSC.

#### **Production Cost Allocation Rider**

The APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of the System Agreement proceedings, which are discussed in the "**System Agreement Cost Equalization Proceedings**" section in Note 2 to the financial statements.

#### **Energy Cost Recovery Rider**

Entergy Arkansas's retail rates include an energy cost recovery rider to recover fuel and purchased energy costs in monthly customer bills. The rider utilizes the prior calendar-year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over- or under-recovery, including carrying charges, of the energy costs for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs.

In January 2014, Entergy Arkansas filed a motion with the APSC relating to its upcoming energy cost rate redetermination filing that was made in March 2014. In that motion, Entergy Arkansas requested that the APSC authorize Entergy Arkansas to exclude from the redetermination of its 2014 energy cost rate \$65.9 million of incremental fuel and replacement energy costs incurred in 2013 as a result of the ANO stator incident. Entergy Arkansas requested that the APSC authorize Entergy Arkansas to retain that amount in its deferred fuel balance, with recovery to be reviewed in a later period after more information was available regarding various claims associated with the ANO stator incident. In February 2014 the APSC approved Entergy Arkansas's request to retain that amount in its deferred fuel balance. In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the \$65.9 million of deferred fuel and purchased energy costs previously noted, subject to

certain timelines and conditions set forth in the settlement agreement. See the "[ANO Damage, Outage, and NRC Reviews](#)" section in Note 8 to the financial statements for further discussion of the ANO stator incident.

In March 2017, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01164 per kWh to \$0.01547 per kWh. The APSC staff filed testimony in March 2017 recommending that the redetermined rate be implemented with the first billing cycle of April 2017 under the normal operation of the tariff. Accordingly, the redetermined rate went into effect on March 31, 2017 pursuant to the tariff. In July 2017 the Arkansas Attorney General requested additional information to support certain of the costs included in Entergy Arkansas's 2017 energy cost rate redetermination.

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01547 per kWh to \$0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Act. Entergy Arkansas replied to the Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Act are appropriately considered in the APSC's separate proceeding regarding potential implications of the tax law. The APSC general staff filed a reply to the Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. The redetermined rate became effective with the first billing cycle of April 2018. Subsequently in April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation at that time of the issues suggested by the Attorney General in the proceeding. Following a period of discovery, the Attorney General filed a supplemental response in October 2018 raising new issues with Entergy Arkansas's March 2018 rate redetermination and asserting that \$45.7 million of the increase should be collected subject to refund pending further investigation. Entergy Arkansas filed to dismiss the Attorney General's supplemental response, the APSC general staff filed a motion to strike the Attorney General's filing, and the Attorney General filed a supplemental response disputing Entergy Arkansas and the APSC staff's filing. Applicable APSC rules and processes authorize its general staff to initiate periodic audits of Entergy Arkansas's energy cost recovery rider. In late-2018, the APSC general staff notified Entergy Arkansas it has initiated an audit of the 2017 fuel costs. The time in which the audit will be complete is uncertain at this time.

In March 2019, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01882 per kWh to \$0.01462 per kWh and became effective with the first billing cycle in April 2019. In March 2019 the Arkansas Attorney General filed a response to Entergy Arkansas's annual adjustment and included with its filing a motion for investigation of alleged overcharges to customers in connection with the FERC's October 2018 order in the opportunity sales proceeding. Entergy Arkansas filed its response to the Attorney General's motion in April 2019 in which Entergy Arkansas stated its intent to initiate a proceeding to address recovery issues related to the October 2018 FERC order. In May 2019, Entergy Arkansas initiated the opportunity sales recovery proceeding, discussed below, and requested that the APSC establish that proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC October 2018 order and related FERC orders in the opportunity sales proceeding. In June 2019 the APSC granted Entergy Arkansas's request and also denied the Attorney General's motion in the energy cost recovery proceeding seeking an investigation into Entergy Arkansas's annual energy cost recovery rider adjustment and referred the evaluation of such matters to the opportunity sales recovery proceeding.

## Opportunity Sales Proceeding

In June 2009 the LPSC filed a complaint requesting 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 allocated 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 prohibited sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC's complaint challenged sales made beginning in 2002 and requested refunds. In July 2009 the Utility operating companies filed a response to the complaint arguing among other things that the System Agreement contemplates that the Utility operating companies may make sales to third parties for their own account, subject to the requirement that those sales be included in the load (or load shape) for the applicable Utility operating company. The FERC subsequently ordered a hearing in the proceeding.

After a hearing, the ALJ issued an initial decision in December 2010. The ALJ found that the System Agreement allowed for Entergy Arkansas to make the sales to third parties but concluded that the sales should be accounted for in the same manner as joint account sales. The ALJ concluded that "shareholders" should make refunds of the damages to the Utility operating companies, along with interest. Entergy disagreed with several aspects of the ALJ's initial decision and in January 2011 filed with the FERC exceptions to the decision.

The FERC issued a decision in June 2012 and held that, while the System Agreement is ambiguous, it does provide authority for individual Utility operating companies to make opportunity sales for their own account and Entergy Arkansas made and priced these sales in good faith. The FERC found, however, that the System Agreement does not provide authority for an individual Utility operating company to allocate the energy associated with such opportunity sales as part of its load but provides a different allocation authority. The FERC further found that the after-the-fact accounting methodology used to allocate the energy used to supply the sales was inconsistent with the System Agreement. The FERC in its decision established further hearing procedures to quantify the effect of repricing the opportunity sales in accordance with the FERC's June 2012 decision. The hearing was held in May 2013 and the ALJ issued an initial decision in August 2013. The LPSC, the APSC, the City Council, and FERC staff filed briefs on exceptions and/or briefs opposing exceptions. Entergy filed a brief on exceptions requesting that the FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

In April 2016 the FERC issued orders addressing requests for rehearing filed in July 2012 and the ALJ's August 2013 initial decision. The first order denied Entergy's request for rehearing and affirmed the 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 August 2013 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 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.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order arguing that payments made by Entergy Arkansas should be reduced as a result of the timing of the LPSC's approval of certain contracts. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. In September 2017 the FERC issued an order denying the request for rehearing on the issue

of whether any payments by Entergy Arkansas to the other Utility operating companies should be reduced due to the timing of the LPSC's approval of Entergy Arkansas's wholesale baseload contract with Entergy Louisiana. In November 2017 the FERC issued an order denying all of the remaining requests for rehearing of the April 2016 order. In November 2017, Entergy Services filed a petition for review in the D.C. Circuit of the FERC's orders in the first two phases of the opportunity sales case. In December 2017 the D.C. Circuit granted Entergy Services' request to hold the appeal in abeyance pending final resolution of the related proceeding before the FERC. In January 2018 the APSC and the LPSC filed separate petitions for review in the D.C. Circuit, and the D.C. Circuit consolidated the appeals with Entergy Services' appeal and held all of the appeals in abeyance pending final resolution of the related proceeding before the FERC.

The hearing required by the FERC's April 2016 order was held in May 2017. In July 2017 the ALJ issued an initial decision addressing whether a cap on any reduction due to bandwidth payments was necessary and whether to implement the other adjustments to the calculation methodology. In August 2017 the Utility operating companies, the LPSC, the APSC, and FERC staff filed individual briefs on exceptions challenging various aspects of the initial decision. In September 2017 the Utility operating companies, the LPSC, the APSC, the MPSC, the City Council, and FERC staff filed separate briefs opposing exceptions taken by various parties.

Based on testimony previously submitted in the case and its assessment of the April 2016 FERC orders, in the first quarter 2016, Entergy Arkansas recorded a liability of \$87 million, which included interest, for its estimated increased costs and payment to the other Utility operating companies, and a deferred fuel regulatory asset of \$75 million. Following its assessment of the course of the proceedings, including the FERC's denial of rehearing in November 2017 described above, in the fourth quarter 2017, Entergy Arkansas recorded an additional liability of \$35 million and a regulatory asset of \$31 million.

In October 2018 the FERC issued an order addressing the ALJ's July 2017 initial decision. The FERC reversed the ALJ's decision to cap the reduction in Entergy Arkansas's payment to account for the increased bandwidth payments that Entergy Arkansas made to the other operating companies. The FERC also reversed the ALJ's decision that Grand Gulf sales from January through September 2000 should be included in the calculation of Entergy Arkansas's payment. The FERC affirmed on other grounds the ALJ's rejection of the LPSC's claim that certain joint account sales should be accounted for as part of the calculation of Entergy Arkansas's payment. In November 2018 the LPSC requested rehearing of the FERC's October 2018 decision. In December 2019 the FERC denied the LPSC's request for rehearing.

In December 2018, Entergy made a compliance filing in response to the FERC's October 2018 order. The compliance filing provided a final calculation of Entergy Arkansas's payments to the other Utility operating companies, including interest. No protests were filed in response to the December 2018 compliance filing. The December 2018 compliance filing is pending FERC action. Refunds and interest in the following amounts were paid by Entergy Arkansas to the other operating companies in December 2018:

	<b>Total refunds including interest</b>		
	<b>Payment/(Receipt)</b>		
	(In Millions)		
	Principal	Interest	Total
Entergy Arkansas	\$68	\$67	\$135
Entergy Louisiana	(\$30)	(\$29)	(\$59)
Entergy Mississippi	(\$18)	(\$18)	(\$36)
Entergy New Orleans	(\$3)	(\$4)	(\$7)
Entergy Texas	(\$17)	(\$16)	(\$33)

Entergy Arkansas previously recognized a regulatory asset with a balance of \$116 million as of December 31, 2018 for a portion of the payments due as a result of this proceeding.

In February 2019 the LPSC filed a new complaint relating to two issues that were raised in the opportunity sales proceeding, but that, in its October 2018 order, the FERC held were outside the scope of the proceeding. In March 2019, Entergy Services filed an answer and motion to dismiss the new complaint. In November 2019 the FERC issued an order denying the LPSC's complaint. The order concluded that the settlement agreement approved by FERC in December 2015 terminating the System Agreement barred the LPSC's new complaint.

In May 2019, Entergy Arkansas filed an application and supporting testimony with the APSC requesting approval of a special rider tariff to recover the costs of these payments from its retail customers over a 24-month period. The application requested that the APSC approve the rider to take effect within 30 days or, if suspended by the APSC as allowed by commission rule, approve the rider to take effect in the first billing cycle of the first month occurring 30 days after issuance of the APSC's order approving the rider. In June 2019 the APSC suspended Entergy Arkansas's tariff and granted Entergy Arkansas's motion asking the APSC to establish the proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC's October 2018 order and related FERC orders in the opportunity sales proceeding. In January 2020 the APSC adopted a procedural schedule with a hearing in April 2020. In January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed a joint motion seeking to dismiss Entergy Arkansas's application alleging that the APSC, in a prior proceeding, ruled on the issues addressed in the application and determined that Entergy Arkansas's requested relief violates the filed rate doctrine and the prohibition against retroactive ratemaking. Entergy Arkansas responded to the joint motion in February 2020 rebutting these arguments, including demonstrating that the claims in this proceeding differ substantially from those the APSC addressed previously and that the payment resulting from a FERC tariff violation for which Entergy Arkansas seeks retail cost recovery in this proceeding differs materially from the refunds resulting from a FERC tariff amendment that the APSC previously rejected on filed rate doctrine and the retroactive ratemaking grounds. In addition, in January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed testimony opposing the recovery by Entergy Arkansas of the opportunity sales payment but also claiming that certain components of the payment should be segregated and refunded to customers.

### **Net Metering Legislation**

An Arkansas law was enacted effective July 2019 that, among other things, expands the definition of a "net metering customer" to include two additional types of customers: (1) customers that lease net metering facilities, subject to certain leasing arrangements, and (2) government entities or other entities exempt from state and federal income taxes that enter into a service contract for a net metering facility. The latter provision would allow eligible entities, many of whom are small and large general service customers, to purchase renewable energy directly from third party providers and receive bill credits for these purchases. The APSC was given authority under this law to address certain matters, such as cost shifting and the appropriate compensation for net metered energy, and has initiated proceedings for this purpose. Because of the size and number of customers eligible under this new law, there is a risk of loss of load and the shifting of costs to customers. A hearing was held in December 2019, with utilities, cooperatives, the Arkansas Attorney General, industrial customers, and Entergy Arkansas advocating the need for establishment of a reasonable rate structure that takes into account impacts to non-net metering customers. Separately, as directed by the APSC general staff, the APSC opened a proceeding to compel utilities to amend their net metering tariffs to incorporate the provisions of the legislation that the APSC general staff considered "black letter law." Entergy Arkansas, the Arkansas Attorney General, and other intervenors opposed this directive pending the development of the rules for implementation that are being considered in the separate net metering rulemaking docket. Nevertheless, reserving its rights, Entergy Arkansas has complied with the directive to amend its tariffs. Asserting procedural and due process violations, in January 2020, Entergy Arkansas and the Arkansas Attorney General separately appealed certain APSC orders in this proceeding.

### **Federal Regulation**

See the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

## **Nuclear Matters**

Entergy Arkansas owns and, through an affiliate, operates the ANO 1 and ANO 2 nuclear power plants. Entergy Arkansas is, therefore, subject to the risks related to owning and operating nuclear plants. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems and the Fukushima event; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license renewal and amendments, and decommissioning; the performance and capacity factors of these nuclear plants; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of either ANO 1 or ANO 2, Entergy Arkansas may be required to file with the APSC a rate mechanism to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. ANO 1's operating license expires in 2034 and ANO 2's operating license expires in 2038.

## **Environmental Risks**

Entergy Arkansas's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Arkansas is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

## **Critical Accounting Estimates**

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

In the first quarter 2019, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a \$126.2 million increase in its decommissioning cost liabilities, along with corresponding increases in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

### **Nuclear Decommissioning Costs**

See "**Nuclear Decommissioning Costs**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

### **Utility Regulatory Accounting**

See "**Utility Regulatory Accounting**" in the "**Critical Accounting Estimates**" section of Entergy Corporation



and Subsidiaries Management’s Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

**Impairment of Long-lived Assets and Trust Fund Investments**

See “**Impairment of Long-lived Assets and Trust Fund Investments**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets and trust fund investments.

**Taxation and Uncertain Tax Positions**

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion.

**Qualified Pension and Other Postretirement Benefits**

Entergy Arkansas’s qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See the “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy’s estimate of these costs is a critical accounting estimate.

Costs and Sensitivities

The following chart reflects the sensitivity of qualified pension cost and qualified projected benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$2,633	\$43,030
Rate of return on plan assets	(0.25%)	\$2,803	\$—
Rate of increase in compensation	0.25%	\$1,650	\$7,967

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$343	\$5,316
Health care cost trend	0.25%	\$430	\$3,474

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

### Costs and Employer Contributions

Total qualified pension cost for Entergy Arkansas in 2019 was \$44.4 million. Entergy Arkansas anticipates 2020 qualified pension cost to be \$61.1 million. Entergy Arkansas contributed \$75.9 million to its qualified pension plans in 2019 and estimates pension contributions will be approximately \$32.5 million in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Total other postretirement health care and life insurance benefit income for Entergy Arkansas in 2019 was \$10.7 million. Entergy Arkansas expects 2020 postretirement health care and life insurance benefit income of approximately \$12.5 million. Entergy Arkansas contributed \$1.3 million to its other postretirement plans in 2019 and estimates 2020 contributions will be approximately \$509 thousand.

### **Other Contingencies**

See "**Other Contingencies**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

### New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of  
Entergy Arkansas, LLC and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Arkansas, LLC and Subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, cash flows and changes in member’s equity (pages 317 through 322 and applicable items in pages 49 through 236), for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Company’s auditor since 2001.

**ENERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING REVENUES</b>			
Electric	\$2,259,594	\$2,060,643	\$2,139,919
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	458,907	517,245	402,777
Purchased power	204,640	252,390	230,652
Nuclear refueling outage expenses	68,769	77,915	83,968
Other operation and maintenance	720,217	724,831	694,157
Decommissioning	68,030	60,420	56,860
Taxes other than income taxes	115,869	104,771	103,662
Depreciation and amortization	307,351	292,649	277,146
Other regulatory credits - net	(11,186)	(14,807)	(16,074)
<b>TOTAL</b>	<b>1,932,597</b>	<b>2,015,414</b>	<b>1,833,148</b>
<b>OPERATING INCOME</b>	<b>326,997</b>	<b>45,229</b>	<b>306,771</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	15,499	16,557	18,452
Interest and investment income	26,020	25,406	35,882
Miscellaneous - net	(18,566)	(14,874)	(13,967)
<b>TOTAL</b>	<b>22,953</b>	<b>27,089</b>	<b>40,367</b>
<b>INTEREST EXPENSE</b>			
Interest expense	140,087	124,459	122,075
Allowance for borrowed funds used during construction	(6,332)	(7,781)	(8,585)
<b>TOTAL</b>	<b>133,755</b>	<b>116,678</b>	<b>113,490</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>216,195</b>	<b>(44,360)</b>	<b>233,648</b>
Income taxes	(46,769)	(297,067)	93,804
<b>NET INCOME</b>	<b>262,964</b>	<b>252,707</b>	<b>139,844</b>
Preferred dividend requirements	—	1,249	1,428
<b>EARNINGS APPLICABLE TO COMMON EQUITY</b>	<b>\$262,964</b>	<b>\$251,458</b>	<b>\$138,416</b>

See Notes to Financial Statements.

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**ENERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2019	2018	2017
	(In Thousands)		
<b>OPERATING ACTIVITIES</b>			
<b>Net income</b>	\$262,964	\$252,707	\$139,844
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	465,299	443,698	427,394
Deferred income taxes, investment tax credits, and non-current taxes accrued	94,368	129,524	67,711
<b>Changes in assets and liabilities:</b>			
Receivables	(58,077)	4,294	(23,397)
Fuel inventory	(10,597)	6,210	3,402
Accounts payable	3,059	(126,405)	16,011
Prepaid taxes and taxes accrued	24,942	9,568	40,127
Interest accrued	3,895	678	1,635
Deferred fuel costs	72,560	43,869	33,190
Other working capital accounts	18,783	(30,118)	15,087
Provisions for estimated losses	14,901	14,250	16,047
Other regulatory assets	(131,873)	32,460	(76,762)
Other regulatory liabilities	39,293	(341,682)	1,043,507
Deferred tax rate change recognized as regulatory liability/asset	—	—	(1,047,837)
Pension and other postretirement liabilities	5,831	(40,157)	(70,826)
Other assets and liabilities	(127,582)	(187,071)	(29,577)
<b>Net cash flow provided by operating activities</b>	<b>677,766</b>	<b>211,825</b>	<b>555,556</b>
<b>INVESTING ACTIVITIES</b>			
Construction expenditures	(641,525)	(660,044)	(735,816)
Allowance for equity funds used during construction	15,306	17,013	19,211
Nuclear fuel purchases	(54,344)	(99,417)	(151,424)
Proceeds from sale of nuclear fuel	22,782	54,810	51,029
Proceeds from nuclear decommissioning trust fund sales	317,377	300,801	339,434
Investment in nuclear decommissioning trust funds	(336,519)	(315,163)	(352,138)
Insurance proceeds	—	14,790	—
Other	630	(1,517)	392
<b>Net cash flow used in investing activities</b>	<b>(676,293)</b>	<b>(688,727)</b>	<b>(829,312)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	834,038	958,434	294,656
Retirement of long-term debt	(548,952)	(690,488)	(175,560)
Capital contribution from parent	—	350,000	—
Redemption of preferred stock	—	(32,660)	—
Change in money pool payable - net	(161,104)	16,601	114,905
Changes in short-term borrowings - net	—	(49,974)	49,974
<b>Distributions/dividends paid:</b>			
Common equity	(115,000)	(91,751)	(15,000)
Preferred stock	—	(1,606)	(1,428)
Other	(7,055)	12,249	(8,084)
<b>Net cash flow provided by financing activities</b>	<b>1,927</b>	<b>470,805</b>	<b>259,463</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,400</b>	<b>(6,097)</b>	<b>(14,293)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>119</b>	<b>6,216</b>	<b>20,509</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$3,519</b>	<b>\$119</b>	<b>\$6,216</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$131,134	\$118,731	\$115,162
Income taxes	(\$33,989)	\$44,393	(\$8,141)

See Notes to Financial Statements.



**ENTERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$3,519	\$118
Temporary cash investments	—	1
Total cash and cash equivalents	3,519	119
Securitization recovery trust account	4,036	4,666
Accounts receivable:		
Customer	117,679	94,348
Allowance for doubtful accounts	(1,169)	(1,264)
Associated companies	29,178	48,184
Other	117,653	64,393
Accrued unbilled revenues	108,489	108,092
Total accounts receivable	371,830	313,753
Deferred fuel costs	—	19,235
Fuel inventory - at average cost	33,745	23,148
Materials and supplies - at average cost	211,320	196,314
Deferred nuclear refueling outage costs	48,875	78,966
Prepayments and other	14,096	14,553
<b>TOTAL</b>	<b>687,421</b>	<b>650,754</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Decommissioning trust funds	1,101,283	912,049
Other	345	5,480
<b>TOTAL</b>	<b>1,101,628</b>	<b>917,529</b>
<b>UTILITY PLANT</b>		
Electric	12,293,483	11,611,041
Construction work in progress	197,775	243,731
Nuclear fuel	195,547	220,602
<b>TOTAL UTILITY PLANT</b>	12,686,805	12,075,374
Less - accumulated depreciation and amortization	5,019,826	4,864,818
<b>UTILITY PLANT - NET</b>	<b>7,666,979</b>	<b>7,210,556</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$1,706 as of December 31, 2019 and \$14,329 as of December 31, 2018)	1,666,850	1,534,977
Deferred fuel costs	67,690	67,294
Other	15,065	20,486
<b>TOTAL</b>	<b>1,749,605</b>	<b>1,622,757</b>
<b>TOTAL ASSETS</b>	<b>\$11,205,633</b>	<b>\$10,401,596</b>

See Notes to Financial Statements.



**ENERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	December 31,	
	2019	2018
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Accounts payable:		
Associated companies	\$111,785	\$251,768
Other	202,201	187,387
Customer deposits	101,411	99,053
Taxes accrued	81,831	56,889
Interest accrued	22,788	18,893
Deferred fuel costs	53,721	—
Current portion of unprotected excess accumulated deferred income taxes	9,296	99,316
Other	38,760	23,943
<b>TOTAL</b>	<b>621,793</b>	<b>737,249</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	1,183,126	1,085,545
Accumulated deferred investment tax credits	31,701	32,903
Regulatory liability for income taxes - net	478,174	505,748
Other regulatory liabilities	559,555	402,668
Decommissioning	1,242,616	1,048,428
Accumulated provisions	63,880	48,979
Pension and other postretirement liabilities	319,075	313,295
Long-term debt (includes securitization bonds of \$6,772 as of December 31, 2019 and \$20,898 as of December 31, 2018)	3,517,208	3,225,759
Other	62,568	17,919
<b>TOTAL</b>	<b>7,457,903</b>	<b>6,681,244</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Member's equity	3,125,937	2,983,103
<b>TOTAL</b>	<b>3,125,937</b>	<b>2,983,103</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$11,205,633</b>	<b>\$10,401,596</b>

See Notes to Financial Statements.

**ENTERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	<u>Member's Equity</u> <u>(In Thousands)</u>
<b>Balance at December 31, 2016</b>	\$2,253,317
Net income	139,844
Common equity distributions	(15,000)
Preferred stock dividends	(1,428)
Other	21
<b>Balance at December 31, 2017</b>	\$2,376,754
Net income	252,707
Capital contributions from parent	350,000
Common equity distributions	(91,751)
Non-cash contribution from parent	94,335
Preferred stock dividends	(1,249)
Other	2,307
<b>Balance at December 31, 2018</b>	\$2,983,103
Net income	262,964
Common equity distributions	(115,000)
Other	(5,130)
<b>Balance at December 31, 2019</b>	<u>\$3,125,937</u>

See Notes to Financial Statements.

**ENTERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	2019	2018	2017	2016	2015
<b>(In Thousands)</b>					
Operating revenues	\$2,259,594	\$2,060,643	\$2,139,919	\$2,086,608	\$2,253,564
Net income	\$262,964	\$252,707	\$139,844	\$167,212	\$74,272
Total assets	\$11,205,633	\$10,401,596	\$10,134,029	\$9,606,117	\$8,747,774
Long-term obligations (a)	\$3,517,208	\$3,225,759	\$2,983,749	\$2,746,435	\$2,691,189

(a) Includes long-term debt (excluding currently maturing debt) and preferred stock without sinking fund.

	2019	2018	2017	2016	2015
<b>(Dollars In Millions)</b>					
<b>Electric Operating Revenues:</b>					
Residential	\$795	\$807	\$768	\$789	\$824
Commercial	539	426	495	495	515
Industrial	521	434	472	446	477
Governmental	21	17	19	18	20
Total billed retail	1,876	1,684	1,754	1,748	1,836
Sales for resale:					
Associated companies	118	104	128	49	128
Non-associated companies	140	145	121	118	195
Other	126	128	137	172	95
Total	\$2,260	\$2,061	\$2,140	\$2,087	\$2,254

<b>Billed Electric Energy Sales (GWh):</b>					
Residential	7,996	8,248	7,298	7,618	8,016
Commercial	5,822	5,967	5,825	5,988	6,020
Industrial	7,759	8,071	7,528	6,795	6,889
Governmental	241	239	237	237	235
Total retail	21,818	22,525	20,888	20,638	21,160
Sales for resale:					
Associated companies	2,180	1,773	1,782	1,609	2,239
Non-associated companies	7,206	6,447	6,549	7,115	7,980
Total	31,204	30,745	29,219	29,362	31,379

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Results of Operations****2019 Compared to 2018**Net Income

Net income increased \$15.9 million primarily due to higher retail electric price. The increase was partially offset by an income tax benefit recognized in 2018 as a result of the settlement of the 2012-2013 IRS audit, higher depreciation and amortization expenses, higher other operation and maintenance expenses, lower volume/weather, and higher interest expense.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2019 to 2018:

	<u>Amount</u>
	(In Millions)
2018 operating revenues	\$4,296.3
Fuel, rider, and other revenues that do not significantly affect net income	(218.1)
Retail electric price	132.9
Return of unprotected excess accumulated deferred income taxes to customers	102.5
Volume/weather	(28.4)
<b>2019 operating revenues</b>	<b><u><u>\$4,285.2</u></u></b>

Entergy Louisiana's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to an increase in formula rate plan revenues effective September 2018 and an interim increase in formula rate plan revenues effective June 2019 due to the inclusion of the first-year revenue requirement for the St. Charles Power Station, each as approved by the LPSC. See Note 2 to the financial statements for further discussion of the formula rate plan proceedings.

The return of unprotected excess accumulated deferred income taxes to customers resulted from the return of unprotected excess accumulated deferred income taxes through changes in the formula rate plan effective May 2018. In 2019, \$38.6 million was returned to customers as compared to \$141.1 million in 2018. There was no effect on net income as the reduction in operating revenues was offset by a reduction in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The volume/weather variance is primarily due to a decrease of 673 GWh, or 3%, in billed electricity usage for residential and commercial customers, including the effect of less favorable weather. The decrease was partially offset by an increase in industrial usage primarily due to an increase in demand from expansion projects, primarily in the chemicals and transportation industries.

### Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- a \$14.8 million gain in 2018 from the sale of Willow Glen Power Station;
- an increase of \$12.7 million in information technology costs primarily due to higher costs related to applications and infrastructure support, enhanced cyber security, and upgrades and maintenance;
- an increase of \$12.4 million in spending on initiatives to explore new customer products and services; and
- an increase of \$9.6 million in compensation and benefits costs primarily due to higher incentive-based compensation accruals in 2019 as compared to prior year.

The increase was partially offset by:

- a decrease of \$8.5 million in nuclear generation expenses primarily due to a lower scope of work performed during plant outages in 2019 as compared to 2018; and
- the effects of recording in 2019 the final judgment to resolve claims in the River Bend damages case against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of \$5.2 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. See Note 8 to the financial statements for a discussion of the spent nuclear fuel litigation.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes. Ad valorem taxes increased primarily due to higher assessments.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the St. Charles Power Station, which was placed into service in May 2019.

Other regulatory charges (credits) include regulatory charges of \$73.1 million recorded in 2018 to reflect the effects of a provision in the settlement reached in the formula rate plan extension proceeding to return the benefits of the lower federal income tax rate in 2018 to customers. See Note 2 to the financial statements for discussion of the formula rate plan extension proceeding.

Interest expense increased primarily due to the issuance of \$525 million of 4.20% Series mortgage bonds in March 2019.

The effective income tax rates were 15% for 2019 and (8.8%) for 2018. The difference in the effective income tax rate of 15% versus the federal statutory rate of 21% for 2019 was primarily due to the amortization of excess accumulated deferred income taxes and book and tax differences related to the non-taxable income distributions earned on preferred membership interests. The difference in the effective income tax rate of (8.8%) versus the federal statutory rate of 21% for 2018 was primarily due to the amortization of excess accumulated deferred income taxes and an IRS audit settlement for the 2012-2013 tax returns. See Note 3 to the financial statements for a reconciliation of the federal statutory rates of 21% to the effective income tax rates.

### **2018 Compared to 2017**

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Entergy Louisiana’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

**Income Tax Legislation**

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

**Liquidity and Capital Resources****Cash Flow**

Cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	2019	2018	2017
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$43,364	\$35,907	\$213,850
Net cash provided by (used in):			
Operating activities	1,236,002	1,395,204	1,337,545
Investing activities	(1,653,634)	(1,878,208)	(1,787,409)
Financing activities	376,274	490,461	271,921
Net increase (decrease) in cash and cash equivalents	(41,358)	7,457	(177,943)
Cash and cash equivalents at end of period	\$2,006	\$43,364	\$35,907

**2019 Compared to 2018****Operating Activities**

Net cash flow provided by operating activities decreased \$159.2 million in 2019 primarily due to:

- income tax payments of \$15.3 million in 2019 compared to \$105.2 million in income tax refunds in 2018. Entergy Louisiana had income tax payments in 2019 and income tax refunds in 2018 in accordance with an intercompany tax allocation agreement. The income tax refunds in 2018 resulted from the utilization of Entergy Louisiana's net operating losses;
- an increase of \$65.2 million in spending on nuclear refueling outages;
- the receipt of \$58.6 million in 2018 from Entergy Arkansas as a result of a compliance filing made in response to the FERC's October 2018 order in the Entergy Arkansas opportunity sales proceeding. The \$58.6 million was credited to Entergy Louisiana customers in 2019. See Note 2 to the financial statements for further discussion of the opportunity sales proceeding;
- the timing of payments to vendors;
- an increase of \$25.7 million in storm expenses in 2019;
- an increase of \$24.5 million in interest paid; and
- the timing of collection of receivables from customers.

The decrease was partially offset by a decrease in return of unprotected excess accumulated deferred income taxes to customers and the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements for a discussion of the effects and the regulatory activity regarding the Tax Cuts and Jobs Act.

## Investing Activities

Net cash flow used in investing activities decreased \$224.6 million in 2019 primarily due to a decrease of \$320 million in fossil-fueled generation expenditures, primarily due to lower spending on the St. Charles Power Station and Lake Charles Power Station projects in 2019 and money pool activity. The decrease was partially offset by:

- an increase of \$63.6 million in transmission expenditures primarily due to a higher scope of work performed in 2019 as compared to the same period in 2018;
- an increase of \$63.1 million in distribution construction expenditures primarily due to investment in the reliability and infrastructure of Entergy Louisiana's distribution system, including increased spending on advanced metering infrastructure; and
- an increase of \$46.5 million in storm spending in 2019.

Decreases in Entergy Louisiana's receivable from the money pool are a source of cash flow, and Entergy Louisiana's receivable from the money pool decreased by \$46.8 million in 2019 compared to increasing by \$35.7 million in 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

## Financing Activities

Net cash flow provided by financing activities decreased \$114.2 million in 2019 primarily due to:

- the issuance of \$750 million of 4.00% Series mortgage bonds in March 2018. A portion of the proceeds was used to repay \$375 million of 6.0% Series mortgage bonds in May 2018;
- the issuance of \$600 million of 4.20% Series mortgage bonds in August 2018. A portion of the proceeds was used to repay \$300 million of 6.5% Series mortgage bonds in September 2018; and
- an increase of \$80 million in common equity distributions in 2019 primarily to maintain Entergy Louisiana's capital structure.

The decrease was partially offset by:

- the issuance of \$525 million of 4.20% Series mortgage bonds in March 2019;
- money pool activity; and
- net repayments of short-term borrowings of \$43.5 million in 2018 on the nuclear fuel company variable interest entities' credit facilities.

Increases in Entergy Louisiana's payable to the money pool are a source of cash flow, and Entergy Louisiana's payable to the money pool increased by \$82.8 million in 2019.

See Note 5 to the financial statements for details of long-term debt.

## 2018 Compared to 2017

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Liquidity and Capital Resources** - Cash Flow" in Entergy Louisiana's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

## Capital Structure

Entergy Louisiana's debt to capital ratio is shown in the following table.

	December 31, 2019	December 31, 2018
Debt to capital	53.4%	53.6%
Effect of excluding securitization bonds	(0.1%)	(0.3%)
Debt to capital, excluding securitization bonds (a)	53.3%	53.3%
Effect of subtracting cash	(0.1%)	(0.1%)
Net debt to net capital, excluding securitization bonds (a)	53.2%	53.2%

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

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana 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 Louisiana's financial condition because the securitization bonds are non-recourse to Entergy Louisiana, as more fully described in Note 5 to the financial statements. Entergy Louisiana 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 Louisiana's financial condition because net debt indicates Entergy Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Louisiana seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Louisiana may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy Louisiana may receive equity contributions to maintain its capital structure.

### Uses of Capital

Entergy Louisiana requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distribution and interest payments.

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

	2020	2021	2022
	(In Millions)		
<b>Planned construction and capital investment:</b>			
Generation	\$580	\$485	\$320
Transmission	440	445	230
Distribution	300	245	190
Utility Support	300	385	390
Total	\$1,620	\$1,560	\$1,130



Following are the amounts of Entergy Louisiana's existing debt and lease obligations (includes estimated interest payments) and other purchase obligations.

	2020	2021-2022	2023-2024	After 2024	Total
	(In Millions)				
Long-term debt (a)	\$640	\$1,120	\$1,550	\$8,662	\$11,972
Operating leases (b)	\$11	\$17	\$8	\$3	\$39
Finance leases (b)	\$4	\$7	\$5	\$3	\$19
Purchase obligations (c)	\$731	\$1,423	\$1,521	\$5,905	\$9,580

- (a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.
- (c) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy Louisiana, almost all of the total consists of unconditional fuel and purchased power obligations, including its obligations under the Vidalia purchased power agreement and the Unit Power Sales Agreement, both of which are discussed in Note 8 to the financial statements.

In addition to the contractual obligations given above, Entergy Louisiana currently expects to contribute approximately \$38.8 million to its qualified pension plans and approximately \$18.5 million to its other postretirement health care and life insurance plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also, in addition to the contractual obligations, Entergy Louisiana has \$808.4 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Louisiana includes specific investments, such as the Washington Parish Energy Center and Lake Charles Power Station, each discussed below; transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to enhance reliability and improve service to customers, including investment to support advanced metering; resource planning, including potential generation projects; system improvements; investments in River Bend and Waterford 3; software and security; and other investments. Entergy's Utility supply plan initiative will continue to seek to transform its generation portfolio with new or repowered generation resources. Opportunities resulting from the supply plan initiative, including new projects or the exploration of alternative financing sources, could result in increases or decreases in the capital expenditure estimates given above. The estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Louisiana pays distributions from its earnings at a percentage determined monthly.

### Lake Charles Power Station

In November 2016, Entergy Louisiana filed an application with the LPSC seeking certification that the public convenience and necessity would be served by the construction of the Lake Charles Power Station, a nominal 994 megawatt combined-cycle generating unit in Westlake, Louisiana, on land adjacent to the existing Nelson plant in Calcasieu Parish. The current estimated cost of the Lake Charles Power Station is \$872 million, including estimated costs of transmission interconnection and other related costs. In May 2017 the parties to the proceeding agreed to an uncontested stipulation finding that construction of the Lake Charles Power Station is in the public interest and authorizing an in-service rate recovery plan. In July 2017 the LPSC issued an order unanimously approving the stipulation and approved certification of the unit. Construction is in progress and commercial operation is expected to occur by mid-2020.

### Washington Parish Energy Center

In April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. Calpine will construct the plant, which will consist of two natural gas-fired combustion turbine units with a total nominal capacity of approximately 361 MW. The plant, named the Washington Parish Energy Center, will be located in Bogalusa, Louisiana. Subject to regulatory approvals, Entergy Louisiana will purchase the plant once it is complete for an estimated total investment of approximately \$261 million, including transmission and other related costs. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. In April 2018 the parties reached a settlement recommending certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy Louisiana. The LPSC issued an order approving the settlement in May 2018. Construction is in progress and commercial operation is expected to occur by the end of 2020.

### **Sources of Capital**

Entergy Louisiana's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt or preferred membership interest issuances;
- capital contributions; and
- bank financing under new or existing facilities.

Entergy Louisiana may refinance, redeem, or otherwise retire debt prior to maturity, to the extent market conditions and interest rates are favorable.

All debt and common and preferred membership interest issuances by Entergy Louisiana require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indentures and other agreements. Entergy Louisiana has sufficient capacity under these tests to meet its foreseeable capital needs.

Entergy Louisiana's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2019	2018	2017	2016
(In Thousands)			
(\$82,826)	\$46,843	\$11,173	\$22,503

See Note 4 to the financial statements for a description of the money pool.

Entergy Louisiana has a credit facility in the amount of \$350 million scheduled to expire in September 2024. The credit facility includes fronting commitments for the issuance of letters of credit against \$15 million of the borrowing capacity of the facility. As of December 31, 2019, there were no cash borrowings and no letters of credit outstanding under the credit facility. In addition, Entergy Louisiana is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2019, a \$12.3 million letter of credit was outstanding under Entergy Louisiana's uncommitted letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

The Entergy Louisiana nuclear fuel company variable interest entities have two separate credit facilities, each in the amount of \$105 million and scheduled to expire in September 2021. As of December 31, 2019, \$70.3 million of loans were outstanding under the credit facility for the Entergy Louisiana River Bend nuclear fuel company variable interest entity. As of December 31, 2019, \$49.9 million in loans were outstanding under the Entergy Louisiana Waterford nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements for additional discussion of the nuclear fuel company variable interest entity credit facilities.

Entergy Louisiana obtained authorizations from the FERC through November 2020 for the following:

- short-term borrowings not to exceed an aggregate amount of \$450 million at any time outstanding;
- long-term borrowings and security issuances; and
- borrowings by its nuclear fuel company variable interest entities.

See Note 4 to the financial statements for further discussion of Entergy Louisiana's short-term borrowing limits.

#### Hurricane Isaac

In June 2014 the LPSC voted to approve a series of orders which (i) quantified \$290.8 million of Hurricane Isaac system restoration costs as prudently incurred; (ii) determined \$290 million as the level of storm reserves to be re-established; (iii) authorized Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs; and (iv) granted other requested relief associated with storm reserves and Act 55 financing of Hurricane Isaac system restoration costs. Entergy Louisiana committed to pass on to customers a minimum of \$30.8 million of customer benefits through annual customer credits of approximately \$6.2 million for five years. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation and the Louisiana State Bond Commission. See Note 2 to the financial statements for a discussion of the August 2014 issuance of bonds under Act 55 of the Louisiana Legislature.

#### Little Gypsy Repowering Project

In April 2007, Entergy Louisiana announced that it intended to pursue the solid fuel repowering of a 538 MW unit at its Little Gypsy plant. In March 2009 the LPSC voted in favor of a motion directing Entergy Louisiana to temporarily suspend the repowering project and, based upon an analysis of the project's economic viability, to make a recommendation regarding whether to proceed with the project. This action was based upon a number of factors including the recent decline in natural gas prices, as well as environmental concerns, the unknown costs of carbon legislation and changes in the capital/financial markets. In April 2009, Entergy Louisiana complied with the LPSC's directive and recommended that the project be suspended for an extended period of time of three years or more. In May 2009 the LPSC issued an order declaring that Entergy Louisiana's decision to place the Little Gypsy project into a longer-term suspension of three years or more is in the public interest and prudent.

In October 2009, Entergy Louisiana made a filing with the LPSC seeking permission to cancel the Little Gypsy repowering project and seeking project cost recovery over a five-year period. In June 2010 and August 2010, the LPSC staff and intervenors filed testimony. The LPSC staff (1) agreed that it was prudent to move the project from long-term suspension to cancellation and that the timing of the decision to suspend on a longer-term basis was not imprudent; (2) indicated that, except for \$0.8 million in compensation-related costs, the costs incurred should be deemed prudent;

(3) recommended recovery from customers over ten years but stated that the LPSC may want to consider 15 years; (4) allowed for recovery of carrying costs and earning a return on project costs, but at a reduced rate approximating the cost of debt, while also acknowledging that the LPSC may consider ordering no return; and (5) indicated that Entergy Louisiana should be directed to securitize project costs, if legally feasible and in the public interest. In the third quarter 2010, in accordance with accounting standards, Entergy Louisiana determined that it was probable that the Little Gypsy repowering project would be abandoned and accordingly reclassified \$199.8 million of project costs from construction work in progress to a regulatory asset. A hearing on the issues, except for cost allocation among customer classes, was held before the ALJ in November 2010. In January 2011 all parties participated in a mediation on the disputed issues, resulting in a settlement of all disputed issues, including cost recovery and cost allocation. The settlement provides for Entergy Louisiana to recover \$200 million as of March 31, 2011, and carrying costs on that amount on specified terms thereafter. The settlement also provides for Entergy Louisiana to recover the approved project costs by securitization. In April 2011, Entergy Louisiana filed an application with the LPSC to authorize the securitization of the investment recovery costs associated with the project and to issue a financing order by which Entergy Louisiana could accomplish such securitization. In August 2011 the LPSC issued an order approving the settlement and also issued a financing order for the securitization. See Note 5 to the financial statements for a discussion of the September 2011 issuance of the securitization bonds.

### **State and Local Rate Regulation and Fuel-Cost Recovery**

The rates that Entergy Louisiana charges for its services significantly influence its financial position, results of operations, and liquidity. Entergy Louisiana is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the LPSC, is primarily responsible for approval of the rates charged to customers.

#### **Retail Rates - Electric**

##### Filings with the LPSC

##### 2016 Formula Rate Plan Filing

In May 2017, Entergy Louisiana filed its formula rate plan evaluation report for its 2016 calendar year operations. The evaluation report reflected an earned return on common equity of 9.84%. As such, no adjustment to base formula rate plan revenue was required. Adjustments, however, were required under the formula rate plan; the 2016 formula rate plan evaluation report showed a decrease in formula rate plan revenue of approximately \$16.9 million, comprised of a decrease in legacy Entergy Louisiana formula rate plan revenue of \$3.5 million, a decrease in legacy Entergy Gulf States Louisiana formula rate plan revenue of \$9.7 million, and a decrease in incremental formula rate plan revenue of \$3.7 million. Additionally, the formula rate plan evaluation report called for a decrease of \$40.5 million in the MISO cost recovery revenue requirement from \$46.8 million to \$6.3 million. Rates reflecting these adjustments were implemented with the first billing cycle of September 2017, subject to refund. In September 2017 the LPSC staff issued its report indicating that no changes to Entergy Louisiana's original formula rate plan evaluation report were required but reserved for several issues, including Entergy Louisiana's September 2017 update to its formula rate plan evaluation report. In July 2018, Entergy Louisiana and the LPSC staff filed an unopposed joint report setting forth a correction to the annualization calculation, the effect of which was a net \$3.5 million revenue requirement reduction and indicating that there are no outstanding issues with the 2016 formula rate plan report, the supplemental report, or the interim updates. In September 2018 the LPSC approved the unopposed joint report.

## Formula Rate Plan Extension Through 2019 Test Year

In August 2017, Entergy Louisiana filed a request with the LPSC seeking to extend its formula rate plan for three years (2017-2019) with limited modifications to its terms. In April 2018, the LPSC approved an unopposed joint motion filed by Entergy Louisiana and the LPSC staff that settles the matter and extends the formula rate plan for three years, providing for rates through at least August 2021. In addition to retaining the major features of the traditional formula rate plan, some of the more substantive features of the extended formula rate plan include:

- a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year and for the St. Charles Power Station when it enters commercial operation;
- a 9.8% target earned return on common equity for the 2018 and 2019 test years;
- narrowing of the common equity bandwidth to plus or minus 60 basis points around the earned return on common equity;
- a cap on potential revenue increase of \$35 million for the 2018 evaluation period, and \$70 million for the cumulative 2018 and 2019 evaluation periods, on formula rate plan cost of service rate increases (the cap excludes rate changes associated with the transmission recovery mechanism described below and rate changes associated with additional capacity);
- a framework for the flow back of certain tax benefits created by the Tax Act to customers; and
- a transmission recovery mechanism providing for the opportunity to recover certain transmission related expenditures in excess of \$100 million for projects placed in service up to one month prior to rate change outside of sharing that is designed to operate in a fashion similar to the additional capacity mechanism.

Entergy Louisiana has indicated its intent to seek an extension of its formula rate plan on terms similar to the existing terms.

## 2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. The 2017 test year evaluation report produced an earned return on equity of 8.16%, due in large part to revenue-neutral realignments to other recovery mechanisms. Without these realignments, the evaluation report produces an earned return on equity of 9.88% and a resulting base rider formula rate plan revenue increase of \$4.8 million. Excluding the Tax Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues were further increased by a total of \$98 million as a result of the evaluation report due to adjustments to the additional capacity and MISO cost recovery mechanisms of the formula rate plan, and implementation of the transmission recovery mechanism. In August 2018, Entergy Louisiana filed a supplemental formula rate plan evaluation report to reflect changes from the 2016 test year formula rate plan proceedings, a decrease to the transmission recovery mechanism to reflect lower actual capital additions, and a decrease to evaluation period expenses to reflect the terms of a new power sales agreement. Based on the August 2018 update, Entergy Louisiana recognized a total decrease in formula rate plan revenue of approximately \$17.6 million. Results of the updated 2017 evaluation report filing were implemented with the September 2018 billing month subject to refund and review by the LPSC staff and intervenors. In accordance with the terms of the formula rate plan, in September 2018 the LPSC staff and intervenors submitted their responses to Entergy Louisiana's original formula rate plan evaluation report and supplemental compliance updates. The LPSC staff asserted objections/reservations regarding 1) Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Act and the treatment of accumulated deferred income taxes related to reductions of rate base; 2) Entergy Louisiana's reservation regarding treatment of a regulatory asset related to certain special orders by the LPSC; and 3) test year expenses billed from Entergy Services to Entergy Louisiana. Intervenors also objected to Entergy Louisiana's treatment of the regulatory asset related to certain special orders by the LPSC. A procedural schedule has not yet been established to resolve these issues.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes.

Commercial operation at St. Charles Power Station commenced in May 2019. In May 2019, Entergy Louisiana filed an update to its 2017 formula rate plan evaluation report to include the estimated first-year revenue requirement of \$109.5 million associated with the St. Charles Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of June 2019.

#### 2018 Formula Rate Plan Filing

In May 2019, Entergy Louisiana filed its formula rate plan evaluation report for its 2018 calendar year operations. The 2018 test year evaluation report produced an earned return on common equity of 10.61% leading to a base rider formula rate plan revenue decrease of \$8.9 million. While base rider formula rate plan revenue will decrease as a result of this filing, overall formula rate plan revenues will increase by approximately \$118.7 million. This outcome is primarily driven by a reduction to the credits previously flowed through the tax reform adjustment mechanism and an increase in the transmission recovery mechanism, partially offset by reductions in the additional capacity mechanism revenue requirements and extraordinary cost items. The filing is subject to review by the LPSC. Resulting rates were implemented in September 2019, subject to refund.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes. Entergy Louisiana contemplates that any combination of residential rates resulting from this request would be implemented with the results of the 2019 test year formula rate plan filing.

Several parties intervened in the proceeding and the LPSC staff filed its report of objections/reservations in accordance with the applicable provisions of the formula rate plan. In its report the LPSC staff re-urged reservations with respect to the outstanding issues from the 2017 test year formula rate plan filing and disputed the inclusion of certain affiliate costs for test years 2017 and 2018. The LPSC staff objected to Entergy Louisiana's proposal to combine residential rates but proposed the setting of a status conference to establish a procedural schedule to more fully address the issue. The LPSC staff also reserved its right to object to the treatment of the sale of Willow Glen reflected in the evaluation report and to the August 2019 compliance update, which was made primarily to update the capital additions reflected in the formula rate plan's transmission recovery mechanism, based on limited time to review it. Additionally, since the completion of certain transmission projects, the LPSC staff has issued supplemental data requests addressing the prudence of Entergy Louisiana's expenditures in connection with those projects. Entergy Louisiana is in the process of responding to those requests.

#### Investigation of Costs Billed by Entergy Services

In November 2018 the LPSC issued a notice of proceeding initiating an investigation into costs incurred by Entergy Services that are included in the retail rates of Entergy Louisiana. As stated in the notice of proceeding, the LPSC observed an increase in capital construction-related costs incurred by Entergy Services. Discovery was issued and included efforts to seek highly detailed information on a broad range of matters unrelated to the scope of the audit. There has been no further activity in the investigation since May 2019.

#### Waterford 3 Replacement Steam Generator Project

Following the completion of the Waterford 3 replacement steam generator project, the LPSC undertook a prudence review in connection with a filing made by Entergy Louisiana in April 2013 with regard to the following aspects of the replacement project: 1) project management; 2) cost controls; 3) success in achieving stated objectives; 4) the costs of the replacement project; and 5) the outage length and replacement power costs. In July 2014 the LPSC

staff filed testimony recommending potential project and replacement power cost disallowances of up to \$71 million, citing a need for further explanation or documentation from Entergy Louisiana. An intervenor filed testimony recommending disallowance of \$141 million of incremental project costs, claiming the steam generator fabricator was imprudent. Entergy Louisiana provided further documentation and explanation requested by the LPSC staff. An evidentiary hearing was held in December 2014. Entergy Louisiana believed that the replacement steam generator costs were prudently incurred and applicable legal principles supported their recovery in rates. Nevertheless, Entergy Louisiana recorded a write-off of \$16 million of Waterford 3's plant balance in December 2014 because of the uncertainty at the time associated with the resolution of the prudence review. In December 2015 the ALJ issued a proposed recommendation, which was subsequently finalized, concluding that Entergy Louisiana prudently managed the Waterford 3 replacement steam generator project, including the selection, use, and oversight of contractors, and could not reasonably have anticipated the damage to the steam generators. Nevertheless, the ALJ concluded that Entergy Louisiana was liable for the conduct of its contractor and subcontractor and, therefore, recommended a disallowance of \$67 million in capital costs. Additionally, the ALJ concluded that Entergy Louisiana did not sufficiently justify the incurrence of \$2 million in replacement power costs during the replacement outage. Although the ALJ's recommendation had not yet been considered by the LPSC, after considering the progress of the proceeding in light of the ALJ recommendation, Entergy Louisiana recorded in the fourth quarter 2015 approximately \$77 million in charges, including a \$45 million asset write-off and a \$32 million regulatory charge, to reflect that a portion of the assets associated with the Waterford 3 replacement steam generator project was no longer probable of recovery. Entergy Louisiana maintained that the ALJ's recommendation contained significant factual and legal errors.

In October 2016 the parties reached a settlement in this matter. The settlement was approved by the LPSC in December 2016. The settlement effectively provided for an agreed-upon disallowance of \$67 million of plant, which had been previously written off by Entergy Louisiana, as discussed above. The refund to customers of approximately \$71 million as a result of the settlement approved by the LPSC was made to customers in January 2017. Of the \$71 million of refunds, \$68 million was credited to customers through Entergy Louisiana's formula rate plan, outside of sharing, and \$3 million through its fuel adjustment clause. Entergy Louisiana had previously recorded a provision of \$48 million for this refund. The previously-recorded provision included the cumulative revenues recorded through December 2016 related to the \$67 million of disallowed plant. An additional regulatory charge of \$23 million was recorded in fourth quarter 2016 to reflect the effects of the settlement. The settlement also provided that Entergy Louisiana could retain the value associated with potential service credits agreed to by the project contractor, to the extent they are realized in the future. Following a review by the parties, an unopposed joint report of proceedings was filed by the LPSC staff and Entergy Louisiana in May 2017 and the LPSC accepted the joint report of proceedings resolving the matter.

#### Advanced Metering Infrastructure (AMI)

In November 2016, Entergy Louisiana filed an application seeking a finding from the LPSC that Entergy Louisiana's deployment of advanced electric and gas metering infrastructure is in the public interest. Entergy Louisiana proposed to deploy advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Louisiana's modernized power grid. The filing included an estimate of implementation costs for AMI of \$330 million and identified a number of quantified and unquantified benefits. Entergy Louisiana proposed a 15-year useful life for the new advanced meters, the three-year deployment of which began in 2019. Deployment of the communications network began in 2018. Entergy Louisiana proposed to recover the cost of AMI through the implementation of a customer charge, net of certain benefits, phased in over the period 2019 through 2022. The parties reached an uncontested stipulation permitting implementation of Entergy Louisiana's proposed AMI system, with modifications to the proposed customer charge. In July 2017 the LPSC approved the stipulation. Entergy Louisiana will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized at current depreciation rates, as approved by the LPSC.

## **Retail Rates - Gas**

### 2016 Rate Stabilization Plan Filing

In January 2017, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2016. The filing of the evaluation report for test year 2016 reflected an earned return on common equity of 6.37%. In April 2017 the LPSC approved a joint report of proceedings and Entergy Louisiana submitted a revised evaluation report reflecting a \$1.2 million annual increase in revenue with rates implemented with the first billing cycle of May 2017.

### 2017 Rate Stabilization Plan Filing

In January 2018, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2017. The filing of the evaluation report for the test year 2017 reflected an earned return on common equity of 9.06%. This earned return is below the earnings sharing band of the rate stabilization plan and results in a rate increase of \$0.1 million. Due to the enactment in late-December 2017 of the Tax Cuts and Jobs Act, Entergy Louisiana did not have adequate time to reflect the effects of this tax legislation in the rate stabilization plan. In April 2018, Entergy Louisiana filed a supplemental evaluation report for the test year ended September 2017, reflecting the effects of the Tax Act, including a proposal to use the unprotected excess accumulated deferred income taxes to offset approximately \$1.4 million of storm restoration deferred operation and maintenance costs incurred by Entergy Louisiana in connection with the August 2016 flooding disaster in its gas service area. The supplemental filing reflects an earned return on common equity of 10.79%. As-filed rates from the supplemental filing were implemented, subject to refund, with customers receiving a cost reduction of approximately \$0.7 million effective with bills rendered on and after the first billing cycle of May 2018, as well as a \$0.2 million reduction in the gas infrastructure rider effective with bills rendered on and after the first billing cycle of July 2018. In October 2019 the LPSC staff issued its report finding that Entergy Louisiana's filing complied with the terms of the rate stabilization plan but recommending an additional refund of \$0.7 million related to the Tax Act. A procedural schedule has not been established.

### 2018 Rate Stabilization Plan Filing

In January 2019, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2018. The filing of the evaluation report for the test year 2018 reflected an earned return on common equity of 2.69%. This earned return is below the earning sharing band of the gas rate stabilization plan and results in a rate increase of \$2.8 million. Entergy Louisiana made a compliance filing in April 2019 and rates were implemented during the first billing cycle of May 2019, subject to refund and final LPSC review. The proceeding is currently in its discovery phase.

### Gas Rate Stabilization Plan Extension Request

In August 2019, Entergy Louisiana submitted an application to the LPSC seeking extension of the gas rate stabilization plan for the 2019-2021 test years on the same terms as those approved for the 2018 test year. The LPSC established a procedural schedule to address this request with a hearing scheduled in May 2020. Entergy Louisiana and the LPSC staff recently submitted a joint stipulation that recommends approval of the requested extension with certain modifications to the current terms, including a 9.8% evaluation period cost rate for common equity and provisions for the return of the excess accumulated deferred income tax to customers on a dollar for dollar basis in a manner consistent with IRS normalization rules. The LPSC approved the joint stipulation in January 2020.



## 2019 Rate Stabilization Plan Filing

In January 2020, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2019. The filing of the evaluation report for the test year 2019 reflected an earned return on common equity of 10.78%. This earned return exceeds the earning sharing band of the gas rate stabilization plan leading to a rate reduction of approximately \$256 thousand.

## Fuel and purchased power recovery

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

In July 2014 the LPSC authorized its staff to initiate an audit of the fuel adjustment clause filings by Entergy Gulf States Louisiana, whose business was combined with Entergy Louisiana in 2015. The audit includes a review of the reasonableness of charges flowed through Entergy Gulf States Louisiana's fuel adjustment clause for the period from 2010 through 2013. In January 2019, the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately \$900,000, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require no refund to customers.

In July 2014 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 by Entergy Louisiana through its fuel adjustment clause for the period from 2010 through 2013. In January 2019, the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately \$7.3 million, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require a refund to customers of approximately \$4.3 million, plus interest, as compared to the LPSC staff's recommendation of \$7.3 million, plus interest. Responsive testimony was filed by the LPSC staff and intervenors in September 2019; all parties either agreed with or did not oppose Entergy Louisiana's alternative calculation of replacement power costs.

In November 2019 the pending LPSC proceedings for the 2010-2013 Entergy Louisiana and Entergy Gulf States Louisiana audits were consolidated to facilitate a settlement of both fuel audits. In December 2019 an unopposed settlement was reached that requires a refund to legacy Entergy Louisiana customers of approximately \$2.3 million, including interest, and no refund to legacy Entergy Gulf States Louisiana customers. The LPSC approved the settlement in January 2020.

In June 2016 the LPSC issued notice of audits of Entergy Louisiana's fuel adjustment clause filings and purchased gas adjustment clause filings for the period 2014 through 2015. In recognition of the business combination that occurred in 2015, the audit notice was issued to Entergy Louisiana and will also include a review of charges to legacy Entergy Gulf States Louisiana customers prior to the business combination. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's fuel adjustment clause for the period from 2014 through 2015 and charges flowed through Entergy Louisiana's purchased gas adjustment clause for the period from 2012 through 2015. Discovery commenced in March 2017. No report of audit has been issued.

In May 2018 the LPSC staff provided notice of audits of Entergy Louisiana's purchased gas adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's purchased gas adjustment clause for the period from 2016 through 2017. Discovery commenced in September 2018. No report of audit has been issued.

### **Net Metering Rulemaking**

In September 2019 the LPSC issued an order modifying its rules regarding net metering installations. Among other things, the rule provides for 2-channel billing for net metering with excess energy put to the grid being compensated at the utility's avoided cost. However, the rule does provide that net meter installations in place as of December 31, 2019 will be subject to 1:1 net metering with excess energy put to the grid being compensated at the full retail rate for a period of 15 years (through December 31, 2034), after which those installations will be subject to 2-channel billing. The rule also eliminates the existing limit on the cumulative number of net meter installations.

### **Industrial and Commercial Customers**

Entergy Louisiana's large industrial and commercial customers continually explore ways to reduce their energy costs. In particular, cogeneration is an option available to a portion of Entergy Louisiana's industrial customer base. Entergy Louisiana responds by working with industrial and commercial customers and negotiating electric service contracts to provide competitive rates that match specific customer needs and load profiles. Entergy Louisiana actively participates in economic development, customer retention, and reclamation activities to increase industrial and commercial demand, from both new and existing customers.

### **Federal Regulation**

See the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

### **Nuclear Matters**

Entergy Louisiana owns and, through an affiliate, operates the River Bend and Waterford 3 nuclear power plants. Entergy Louisiana is, therefore, subject to the risks related to owning and operating nuclear plants. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems and the Fukushima event; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license renewal and amendments, and decommissioning; the performance and capacity factors of these nuclear plants; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of River Bend or Waterford 3, Entergy Louisiana may be required to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. Waterford 3's operating license expires in 2044 and River Bend's operating license expires in 2045.

### **Environmental Risks**

Entergy Louisiana's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Louisiana is in substantial compliance with environmental

regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in “**Regulation of Entergy's Business - Environmental Regulation**” in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

### **Critical Accounting Estimates**

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

#### **Nuclear Decommissioning Costs**

See “**Nuclear Decommissioning Costs**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

In the first quarter 2018, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for River Bend as a result of a revised decommissioning cost study. The revised estimate resulted in an \$85.4 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining life of the unit.

In the second quarter 2019, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for Waterford 3 as a result of a revised decommissioning cost study. The revised estimate resulted in a \$147.5 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining useful life of the unit.

#### **Utility Regulatory Accounting**

See “**Utility Regulatory Accounting**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

#### **Impairment of Long-lived Assets and Trust Fund Investments**

See “**Impairment of Long-lived Assets and Trust Fund Investments**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets and trust fund investments.

#### **Taxation and Uncertain Tax Positions**

See “**Taxation and Uncertain Tax Positions**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

#### **Qualified Pension and Other Postretirement Benefits**

Entergy Louisiana's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See the “**Qualified**

**Pension and Other Postretirement Benefits** in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

#### Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost and qualified projected benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$3,308	\$47,877
Rate of return on plan assets	(0.25%)	\$3,201	\$—
Rate of increase in compensation	0.25%	\$2,095	\$10,727

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$715	\$7,953
Health care cost trend	0.25%	\$989	\$5,985

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

#### Costs and Employer Contributions

Total qualified pension cost for Entergy Louisiana in 2019 was \$48.6 million. Entergy Louisiana anticipates 2020 qualified pension cost to be \$63.4 million. Entergy Louisiana contributed \$65 million to its qualified pension plans in 2019 and estimates pension contributions will be approximately \$38.8 million in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Total postretirement health care and life insurance benefit costs for Entergy Louisiana in 2019 were \$7.3 million. Entergy Louisiana expects 2020 postretirement health care and life insurance benefit costs of approximately \$8.7 million. Entergy Louisiana contributed \$14.3 million to its other postretirement plans in 2019 and estimates that 2020 contributions will be approximately \$18.5 million.

#### **Other Contingencies**

See "**Other Contingencies**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

**New Accounting Pronouncements**

See "**New Accounting Pronouncements**" section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of  
Entergy Louisiana, LLC and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Louisiana, LLC and Subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity (pages 343 through 348 and applicable items in pages 49 through 236), for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Company’s auditor since 2001.

**ENERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING REVENUES</b>			
Electric	\$4,223,027	\$4,232,541	\$4,246,020
Natural gas	62,148	63,779	54,530
<b>TOTAL</b>	<b>4,285,175</b>	<b>4,296,320</b>	<b>4,300,550</b>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	845,108	915,410	912,060
Purchased power	810,462	960,272	980,070
Nuclear refueling outage expenses	54,170	51,626	52,074
Other operation and maintenance	994,637	959,185	941,604
Decommissioning	59,346	53,736	49,457
Taxes other than income taxes	194,222	183,745	175,359
Depreciation and amortization	535,791	492,179	467,369
Other regulatory charges (credits) - net	(105,203)	4,396	(152,080)
<b>TOTAL</b>	<b>3,388,533</b>	<b>3,620,549</b>	<b>3,425,913</b>
<b>OPERATING INCOME</b>	<b>896,642</b>	<b>675,771</b>	<b>874,637</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	74,023	79,922	51,485
Interest and investment income	231,985	141,882	164,550
Miscellaneous - net	(115,427)	(27,530)	(39,756)
<b>TOTAL</b>	<b>190,581</b>	<b>194,274</b>	<b>176,279</b>
<b>INTEREST EXPENSE</b>			
Interest expense	309,493	288,658	275,185
Allowance for borrowed funds used during construction	(35,430)	(39,616)	(25,914)
<b>TOTAL</b>	<b>274,063</b>	<b>249,042</b>	<b>249,271</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>813,160</b>	<b>621,003</b>	<b>801,645</b>
Income taxes	121,623	(54,611)	485,298
<b>NET INCOME</b>	<b>\$691,537</b>	<b>\$675,614</b>	<b>\$316,347</b>

See Notes to Financial Statements.

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>Net Income</b>	\$691,537	\$675,614	\$316,347
<b>Other comprehensive income</b>			
Pension and other postretirement liabilities (net of tax expense of \$3,781, \$17,743, and \$234)	10,715	50,296	2,042
Other comprehensive income	10,715	50,296	2,042
<b>Comprehensive Income</b>	<b>\$702,252</b>	<b>\$725,910</b>	<b>\$318,389</b>

See Notes to Financial Statements.



**ENERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2019	2018	2017
(In Thousands)			
<b>OPERATING ACTIVITIES</b>			
<b>Net income</b>	\$691,537	\$675,614	\$316,347
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	685,062	662,390	621,018
Deferred income taxes, investment tax credits, and non-current taxes accrued	196,533	174,063	575,804
Changes in working capital:			
Receivables	13,942	89,701	(53,829)
Fuel inventory	(7,195)	5,310	11,010
Accounts payable	(33,375)	11,372	58,880
Prepaid taxes and taxes accrued	(38,827)	12,711	128,261
Interest accrued	4,294	7,922	(70)
Deferred fuel costs	24,234	(40,036)	23,236
Other working capital accounts	(62,536)	(5,809)	(30,911)
Changes in provisions for estimated losses	9,664	8,307	(8,324)
Changes in other regulatory assets	(210,134)	40,765	492,696
Changes in other regulatory liabilities	(35,881)	(125,185)	605,453
Deferred tax rate change recognized as regulatory liability/asset	—	—	(1,207,808)
Changes in pension and other postretirement liabilities	35,162	(106,269)	(32,309)
Other	(36,478)	(15,652)	(161,909)
<b>Net cash flow provided by operating activities</b>	<b>1,236,002</b>	<b>1,395,204</b>	<b>1,337,545</b>
<b>INVESTING ACTIVITIES</b>			
Construction expenditures	(1,673,194)	(1,805,641)	(1,662,835)
Allowance for equity funds used during construction	74,023	79,922	51,485
Insurance proceeds	7,040	3,480	5,305
Nuclear fuel purchases	(85,984)	(111,329)	(197,829)
Proceeds from the sale of nuclear fuel	11,596	53,603	42,634
Payments to storm reserve escrow account	(6,353)	(4,770)	(2,110)
Receipts from storm reserve escrow account	—	4	8,835
Changes in securitization account	(32)	(1,655)	880
Proceeds from nuclear decommissioning trust fund sales	412,559	1,055,690	231,293
Investment in nuclear decommissioning trust funds	(442,501)	(1,097,204)	(266,592)
Changes in money pool receivable - net	46,843	(35,672)	11,330
Proceeds from sale of assets	—	11,987	—
Payment for purchase of assets	—	(26,623)	(9,805)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	2,369	—	—
<b>Net cash flow used in investing activities</b>	<b>(1,653,634)</b>	<b>(1,878,208)</b>	<b>(1,787,409)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	2,691,133	2,319,799	733,344
Retirement of long-term debt	(2,199,053)	(1,664,354)	(407,736)
Change in money pool payable - net	82,826	—	—
Changes in short-term borrowings - net	—	(43,540)	39,746
<b>Distributions paid:</b>			
Common equity	(208,000)	(128,000)	(91,250)
Other	9,368	6,556	(2,183)
<b>Net cash flow provided by financing activities</b>	<b>376,274</b>	<b>490,461</b>	<b>271,921</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(41,358)</b>	<b>7,457</b>	<b>(177,943)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>43,364</b>	<b>35,907</b>	<b>213,850</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$2,006</b>	<b>\$43,364</b>	<b>\$35,907</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid (received) during the period for:

Interest - net of amount capitalized	\$296,842	\$272,335	\$266,871
Income taxes	\$15,272	(\$105,157)	(\$234,199)

See Notes to Financial Statements.

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$488	\$252
Temporary cash investments	1,518	43,112
Total cash and cash equivalents	2,006	43,364
Accounts receivable:		
Customer	194,869	199,903
Allowance for doubtful accounts	(1,902)	(1,813)
Associated companies	77,212	123,363
Other	42,179	60,879
Accrued unbilled revenues	169,201	167,052
Total accounts receivable	481,559	549,384
Fuel inventory	41,613	34,418
Materials and supplies - at average cost	354,020	324,627
Deferred nuclear refueling outage costs	56,743	24,406
Prepaid taxes	7,959	—
Prepayments and other	37,837	38,715
<b>TOTAL</b>	<b>981,737</b>	<b>1,014,914</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investment in affiliate preferred membership interests	1,390,587	1,390,587
Decommissioning trust funds	1,563,812	1,284,996
Storm reserve escrow account	295,875	289,525
Non-utility property - at cost (less accumulated depreciation)	312,896	286,555
Other	13,476	14,927
<b>TOTAL</b>	<b>3,576,646</b>	<b>3,266,590</b>
<b>UTILITY PLANT</b>		
Electric	22,620,365	20,532,312
Natural gas	235,678	211,421
Construction work in progress	1,383,603	1,864,582
Nuclear fuel	267,779	298,022
<b>TOTAL UTILITY PLANT</b>	24,507,425	22,906,337
Less - accumulated depreciation and amortization	9,118,524	8,837,596
<b>UTILITY PLANT - NET</b>	<b>15,388,901</b>	<b>14,068,741</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$27,596 as of December 31, 2019 and \$49,753 as of December 31, 2018)	1,315,211	1,105,077
Deferred fuel costs	168,122	168,122
Other	33,491	28,371
<b>TOTAL</b>	<b>1,516,824</b>	<b>1,301,570</b>
<b>TOTAL ASSETS</b>	<b>\$21,464,108</b>	<b>\$19,651,815</b>

See Notes to Financial Statements.



**ENERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$320,002	\$2
Accounts payable:		
Associated companies	187,615	102,749
Other	357,206	390,367
Customer deposits	153,097	155,314
Taxes accrued	—	30,868
Interest accrued	87,744	83,450
Deferred fuel costs	55,645	31,411
Current portion of unprotected excess accumulated deferred income taxes	31,138	31,457
Other	64,668	49,202
<b>TOTAL</b>	<b>1,257,115</b>	<b>874,820</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	2,464,513	2,226,721
Accumulated deferred investment tax credits	112,128	116,999
Regulatory liability for income taxes - net	500,083	581,001
Other regulatory liabilities	794,140	748,784
Decommissioning	1,497,349	1,280,272
Accumulated provisions	320,419	310,755
Pension and other postretirement liabilities	677,619	643,171
Long-term debt (includes securitization bonds of \$33,220 as of December 31, 2019 and \$55,682 as of December 31, 2018)	6,983,667	6,805,766
Other	459,957	160,608
<b>TOTAL</b>	<b>13,809,875</b>	<b>12,874,077</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Member's equity	6,392,556	5,909,071
Accumulated other comprehensive income (loss)	4,562	(6,153)
<b>TOTAL</b>	<b>6,397,118</b>	<b>5,902,918</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$21,464,108</b>	<b>\$19,651,815</b>

See Notes to Financial Statements.

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	<b>Common Equity</b>		<b>Total</b>
	<b>Member's Equity</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	
	<b>(In Thousands)</b>		
<b>Balance at December 31, 2016</b>	\$5,130,251	(\$48,442)	\$5,081,809
Net income	316,347	—	316,347
Other comprehensive income	—	2,042	2,042
Distributions declared on common equity	(91,250)	—	(91,250)
Other	(144)	—	(144)
<b>Balance at December 31, 2017</b>	\$5,355,204	(\$46,400)	\$5,308,804
Net income	675,614	—	675,614
Other comprehensive income	—	50,296	50,296
Distributions declared on common equity	(128,000)	—	(128,000)
Reclassification pursuant to ASU 2018-02	6,262	(10,049)	(3,787)
Other	(9)	—	(9)
<b>Balance at December 31, 2018</b>	\$5,909,071	(\$6,153)	\$5,902,918
Net income	691,537	—	691,537
Other comprehensive income	—	10,715	10,715
Distributions declared on common equity	(208,000)	—	(208,000)
Other	(52)	—	(52)
<b>Balance at December 31, 2019</b>	<u>\$6,392,556</u>	<u>\$4,562</u>	<u>\$6,397,118</u>

See Notes to Financial Statements.

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	2019	2018	2017	2016	2015
(In Thousands)					
Operating revenues	\$4,285,175	\$4,296,320	\$4,300,550	\$4,177,048	\$4,417,146
Net income	\$691,537	\$675,614	\$316,347	\$622,047	\$446,639
Total assets	\$21,464,108	\$19,651,815	\$18,448,864	\$17,701,271	\$16,387,447
Long-term obligations (a)	\$6,983,667	\$6,805,766	\$5,469,069	\$5,612,593	\$4,806,790

(a) Includes long-term debt (excluding currently maturing debt).

	2019	2018	2017	2016	2015
(Dollars In Millions)					
<b>Electric Operating Revenues:</b>					
Residential	\$1,271	\$1,244	\$1,198	\$1,196	\$1,292
Commercial	947	941	956	930	989
Industrial	1,451	1,462	1,534	1,350	1,420
Governmental	71	69	69	67	67
Total billed retail	3,740	3,716	3,757	3,543	3,768
Sales for resale:					
Associated companies	273	295	278	368	406
Non-associated companies	60	62	64	50	36
Other	150	160	147	165	152
Total	\$4,223	\$4,233	\$4,246	\$4,126	\$4,362

<b>Billed Electric Energy Sales (GWh):</b>					
Residential	14,046	14,494	13,357	13,810	14,399
Commercial	11,353	11,578	11,342	11,478	11,700
Industrial	29,801	29,255	29,754	28,517	27,713
Governmental	827	823	790	794	756
Total retail	56,027	56,150	55,243	54,599	54,568
Sales for resale:					
Associated companies	4,813	5,498	4,793	7,345	7,500
Non-associated companies	1,924	1,762	1,711	1,690	770
Total	62,764	63,410	61,747	63,634	62,838

**ENTERGY MISSISSIPPI, LLC**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Results of Operations****2019 Compared to 2018**Net Income

Net income decreased \$6.2 million primarily due to higher depreciation and amortization expenses, lower volume/weather, and a higher effective income tax rate, partially offset by higher retail electric price.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2019 to 2018.

	<u>Amount</u>
	(In Millions)
2018 operating revenues	\$1,335.1
Fuel, rider, and other revenues that do not significantly affect net income	(51.6)
Volume/weather	(15.9)
Return of unprotected excess accumulated deferred income taxes to customers	25.8
Retail electric price	29.6
<b>2019 operating revenues</b>	<b>\$1,323.0</b>

Entergy Mississippi's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The volume/weather variance is primarily due to a decrease of 455 GWh, or 3%, in billed electricity usage, including the effect of less favorable weather on residential sales and a decrease in industrial usage. The decrease in industrial usage is primarily due to decreased small industrial sales.

The return of unprotected excess accumulated deferred income taxes to customers is due to the return of unprotected excess accumulated deferred income taxes through customer bill credits over a three-month period from July 2018 through September 2018 per an agreement approved by the MPSC in June 2018 resulting from the stipulation related to the effects of the Tax Cuts and Jobs Act. There was no effect on net income as the reduction in operating revenues was offset by a reduction in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The retail electric price variance is primarily due to an increase in formula rate plan rates effective with the first billing cycle of July 2019 and an accrual in the fourth quarter 2019 for the interim capacity rate adjustment to the formula rate plan to recover non-fuel related costs associated with the acquisition of the Choctaw Generating Station, each as approved by the MPSC. Entergy Mississippi began billing the interim capacity rate adjustment in January 2020. See Note 2 to the financial statements for further discussion of the formula rate plan filing and the interim capacity rate adjustment.



### Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$4.7 million in spending on initiatives to explore new customer products and services; and
- an increase of \$4.6 million in information technology costs primarily due to higher costs related to applications and infrastructure support, enhanced cyber security, and upgrades and maintenance.

The increase was partially offset by a \$5.8 million loss in 2018 on the sale of fuel oil inventory per an agreement approved by the MPSC in June 2018 resulting from the stipulation related to the effects of the Tax Act. There is no effect on net income as the loss on the sale of fuel oil inventory is offset by a reduction in income tax expense.

Depreciation and amortization expenses increased primarily as a result of higher depreciation rates, as approved by the MPSC, and additions to plant in service.

Other regulatory charges include a regulatory charge recorded in second quarter 2018 to reflect the return of unprotected excess accumulated deferred income taxes per an agreement approved by the MPSC in June 2018 that resulted in a reduction in net utility plant of \$127.2 million. There was no effect on net income as the regulatory charge was offset by a reduction in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity related to the Tax Cuts and Jobs Act.

Interest expense increased primarily due to issuances of \$300 million in June 2019 and \$135 million in November 2019, of 3.85% Series mortgage bonds and the issuance of \$55 million of 4.52% Series mortgage bonds in December 2018, partially offset by the repayment, at maturity, of \$150 million of 6.64% Series mortgage bonds in July 2019. See Note 5 to the financial statements for details on long-term debt.

The effective income tax rates were 20.5% for 2019 and (41,237%) for 2018. The difference in the effective income tax rate of (41,237%) versus the federal statutory rate of 21% for 2018 was primarily due to the flow through of excess accumulated deferred income taxes. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates.

### **2018 Compared to 2017**

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Entergy Mississippi’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

### **Income Tax Legislation**

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

## **Liquidity and Capital Resources**

### **Cash Flow**

Cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$36,954	\$6,096	\$76,834
Net cash provided by (used in):			
Operating activities	339,952	418,382	226,585
Investing activities	(733,684)	(419,453)	(417,226)
Financing activities	408,379	31,929	119,903
Net increase (decrease) in cash and cash equivalents	<u>14,647</u>	<u>30,858</u>	<u>(70,738)</u>
Cash and cash equivalents at end of period	<u>\$51,601</u>	<u>\$36,954</u>	<u>\$6,096</u>

### **2019 Compared to 2018**

#### Operating Activities

Net cash flow provided by operating activities decreased \$78.4 million in 2019 primarily due to:

- the timing of collection of receivables from customers;
- the receipt of \$36.2 million from Entergy Arkansas as a result of a compliance filing made in response to the FERC's October 2018 order in the Entergy Arkansas opportunity sales proceeding. See Note 2 to the financial statements for further discussion of the opportunity sales proceeding; and
- \$26.2 million in proceeds from the sale of fuel oil inventory in 2018.

The decrease was partially offset by the timing of recovery of fuel and purchased power costs and the return of unprotected excess accumulated deferred income taxes to customers in 2018. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

#### Investing Activities

Net cash flow used in investing activities increased \$314.2 million in 2019 primarily due to:

- the purchase of the Choctaw Generating Station in October 2019 for approximately \$305 million. See Note 14 to the financial statements for further discussion of the Choctaw Generating Station purchase;
- an increase of \$34.9 million primarily due to investment in the infrastructure of Entergy Mississippi's distribution system, including increased spending on advanced metering infrastructure; and
- an increase of \$15.6 million in storm spending in 2019.

The increase was partially offset by money pool activity.

Increases in Entergy Mississippi's receivable from the money pool are a use of cash flow, and Entergy Mississippi's receivable from the money pool increased by \$3.3 million in 2019 compared to increasing by \$39.7 million in 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

## Financing Activities

Net cash flow provided by financing activities increased \$376.5 million in 2019 primarily due to:

- the issuance of \$435 million of 3.85% Series mortgage bonds in 2019 compared to the issuance of \$55 million of 4.52% Series mortgage bonds 2018;
- a capital contribution of \$130 million in October 2019 in anticipation of the purchase of the Choctaw Generating Station in October 2019; and
- the redemption of \$20 million of preferred stock in 2018 in connection with the internal restructuring. See Note 2 to the financial statements for further discussion of the internal restructuring and Note 6 to the financial statements for details of preferred stock activity.

The increase was partially offset by the repayment, at maturity, of \$150 million of 6.64% Series mortgage bonds in July 2019.

See Note 5 to the financial statements for details on long-term debt.

### 2018 Compared to 2017

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow**” in Entergy Mississippi’s Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

## Capital Structure

Entergy Mississippi’s debt to capital ratio is shown in the following table.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Debt to capital	51.2%	50.6%
Effect of subtracting cash	(0.8%)	(0.7%)
Net debt to net capital	50.4%	49.9%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Mississippi uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi’s financial condition. Entergy Mississippi uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi’s financial condition because net debt indicates Entergy Mississippi’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Mississippi seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Mississippi may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy Mississippi may receive equity contributions to maintain its capital structure.

## Uses of Capital

Entergy Mississippi requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distributions and interest payments.

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

	2020	2021	2022
	(In Millions)		
<b>Planned construction and capital investment:</b>			
Generation	\$110	\$285	\$85
Transmission	130	125	90
Distribution	150	115	95
Utility Support	145	130	135
Total	<u>\$535</u>	<u>\$655</u>	<u>\$405</u>

Following are the amounts of Entergy Mississippi's existing debt obligations and lease obligations (includes estimated interest payments) and other purchase obligations.

	2020	2021-2022	2023-2024	After 2024	Total
	(In Millions)				
Long-term debt (a)	\$59	\$118	\$455	\$2,301	\$2,933
Operating leases (b)	\$6	\$9	\$2	\$2	\$19
Finance leases (b)	\$2	\$3	\$2	\$1	\$8
Purchase obligations (c)	\$266	\$502	\$477	\$4,444	\$5,689

- (a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.
- (c) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy Mississippi, almost all of the total consists of unconditional fuel and purchased power obligations, including its obligations under the Unit Power Sales Agreement, which is discussed in Note 8 to the financial statements.

In addition to the contractual obligations given above, Entergy Mississippi currently expects to contribute approximately \$7.8 million to its qualified pension plans and approximately \$130 thousand to other postretirement health care and life insurance plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also, in addition to the contractual obligations, Entergy Mississippi has \$59.3 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Mississippi includes amounts associated with specific investments such as the Sunflower Solar Facility;

transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to enhance reliability and improve service to customers, including advanced meters and related investments; resource planning, including potential generation projects; system improvements; software and security; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Mississippi pays distributions from its earnings at a percentage determined monthly.

#### Sunflower Solar Facility

In November 2018, Entergy Mississippi announced that it signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. The estimated base purchase price is approximately \$138.4 million. The estimated total investment, including the base purchase price and other related costs, for Entergy Mississippi to acquire the Sunflower Solar Facility is approximately \$153.2 million. The purchase is contingent upon, among other things, obtaining necessary approvals, including full cost recovery, from applicable federal and state regulatory and permitting agencies. The project will be built by Sunflower County Solar Project, LLC, a sub-subsidiary of Recurrent Energy, LLC. Entergy Mississippi will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. In December 2018, Entergy Mississippi filed a joint petition with Sunflower Solar Project at the MPSC for Sunflower Solar Project to construct and for Entergy Mississippi to acquire and thereafter own, operate, improve, and maintain the solar facility. Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism, the interim capacity rate adjustment mechanism, in the formula rate plan to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the annual ownership costs of the Sunflower Solar Facility. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism. The MPSC must approve recovery through the interim capacity rate adjustment for each new resource. In August 2019 consultants retained by the Mississippi Public Utilities Staff filed a report expressing concerns regarding the project economics and recommended that, should the MPSC wish to approve the project, Entergy Mississippi should be required to guarantee the energy output of the unit. Entergy Mississippi and the Staff are engaged in settlement discussions to address these concerns. A hearing before the MPSC is targeted to occur by the second quarter of 2020. Closing is expected to occur by the end of 2021.

#### **Sources of Capital**

Entergy Mississippi's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt or preferred membership interest issuances;
- capital contributions; and
- bank financing under new or existing facilities.

Entergy Mississippi may refinance, redeem, or otherwise retire debt prior to maturity, to the extent market conditions and interest rates are favorable.

All debt and preferred membership interest issuances by Entergy Mississippi require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. Entergy Mississippi has sufficient capacity under these tests to meet its foreseeable capital needs.

Entergy Mississippi's receivables from the money pool were as follows as of December 31 for each of the following years.

2019	2018	2017	2016
(In Thousands)			
\$44,693	\$41,380	\$1,633	\$10,595

See Note 4 to the financial statements for a description of the money pool.

Entergy Mississippi has three separate credit facilities in the aggregate amount of \$82.5 million scheduled to expire in May 2020. No borrowings were outstanding under the credit facilities as of December 31, 2019. In addition, Entergy Mississippi is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2019, \$1.8 million of letters of credit were outstanding under Entergy Mississippi's uncommitted letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy Mississippi obtained authorization from the FERC through November 2020 for short-term borrowings not to exceed an aggregate amount of \$175 million at any time outstanding and long-term borrowings and security issuances. See Note 4 to the financial statements for further discussion of Entergy Mississippi's short-term borrowing limits.

#### **State and Local Rate Regulation and Fuel-Cost Recovery**

The rates that Entergy Mississippi charges for electricity significantly influence its financial position, results of operations, and liquidity. Entergy Mississippi is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the MPSC, is primarily responsible for approval of the rates charged to customers.

#### **Formula Rate Plan Filings**

In March 2017, Entergy Mississippi submitted its formula rate plan 2017 test year filing and 2016 look-back filing showing Entergy Mississippi's earned return for the historical 2016 calendar year and projected earned return for the 2017 calendar year to be within the formula rate plan bandwidth, resulting in no change in rates. In June 2017, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a stipulation that confirmed that Entergy Mississippi's earned returns for both the 2016 look-back filing and 2017 test year were within the respective formula rate plan bandwidths. In June 2017 the MPSC approved the stipulation, which resulted in no change in rates.

In March 2018, Entergy Mississippi submitted its formula rate plan 2018 test year filing and 2017 look-back filing showing Entergy Mississippi's earned return for the historical 2017 calendar year and projected earned return for the 2018 calendar year, in large part as a result of the lower federal corporate income tax rate effective in 2018, to be within the formula rate plan bandwidth, resulting in no change in rates. In June 2018, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a stipulation that confirmed that Entergy Mississippi's earned returns for both the 2017 look-back filing and 2018 test year were within the respective formula rate plan bandwidths. In June 2018 the MPSC approved the stipulation, which resulted in no change in rates.

In October 2018, Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism in the formula rate plan, the interim capacity rate adjustment mechanism, to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the non-fuel annual ownership costs of the Choctaw Generating Station, as well as to allow similar cost recovery treatment for other future capacity acquisitions, such as the Sunflower Solar Facility, that are approved by the MPSC. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism, which Entergy Mississippi began billing in January 2020. The MPSC must approve recovery through the interim

capacity rate adjustment for each new resource. In addition, the MPSC approved revisions to the formula rate plan which allows Energy Mississippi to begin billing rate adjustments effective April 1 of the filing year on a temporary basis subject to refund or credit to customers, subject to final MPSC order. The MPSC also authorized Energy Mississippi to remove vegetation management costs from the formula rate plan and recover these costs through the establishment of a vegetation management rider.

In March 2019, Energy Mississippi submitted its formula rate plan 2019 test year filing and 2018 look-back filing showing Energy Mississippi's earned return for the historical 2018 calendar year to be above the formula rate plan bandwidth and projected earned return for the 2019 calendar year to be below the formula rate plan bandwidth. The 2019 test year filing shows a \$36.8 million rate increase is necessary to reset Energy Mississippi's earned return on common equity to the specified point of adjustment of 6.94% return on rate base, within the formula rate plan bandwidth. The 2018 look-back filing compares actual 2018 results to the approved benchmark return on rate base and shows a \$10.1 million interim decrease in formula rate plan revenues is necessary. In the fourth quarter 2018, Energy Mississippi recorded a provision of \$9.3 million that reflected the estimate of the difference between the 2018 expected earned rate of return on rate base and an established performance-adjusted benchmark rate of return under the formula rate plan performance-adjusted bandwidth mechanism. In the first quarter 2019, Energy Mississippi recorded a \$0.8 million increase in the provision to reflect the amount shown in the look-back filing. In June 2019, Energy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2019 test year filing showed that a \$32.8 million rate increase is necessary to reset Energy Mississippi's earned return on common equity to the specified point of adjustment of 6.93% return on rate base, within the formula rate plan bandwidth. Additionally, pursuant to the joint stipulation, Energy Mississippi's 2018 look-back filing reflected an earned return on rate base of 7.81% in calendar year 2018 which is above the look-back benchmark return on rate base of 7.13%, resulting in an \$11 million decrease in formula rate plan revenues on an interim basis through May 2020. In the second quarter 2019, Energy Mississippi recorded an additional \$0.9 million increase in the provision to reflect the \$11 million shown in the look-back filing. In June 2019 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2019.

#### Internal Restructuring

In March 2018, Energy Mississippi filed an application with the MPSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Energy Mississippi to a new entity, which would ultimately be held by an existing Energy subsidiary holding company. In September 2018, Energy Mississippi and the Mississippi Public Utilities Staff entered into and filed a joint stipulation regarding the restructuring filing. In September 2018 the MPSC issued an order accepting the stipulation in its entirety and approving the restructuring and credits of \$27 million to retail customers over six years, consisting of annual payments of \$4.5 million for the years 2019-2024. Energy Mississippi also received the required FERC approval.

In November 2018, Energy Mississippi undertook a multi-step restructuring, including the following:

- Energy Mississippi, Inc. redeemed its outstanding preferred stock, at the aggregate redemption price of approximately \$21.2 million.
- Energy Mississippi, Inc. converted from a Mississippi corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Energy Mississippi, Inc. allocated substantially all of its assets to a new subsidiary, Energy Mississippi Power and Light, LLC, a Texas limited liability company (Energy Mississippi Power and Light), and Energy Mississippi Power and Light assumed substantially all of the liabilities of Energy Mississippi, Inc., in a transaction regarded as a merger under the TXBOC. Energy Mississippi, Inc. remained in existence and held the membership interests in Energy Mississippi Power and Light.
- Energy Mississippi, Inc. contributed the membership interests in Energy Mississippi Power and Light to an affiliate (Energy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Energy Corporation). As a result of the contribution, Energy Mississippi Power and Light is a wholly-owned subsidiary of Energy Utility Holding Company, LLC.

In December 2018, Entergy Mississippi, Inc. changed its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light then changed its name to Entergy Mississippi, LLC. Entergy Mississippi, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Mississippi, Inc. The restructuring was accounted for as a transaction between entities under common control.

In December 2018, Entergy Mississippi filed its notice of intent to implement the restructuring credit rider to allow Entergy Mississippi to return credits of \$27 million to retail customers over six years. In January 2019 the MPSC approved the proposed restructuring credit adjustment factor, which is effective for bills rendered beginning February 2019.

#### Advanced Metering Infrastructure (AMI)

In November 2016, Entergy Mississippi filed an application seeking an order from the MPSC granting a certificate of public convenience and necessity and finding that Entergy Mississippi's deployment of AMI is in the public interest. Entergy Mississippi proposed to replace existing meters with advanced meters that enable two-way data communication; to design and build a secure and reliable network to support such communications; and to implement support systems. AMI is intended to serve as the foundation of Entergy Mississippi's modernized power grid. The filing included an estimate of implementation costs for AMI of \$132 million and identified a number of quantified and unquantified benefits. Entergy Mississippi proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which began in 2019. Deployment of the communications network began in 2018. Entergy Mississippi proposed to include the AMI deployment costs and the quantified benefits in existing rate mechanisms, primarily through future formula rate plan filings and/or future energy cost recovery rider schedule re-determinations, as applicable. In May 2017 the Mississippi Public Utilities Staff and Entergy Mississippi entered into and filed a joint stipulation supporting Entergy Mississippi's filing, and the MPSC issued an order approving the filing without material changes, finding that Entergy Mississippi's deployment of AMI is in the public interest and granting a certificate of public convenience and necessity. The MPSC order also confirmed that Entergy Mississippi shall continue to include in rate base the remaining book value of existing meters that will be retired as part of the AMI deployment and also to depreciate those assets using current depreciation rates. In June 2018, as part of the order approving the joint stipulation between the Mississippi Public Utilities Staff and Entergy Mississippi addressing Entergy Mississippi's 2018 formula rate plan evaluation report and the ratemaking effects of the Tax Act, the MPSC approved the acceleration of the recovery of substantially all of Entergy Mississippi's existing customer meters in anticipation of AMI deployment.

#### **Fuel and Purchased Power Cost Recovery**

Entergy Mississippi's rate schedules include an energy cost recovery rider that is adjusted annually to reflect accumulated over- or under-recoveries. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

In January 2017 the MPSC certified to the Mississippi Legislature the audit reports of its independent auditors for the fuel year ending September 30, 2016. In November 2017 the Mississippi Public Utilities Staff separately engaged a consultant to review the September 2016 outage at the Grand Gulf Nuclear Station and to review ongoing operations at Grand Gulf. This engagement continues, and subsequently, was expanded to include all outages at Grand Gulf that occurred through 2019.

In November 2017, 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 an under-recovery of approximately \$61.5 million as of September 30, 2017. In January 2018 the MPSC approved the proposed energy cost factors effective for February 2018 bills.



In November 2018, 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 an under-recovery of approximately \$57 million as of September 30, 2018. In January 2019 the MPSC approved the proposed energy cost factor effective for February 2019 bills.

In November 2019, 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 an over-recovery of approximately \$39.6 million as of September 30, 2019. In January 2020 the MPSC approved the proposed energy cost factor effective for February 2020 bills.

#### Mississippi Attorney General Complaint

The Mississippi Attorney General filed a complaint in state court in December 2008 against Entergy Corporation, Entergy Mississippi, Entergy Services, and Entergy Power alleging, among other things, violations of Mississippi statutes, fraud, and breach of good faith and fair dealing, and requesting an accounting and restitution. The complaint is wide ranging and relates to tariffs and procedures under which Entergy Mississippi purchases power not generated in Mississippi to meet electricity demand. Entergy believes the complaint is unfounded. In December 2008 the defendant Entergy companies removed the Attorney General's lawsuit to U.S. District Court in Jackson, Mississippi. In June 2010 the MPSC authorized the deferral of certain legal expenses associated with this litigation until it is resolved. As of December 31, 2019, Entergy Mississippi has a regulatory asset of \$29.5 million for these deferred legal expenses. In April 2019 the District Court remanded the Attorney General's lawsuit to the Hinds County Chancery Court. A hearing on procedural and dispositive motions was held in August 2019. In December 2019 the Hinds County Chancery Court issued its ruling granting the motion for summary judgment filed by the Entergy defendants. The Chancery Court found it lacked subject matter jurisdiction and that the claims fall under the purview of the FERC. In February 2020 the Chancery Court entered a final order dismissing all claims. The order was approved by counsel for the Attorney General, and dismisses with prejudice all claims and matters in dispute and states that the plaintiff will not seek an appeal or further relief and that all matters in dispute have been resolved.

#### Storm Cost Recovery Filings with Retail Regulators

Entergy Mississippi has approval from the MPSC to collect a storm damage provision of \$1.75 million per month. If Entergy Mississippi's accumulated storm damage provision balance exceeds \$15 million, the collection of the storm damage provision ceases until such time that the accumulated storm damage provision becomes less than \$10 million. As of July 31, 2017, the balance in Entergy Mississippi's accumulated storm damage provision was less than \$10 million, therefore Entergy Mississippi resumed billing the monthly storm damage provision effective with September 2017 bills. As of June 30, 2018, Entergy Mississippi's storm damage provision balance exceeded \$15 million. Accordingly, the storm damage provision was reset to zero beginning with August 2018 bills. As of May 31, 2019, Entergy Mississippi's storm damage provision balance was less than \$10 million. Accordingly, Entergy Mississippi resumed billing the monthly storm damage provision effective with July 2019 bills.

#### **Federal Regulation**

See the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

#### **Nuclear Matters**

See the "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of nuclear matters.

## **Environmental Risks**

Entergy Mississippi's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Mississippi is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

## **Critical Accounting Estimates**

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

### **Utility Regulatory Accounting**

See "**Utility Regulatory Accounting**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

### **Impairment of Long-lived Assets and Trust Fund Investments**

See "**Impairment of Long-lived Assets and Trust Fund Investments**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

### **Taxation and Uncertain Tax Positions**

See "**Taxation and Uncertain Tax Positions**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

### **Qualified Pension and Other Postretirement Benefits**

Entergy Mississippi's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See the "**Qualified Pension and Other Postretirement Benefits**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost and qualified projected benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$719	\$11,678
Rate of return on plan assets	(0.25%)	\$823	\$—
Rate of increase in compensation	0.25%	\$483	\$2,529

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$29	\$1,939
Health care cost trend	0.25%	\$81	\$1,456

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Mississippi in 2019 was \$11.3 million. Entergy Mississippi anticipates 2020 qualified pension cost to be \$17.4 million. Entergy Mississippi contributed \$20.8 million to its qualified pension plans in 2019 and estimates 2020 pension contributions will be approximately \$7.8 million, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Total postretirement health care and life insurance benefit income for Entergy Mississippi in 2019 was \$2.1 million. Entergy Mississippi expects 2020 postretirement health care and life insurance benefit income of approximately \$3.1 thousand. Entergy Mississippi contributed \$228 thousand to its other postretirement plans in 2019 and estimates that 2020 contributions will be approximately \$130 thousand.

**Other Contingencies**

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

**New Accounting Pronouncements**

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of  
Entergy Mississippi, LLC

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Entergy Mississippi, LLC (the “Company”) as of December 31, 2019 and 2018, the related statements of income, cash flows and changes in member’s equity (pages 363 through 368 and applicable items in pages 49 through 236), for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Company’s auditor since 2001.

**ENTERGY MISSISSIPPI, LLC**  
**INCOME STATEMENTS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING REVENUES</b>			
Electric	\$1,323,043	\$1,335,112	\$1,198,229
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	277,425	260,198	185,816
Purchased power	284,492	364,575	328,463
Other operation and maintenance	266,175	261,613	240,738
Taxes other than income taxes	105,318	101,999	95,051
Depreciation and amortization	170,886	152,577	143,479
Other regulatory charges (credits) - net	14,993	147,704	(19,134)
<b>TOTAL</b>	<b>1,119,289</b>	<b>1,288,666</b>	<b>974,413</b>
<b>OPERATING INCOME</b>	<b>203,754</b>	<b>46,446</b>	<b>223,816</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	8,356	8,710	9,667
Interest and investment income	1,412	135	85
Miscellaneous - net	(4,478)	(2,732)	(2,232)
<b>TOTAL</b>	<b>5,290</b>	<b>6,113</b>	<b>7,520</b>
<b>INTEREST EXPENSE</b>			
Interest expense	61,785	55,905	51,260
Allowance for borrowed funds used during construction	(3,532)	(3,651)	(3,875)
<b>TOTAL</b>	<b>58,253</b>	<b>52,254</b>	<b>47,385</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>150,791</b>	<b>305</b>	<b>183,951</b>
Income taxes	30,866	(125,773)	73,919
<b>NET INCOME</b>	<b>119,925</b>	<b>126,078</b>	<b>110,032</b>
Preferred dividend requirements and other	—	834	953
<b>EARNINGS APPLICABLE TO COMMON EQUITY</b>	<b>\$119,925</b>	<b>\$125,244</b>	<b>\$109,079</b>

See Notes to Financial Statements.

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**ENTERGY MISSISSIPPI, LLC**  
**STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING ACTIVITIES</b>			
<b>Net income</b>	\$119,925	\$126,078	\$110,032
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>			
Depreciation and amortization	170,886	152,577	143,479
Deferred income taxes, investment tax credits, and non-current taxes accrued	32,547	56,502	84,816
Changes in assets and liabilities:			
Receivables	(17,245)	37,762	(29,528)
Fuel inventory	(3,208)	33,675	5,266
Accounts payable	(226)	(7,472)	3,595
Taxes accrued	13,109	(5,291)	18,803
Interest accrued	(1,331)	(2,670)	1,248
Deferred fuel costs	78,418	24,428	(25,487)
Other working capital accounts	(5,557)	(9,902)	5,115
Provisions for estimated losses	(1,121)	6,378	(9,676)
Other regulatory assets	(34,923)	54,860	(17,412)
Other regulatory liabilities	(21,524)	(131,856)	405,395
Deferred tax rate change recognized as regulatory liability/asset	—	—	(452,429)
Pension and other postretirement liabilities	6,534	(8,405)	(8,055)
Other assets and liabilities	3,668	91,718	(8,577)
<b>Net cash flow provided by operating activities</b>	<b>339,952</b>	<b>418,382</b>	<b>226,585</b>
<b>INVESTING ACTIVITIES</b>			
Construction expenditures	(432,600)	(387,293)	(427,616)
Allowance for equity funds used during construction	8,356	8,710	9,667
Changes in money pool receivable - net	(3,313)	(39,747)	8,962
Payment for purchase of plant or assets	(305,472)	—	(6,958)
Other	(655)	(1,123)	(1,281)
<b>Net cash flow used in investing activities</b>	<b>(733,684)</b>	<b>(419,453)</b>	<b>(417,226)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	437,153	54,449	148,185
Retirement of long-term debt	(150,000)	—	—
Redemption of preferred stock	—	(21,208)	—
Capital contributions from parent	130,000	—	—
<b>Distributions/dividends paid:</b>			
Common equity	—	(10,000)	(26,000)
Preferred stock	—	(993)	(953)
Other	(8,774)	9,681	(1,329)
<b>Net cash flow provided by financing activities</b>	<b>408,379</b>	<b>31,929</b>	<b>119,903</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,647</b>	<b>30,858</b>	<b>(70,738)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>36,954</b>	<b>6,096</b>	<b>76,834</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$51,601</b>	<b>\$36,954</b>	<b>\$6,096</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$60,533	\$56,037	\$47,631
Income taxes	(\$12,204)	(\$19,118)	(\$25,043)

See Notes to Financial Statements.

**ENTERGY MISSISSIPPI, LLC**  
**BALANCE SHEETS**  
**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$11	\$11
Temporary cash investments	51,590	36,943
Total cash and cash equivalents	51,601	36,954
Accounts receivable:		
Customer	92,050	73,205
Allowance for doubtful accounts	(636)	(563)
Associated companies	49,257	51,065
Other	14,986	8,647
Accrued unbilled revenues	47,426	50,171
Total accounts receivable	203,083	182,525
Deferred fuel costs	—	8,016
Fuel inventory - at average cost	15,139	11,931
Materials and supplies - at average cost	57,972	47,255
Prepayments and other	7,149	9,365
<b>TOTAL</b>	<b>334,944</b>	<b>296,046</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Non-utility property - at cost (less accumulated depreciation)	4,560	4,576
Escrow accounts	80,201	32,447
<b>TOTAL</b>	<b>84,761</b>	<b>37,023</b>
<b>UTILITY PLANT</b>		
Electric	5,672,589	4,780,720
Construction work in progress	88,373	128,149
<b>TOTAL UTILITY PLANT</b>	5,760,962	4,908,869
Less - accumulated depreciation and amortization	1,894,000	1,641,821
<b>UTILITY PLANT - NET</b>	<b>3,866,962</b>	<b>3,267,048</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets	377,972	343,049
Other	10,105	3,638
<b>TOTAL</b>	<b>388,077</b>	<b>346,687</b>
<b>TOTAL ASSETS</b>	<b>\$4,674,744</b>	<b>\$3,946,804</b>

See Notes to Financial Statements.



**ENTERGY MISSISSIPPI, LLC**  
**BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$—	\$150,000
Accounts payable:		
Associated companies	48,090	42,928
Other	94,729	79,117
Customer deposits	85,938	85,085
Taxes accrued	90,661	77,552
Interest accrued	18,900	20,231
Deferred fuel costs	70,402	—
Other	32,667	7,526
<b>TOTAL</b>	<b>441,387</b>	<b>462,439</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	594,832	551,869
Accumulated deferred investment tax credits	9,602	10,186
Regulatory liability for income taxes - net	236,988	246,402
Other regulatory liabilities	21,512	33,622
Asset retirement cost liabilities	9,727	9,206
Accumulated provisions	50,021	51,142
Pension and other postretirement liabilities	99,406	93,100
Long-term debt	1,614,129	1,175,750
Other	54,989	20,862
<b>TOTAL</b>	<b>2,691,206</b>	<b>2,192,139</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Member's equity	1,542,151	1,292,226
<b>TOTAL</b>	<b>1,542,151</b>	<b>1,292,226</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$4,674,744</b>	<b>\$3,946,804</b>

See Notes to Financial Statements.

**ENTERGY MISSISSIPPI, LLC**  
**STATEMENTS OF CHANGES IN MEMBER'S EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	<u>Member's Equity</u> <u>(In Thousands)</u>
<b>Balance at December 31, 2016</b>	\$1,094,791
Net income	110,032
Common equity distributions	(26,000)
Preferred stock dividends	(953)
<b>Balance at December 31, 2017</b>	<u>\$1,177,870</u>
Net income	126,078
Common equity distributions	(10,000)
Preferred stock dividends	(834)
Other	(888)
<b>Balance at December 31, 2018</b>	<u>\$1,292,226</u>
Net income	119,925
Capital contribution from parent	130,000
<b>Balance at December 31, 2019</b>	<u><u>\$1,542,151</u></u>
See Notes to Financial Statements.	

**ENTERGY MISSISSIPPI, LLC**  
**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	2019	2018	2017	2016	2015
<b>(In Thousands)</b>					
Operating revenues	\$1,323,043	\$1,335,112	\$1,198,229	\$1,094,649	\$1,396,985
Net income	\$119,925	\$126,078	\$110,032	\$109,184	\$92,708
Total assets	\$4,674,744	\$3,946,804	\$3,879,375	\$3,602,140	\$3,477,407
Long-term obligations (a)	\$1,614,129	\$1,175,750	\$1,290,503	\$1,141,924	\$972,058

(a) Includes long-term debt (excluding currently maturing debt), non-current capital lease obligations, and preferred stock without sinking fund.

	2019	2018	2017	2016	2015
<b>(Dollars In Millions)</b>					
<b>Electric Operating Revenues:</b>					
Residential	\$562	\$579	\$502	\$459	\$565
Commercial	444	462	423	374	465
Industrial	165	175	159	134	164
Governmental	44	44	41	38	47
Total billed retail	1,215	1,260	1,125	1,005	1,241
Sales for resale:					
Associated companies	—	1	—	1	75
Non-associated companies	39	25	18	30	10
Other	69	49	55	59	71
Total	\$1,323	\$1,335	\$1,198	\$1,095	\$1,397

<b>Billed Electric Energy Sales (GWh):</b>					
Residential	5,659	5,829	5,308	5,617	5,661
Commercial	4,698	4,865	4,783	4,894	4,913
Industrial	2,443	2,559	2,536	2,493	2,283
Governmental	436	438	421	439	433
Total retail	13,236	13,691	13,048	13,443	13,290
Sales for resale:					
Associated companies	—	—	—	—	1,419
Non-associated companies	1,776	1,060	857	1,021	261
Total	15,012	14,751	13,905	14,464	14,970

**ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Results of Operations****2019 Compared to 2018**Net Income

Net income decreased \$0.5 million primarily due to lower retail electric price and a higher effective income tax rate, substantially offset by higher other income and lower other operation and maintenance expenses.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2019 to 2018.

	<u>Amount</u>
	(In Millions)
2018 operating revenues	\$717.4
Fuel, rider, and other revenues that do not significantly affect net income	(37.4)
Retail electric price	(5.5)
Volume/weather	1.8
Return of unprotected excess accumulated deferred income taxes to customers	9.9
<b>2019 operating revenues</b>	<b><u><u>\$686.2</u></u></b>

Entergy New Orleans's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The retail electric price variance is primarily due to a provision for rate refund recorded in fourth quarter 2019 as a result of the 2018 combined rate case resolution approved by the City Council. See Note 2 to the financial statements for further discussion of the rate case resolution.

The volume/weather variance is primarily due to an increase in usage during the unbilled sales period.

The return of unprotected excess accumulated deferred income taxes to customers variance is due to a decrease in the return of unprotected excess accumulated deferred income taxes through the fuel adjustment clause. In 2019, \$2.1 million was returned to customers as compared to \$12 million in 2018. There is no effect on net income as the reduction in operating revenues in each period is offset by a reduction in income tax expense. See Note 2 to the financial statements for discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to:

- a decrease of \$9.2 million as a result of the deferral in 2019 of 2018 costs related to the rate case and a system conversion for Algiers customers as a result of the 2018 combined rate case resolution approved by the City

- Council. See Note 2 to the financial statements for further discussion of the rate case resolution; and
- a decrease of \$2.9 million in distribution expenses primarily due to lower contract labor costs.

The decrease was partially offset by:

- an increase of \$2.9 million in spending on initiatives to explore new customer products and services;
- an increase of \$2.8 million in information technology costs primarily due to higher software maintenance costs and higher contract costs;
- an increase of \$2 million in customer service costs primarily due to higher labor costs, including contract labor; and
- an increase of \$1.8 million in energy efficiency costs.

Other income increased primarily due to:

- an increase in allowance for equity funds used during construction resulting from higher construction work in progress in 2019, including the New Orleans Power Station project; and
- the accrual in fourth quarter 2018 of a \$5 million settlement offer in the New Orleans Power Station show cause proceeding. See "[Liquidity and Capital Resources - Uses of Capital - New Orleans Power Station](#)" below for discussion of the New Orleans Power Station proceedings.

The effective income tax rates were 0.4% for 2019 and (4.8%) for 2018. The differences in the effective income tax rates versus the federal statutory rate of 21% for 2019 and 2018 were primarily due to the amortization of excess accumulated deferred income taxes. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates.

## **2018 Compared to 2017**

See "[MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations](#)" in Entergy New Orleans's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

## **Income Tax Legislation**

See the "[Income Tax Legislation](#)" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

## **Liquidity and Capital Resources**

### **Cash Flow**

Cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$19,677	\$32,741	\$103,068
Net cash provided by (used in):			
Operating activities	115,604	171,778	127,797
Investing activities	(204,310)	(207,616)	(109,500)
Financing activities	75,046	22,774	(88,624)
Net decrease in cash and cash equivalents	(13,660)	(13,064)	(70,327)
Cash and cash equivalents at end of period	<u>\$6,017</u>	<u>\$19,677</u>	<u>\$32,741</u>

### **2019 Compared to 2018**

#### **Operating Activities**

Net cash flow provided by operating activities decreased \$56.2 million in 2019 primarily due to a decrease of \$34.5 million in 2019 of income tax refunds and the timing of collection of receivables from customers. Entergy New Orleans had income tax refunds in 2019 and 2018 in accordance with an intercompany income tax allocation agreement. The income tax refunds resulted from the utilization of Entergy New Orleans's net operating loss.

#### **Investing Activities**

Net cash flow used in investing activities decreased \$3.3 million in 2019 primarily due to money pool activity. The decrease was substantially offset by:

- an increase of \$15.6 million in transmission construction expenditures primarily due to a higher scope of work performed in 2019 as compared to 2018, including investment in Entergy New Orleans's system reliability and infrastructure; and
- an increase of \$10.7 million in distribution construction expenditures primarily due to investment in the reliability and infrastructure of Entergy New Orleans's distribution system, including increased spending on advanced metering infrastructure.

Decreases in Entergy New Orleans's receivable from the money pool are a source of cash flow, and Entergy New Orleans's receivable from the money pool decreased by \$16.8 million in 2019 compared to increasing by \$9.3 million in 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

#### **Financing Activities**

Net cash flow provided by financing activities increased \$52.3 million primarily due to:

- proceeds from a \$70 million 3.0% unsecured term loan due May 2022 in December 2019;
- \$23.8 million in common equity distributions in 2018. There were no common equity distributions made in 2019 in anticipation of planned capital investments; and

- net borrowings of \$20 million in 2019 on Entergy New Orleans's credit facility.

The increase was partially offset by the issuance of \$60 million of 4.51% Series mortgage bonds in September 2018.

See Note 5 to the financial statements for details on long-term debt.

2018 Compared to 2017

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Liquidity and Capital Resources - Cash Flow**" in Entergy New Orleans's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

**Capital Structure**

Entergy New Orleans's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the issuance of long-term debt in 2019.

	December 31, 2019	December 31, 2018
Debt to capital	53.1%	52.1%
Effect of excluding securitization bonds	(2.4%)	(3.5%)
Debt to capital, excluding securitization bonds (a)	50.7%	48.6%
Effect of subtracting cash	(0.3%)	(1.2%)
Net debt to net capital, excluding securitization bonds (a)	50.4%	47.4%

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

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, long-term debt, including the currently maturing portion, and the long-term payable due to an associated company. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy New Orleans 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 New Orleans's financial condition because the securitization bonds are non-recourse to Entergy New Orleans, as more fully described in Note 5 to the financial statements. Entergy New Orleans 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 New Orleans's financial condition because net debt indicates Entergy New Orleans's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy New Orleans seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy New Orleans may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as large transactions that would materially alter the capital structure if financed entirely with debt and reducing distributions, Entergy New Orleans may receive equity contributions to maintain its capital structure.

## Uses of Capital

Entergy New Orleans requires capital resources for:

- construction and other capital investments;
- working capital purposes, including the financing of fuel and purchased power costs;
- debt maturities or retirements; and
- distribution and interest payments.

Following are the amounts of Entergy New Orleans's planned construction and other capital investments.

	2020	2021	2022
	(In Millions)		
<b>Planned construction and capital investment:</b>			
Generation	\$70	\$15	\$15
Transmission	10	20	25
Distribution	90	80	40
Utility Support	65	40	70
Total	<u>\$235</u>	<u>\$155</u>	<u>\$150</u>

Following are the amounts of Entergy New Orleans's existing debt and lease obligations (includes estimated interest payments) and other purchase obligations.

	2020	2021-2022	2023-2024	After 2024	Total
	(In Millions)				
Long-term debt (a)	\$62	\$159	\$153	\$612	\$986
Operating leases (b)	\$1	\$2	\$1	\$—	\$4
Finance leases (b)	\$1	\$1	\$1	\$1	\$4
Purchase obligations (c)	\$224	\$459	\$448	\$3,602	\$4,733

- (a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.
- (c) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy New Orleans, almost all of the total consists of unconditional fuel and purchased power obligations, including its obligations under the Unit Power Sales Agreement, which is discussed in Note 8 to the financial statements.

In addition to the contractual obligations given above, Entergy New Orleans currently expects to contribute approximately \$3.2 million to its qualified pension plan and approximately \$162 thousand to other postretirement health care and life insurance plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, Entergy New Orleans has \$271.3 million of unrecognized tax benefits and interest net of unused tax attributes and payments for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy New Orleans includes specific investments such as the New Orleans Power Station and New Orleans Solar



Station; transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to enhance reliability and improve service to customers, including advanced meters and related investments; system improvements; software and security; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital. Management provides more information on long-term debt and preferred stock maturities in Notes 5 and 6 to the financial statements.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy New Orleans pays distributions from its earnings at a percentage determined monthly.

#### New Orleans Power Station

In March 2018 the City Council adopted a resolution approving construction of the New Orleans Power Station, a 128 MW unit composed of natural gas-fired reciprocating engines, and a related cost recovery plan. The cost estimate for the plant, which will be located at the site of the Michoud generating facility that was retired in May 2016, is \$210 million. Entergy New Orleans had previously filed an application with the City Council seeking a public interest determination and authorization to construct a 226 MW advanced combustion turbine power station. In January 2017 several intervenors filed testimony opposing the construction of the New Orleans Power Station on various grounds. In July 2017, Entergy New Orleans submitted a supplemental and amending application to the City Council seeking approval to construct either the originally proposed 226 MW advanced combustion turbine power station, or alternatively, the 128 MW power station. In addition, the application renewed the commitment to pursue up to 100 MW of renewable resources to serve New Orleans.

In April 2018 intervenors opposing the construction of the New Orleans Power Station filed with the City Council a request for rehearing, which was subsequently denied, and a petition for judicial review of the City Council's decision, and also filed a lawsuit challenging the City Council's approval based on Louisiana's open meeting law. In May 2018 the City Council announced that it would initiate an investigation into allegations that Entergy New Orleans, Entergy, or some other entity paid or participated in paying certain attendees and speakers in support of the New Orleans Power Station to attend or speak at certain meetings organized by the City Council. In October 2018 investigators for the City Council released their report, concluding that individuals were paid to attend or speak in support of the New Orleans Power Station and that Entergy New Orleans "knew or should have known that such conduct occurred or reasonably might occur." The City Council issued a resolution requiring Entergy New Orleans to show cause why it should not be fined \$5 million as a result of the findings in the report. In November 2018, Entergy New Orleans submitted its response to the show cause resolution, disagreeing with certain characterizations and omissions of fact in the report and asserting that the City Council could not legally impose the proposed fine. Simultaneous with the filing of its response to the show cause resolution, Entergy New Orleans sent a letter to the City Council re-asserting that the City Council's imposition of the proposed fine would be unlawful, but acknowledging that the actions of a subcontractor, which was retained by an Entergy New Orleans contractor without the knowledge or contractually-required consent of Entergy New Orleans, were contrary to Entergy's values. In that letter, Entergy New Orleans offered to donate \$5 million to the City Council to resolve the show cause proceeding. In January 2019, Entergy New Orleans submitted a new settlement proposal to the City Council. The proposal retains the components of the first offer but adds to it a commitment to make reasonable efforts to limit the costs of the project to the \$210 million cost estimate with advanced notification of anticipated cost overruns, additional reporting requirements for cost and environmental items, and a commitment regarding reliability investment and to work with the New Orleans Sewerage and Water Board to provide a reliable source of power. In February 2019 the City Council approved a resolution approving the settlement proposal and allowing the construction of the New Orleans Power Station to commence.

Also in February 2019 certain intervenors in the City Council proceeding on the New Orleans Power Station filed suit in Louisiana state court challenging the Louisiana Department of Environmental Quality's issuance of the New Orleans Power Station's air permit. Entergy New Orleans intervened in that lawsuit and, along with the Louisiana

Department of Environmental Quality, filed exceptions seeking dismissal of the lawsuit. In June 2019 the state court judge sustained the exceptions and dismissed the plaintiffs' petition with prejudice.

Also in June 2019, a state court judge in New Orleans affirmed the City Council's approval of the New Orleans Power Station and dismissed the petition for judicial review that had been filed in April 2018. The petitioners have filed an appeal of that ruling. Also in June 2019, with regard to the lawsuit challenging the City Council's decision on the basis of a violation of the open meetings law, the same state court judge in New Orleans ruled that there was a violation of the open meetings law at the February 2018 meeting of the City Council's Utility Committee at which that Committee considered the New Orleans Power Station approval, and further ruled that, although there was no violation of the open meetings law at the March 2018 full City Council meeting at which the New Orleans Power Station was approved, both the approval of the Utility Committee and the approval of the full City Council were void. The City Council and Entergy New Orleans each filed a suspensive appeal of the open meetings law ruling. A suspensive appeal suspends the effect of the judgment in the open meetings law proceeding while the appeal is being taken. The petitioners sought in the state appellate court, and then at the Louisiana Supreme Court, to terminate the suspension of the effect of the judgment, but both courts declined to do so. Appellate briefing on the merits both in the open meetings law appeal and in the judicial review appeal occurred in November and December 2019 and oral argument in both cases was heard in January 2020. In February 2020 the state appellate court reversed the lower court's ruling that the City Council's approval of the New Orleans Power Station was void due to a violation of the open meetings law at the City Council's Utility Committee meeting in February 2018. The state appellate court ruled that there was no violation of the open meetings law at the full City Council meeting in March 2018 and that the lower court erred in voiding the City Council resolution approving the New Orleans Power Station. The appellate court's decision on the appeal of the judicial review decision that affirmed the City Council's approval of the New Orleans Power Station as in the public interest is still pending. Construction of the plant is on schedule, with commercial operation expected in mid-2020.

#### Gas Infrastructure Rebuild Plan

In September 2016, Entergy New Orleans submitted to the City Council a request for authorization for Entergy New Orleans to proceed with annual incremental capital funding of \$12.5 million for its gas infrastructure rebuild plan, which would replace all of Entergy New Orleans's low pressure cast iron, steel, and vintage plastic pipe over a ten-year period commencing in 2017. Entergy New Orleans also proposed that recovery of the investment to fund its gas infrastructure replacement plan be determined in connection with its next base rate case. The City Council authorized Entergy New Orleans to proceed with its replacement plans and established a schedule for proceedings in advance of the rate case intended to provide an opportunity for evaluation of the gas infrastructure plan that would best serve the public interest and the effect on customers of the approval of any such plan. In the course of that proceeding, the City Council's advisors submitted pre-filed testimony recommending that Entergy New Orleans be allowed to continue with its condition-based approach to gas pipeline replacement to replace approximately 238 miles of low pressure pipe at a rate of approximately 25 miles per year. The City Council's advisors also recommended that Entergy New Orleans be required to adhere to certain reporting requirements and recognized the need to address the sustained level of investment in gas infrastructure on customer bills. In September 2017, Entergy New Orleans filed rebuttal testimony suggesting that its recovery of future investment and customer effects would be addressed in the rate case that Entergy New Orleans was required to file in July 2018. The procedural schedule was suspended in order to allow for resolution in the rate case proceeding. As a result of the rate case, the City Council approved the planned gas rebuild expenditures through 2019, but rejected Entergy New Orleans's proposed gas infrastructure rider. Entergy New Orleans is required to submit a gas infrastructure rebuild plan to the City Council in March 2020 and to convene a working group to explore appropriate cost mitigation measures.

#### Renewables

In July 2018, Entergy New Orleans filed an application with the City Council requesting approval of three utility-scale solar projects totaling 90 MW. If approved, the resource additions will allow Entergy New Orleans to make significant progress towards meeting its voluntary commitment to the City Council to add up to 100 MW of renewable energy resources. The three projects include constructing a self-build solar plant in Orleans Parish with an

output of 20 MW, acquiring a 50 MW solar facility in Washington Parish through a build-own-transfer acquisition, and procuring 20 MW of solar power from a project to be built in St. James Parish through a power purchase agreement. In December 2018 the City Council advisors requested that Entergy New Orleans pursue alternative deal structures for the Washington Parish project and attempt to reduce costs for the 20 MW New Orleans Solar Station. As a result of settlement discussions, in March 2019, Entergy New Orleans revised its application to convert the build-own transfer acquisition of the 50 MW facility in Washington Parish to a power purchase agreement. In June 2019 the parties to the proceeding executed a stipulated settlement term sheet, which recommends that the City Council approve Entergy New Orleans’s revised application as to all three projects. In July 2019 the City Council approved the stipulated settlement.

**Sources of Capital**

Entergy New Orleans’s sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt and preferred membership interest issuances;
- capital contributions; and
- bank financing under new or existing facilities.

Entergy New Orleans may refinance, redeem, or otherwise retire debt prior to maturity, to the extent market conditions and interest rates are favorable.

All debt and common and preferred membership interest issuances by Entergy New Orleans require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indentures and other agreements. Entergy New Orleans has sufficient capacity under these tests to meet its foreseeable capital needs.

Entergy New Orleans’s receivables from the money pool were as follows as of December 31 for each of the following years.

2019	2018	2017	2016
(In Thousands)			
\$5,191	\$22,016	\$12,723	\$14,215

See Note 4 to the financial statements for a description of the money pool.

Entergy New Orleans has a credit facility in the amount of \$25 million scheduled to expire in November 2021. The credit facility includes fronting commitments for the issuance of letters of credit against \$10 million of the borrowing capacity of the facility. As of December 31, 2019, there were \$20 million of cash borrowings and a \$0.8 million letter of credit outstanding under the facility. In addition, Entergy New Orleans is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2019, a \$5.6 million letter of credit was outstanding under Entergy New Orleans’s letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy New Orleans obtained authorization from the FERC through October 2021 for short-term borrowings not to exceed an aggregate amount of \$150 million at any time outstanding and long-term borrowings and securities issuances. See Note 4 to the financial statements for further discussion of Entergy New Orleans’s short-term borrowing limits. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized not only by the FERC, but also by the City Council, and the current City Council authorization extends through October 2021.

## **State and Local Rate Regulation**

The rates that Entergy New Orleans charges for electricity and natural gas significantly influence its financial position, results of operations, and liquidity. Entergy New Orleans is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the City Council, is primarily responsible for approval of the rates charged to customers.

### **Retail Rates**

As a provision of the settlement agreement approved by the City Council in May 2015 providing for the transfer from Entergy Louisiana to Entergy New Orleans of certain assets that supported the provision of service to Entergy Louisiana's customers in Algiers, it was agreed that, with limited exceptions, no action may be taken with respect to Entergy New Orleans's base rates until rates are implemented from a base rate case that must be filed for its electric and gas operations in 2018. This provision eliminated the formula rate plan applicable to Algiers operations. The limited exceptions included continued implementation of the then-remaining two years of the four-year phased-in rate increase for the Algiers area and certain exceptional cost increases or decreases in the base revenue requirement. An additional provision of the settlement agreement allowed for continued recovery of the revenue requirement associated with the capacity and energy from Ninemile 6 received by Entergy New Orleans under a power purchase agreement with Entergy Louisiana (Algiers PPA). The settlement authorized Entergy New Orleans to recover the remaining revenue requirement related to the Algiers PPA through base rates charged to Algiers customers. The settlement also provided for continued implementation of the Algiers MISO recovery rider.

A 2008 rate case settlement included \$3.1 million per year in electric rates to fund the Energy Smart energy efficiency programs. The rate settlement provided an incentive for Entergy New Orleans to meet or exceed energy savings targets set by the City Council and provided a mechanism for Entergy New Orleans to recover lost contribution to fixed costs associated with the energy savings generated from the energy efficiency programs. In January 2015 the City Council approved funding for the Energy Smart program from April 2015 through March 2017 using the remainder of the approximately \$12.8 million of 2014 rough production cost equalization funds, with any remaining costs being recovered through the fuel adjustment clause. This funding methodology was modified in November 2015 when the City Council directed Entergy New Orleans to use a combination of guaranteed customer savings related to a prior agreement with the City Council and rough production cost equalization funds to cover program costs prior to recovering any costs through the fuel adjustment clause. In April 2017 the City Council approved an implementation plan for the Energy Smart program from April 2017 through December 2019. The City Council directed that the \$11.8 million balance reported for Energy Smart funds be used to continue funding the program for Entergy New Orleans's legacy customers and that the Energy Smart Algiers program continue to be funded through the Algiers fuel adjustment clause, until additional customer funding is required for the legacy customers. In September 2017, Entergy New Orleans filed a supplemental plan and proposed several options for an interim cost recovery mechanism necessary to recover program costs during the period between when existing funds directed to Energy Smart programs are depleted and when new rates from the 2018 combined rate case, which includes a cost recovery mechanism for Energy Smart funding, take effect. In December 2017 the City Council approved an energy efficiency cost recovery rider as an interim funding mechanism for Energy Smart, subject to verification that no additional funding sources exist. In June 2018 the City Council also approved a resolution recommending that Entergy New Orleans allocate approximately \$13.5 million of benefits resulting from the Tax Act to Energy Smart. In December 2019, Entergy New Orleans filed an application with the City Council seeking approval of an implementation plan for the Energy Smart program from April 2020 through December 2022. Entergy New Orleans proposed to recover the costs of the program through mechanisms previously approved by the City Council or through the energy efficiency cost recovery rider, which was approved in the 2018 combined rate case resolution. In January 2020 the City Council's advisors recommended that the City Council allow Entergy New Orleans to earn a utility performance incentive of 7% of Energy Smart costs for each year in which Entergy New Orleans achieves 100% of the City Council's savings targets for Energy Smart. The City Council is expected to decide on the matter in February 2020.

In September 2018, Entergy New Orleans filed an electric and gas base rate case with the City Council. The filing requested a 10.5% return on equity for electric operations with opportunity to earn a 10.75% return on equity through a performance adder provision of the electric formula rate plan in subsequent years under a formula rate plan and requested a 10.75% return on equity for gas operations. The proposed electric rates in the revised filing reflect a net reduction of \$20.3 million. The reduction in electric rates includes a base rate increase of \$135.2 million, of which \$131.5 million is associated with moving costs currently collected through fuel and other riders into base rates, plus a request for an advanced metering surcharge to recover \$7.1 million associated with advanced metering infrastructure, offset by a net decrease of \$31.1 million related to fuel and other riders. The filing also included a proposed gas rate decrease of \$142 thousand. Entergy New Orleans's rates reflected the inclusion of federal income tax reductions due to the Tax Act and the provisions of a previously-approved agreement in principle determining how the benefits of the Tax Act would flow. Entergy New Orleans included cost of service studies for electric and gas operations for the twelve months ended December 31, 2017 and the projected twelve months ending December 31, 2018. In addition, Entergy New Orleans included capital additions expected to be placed into service for the period through December 31, 2019. Entergy New Orleans based its request for a change in rates on the projected twelve months ending December 31, 2018.

The filing's major provisions included: (1) a new electric rate structure, which realigns the revenue requirement associated with capacity and long-term service agreement expense from certain existing riders to base revenue, provides for the recovery of the cost of advanced metering infrastructure, and partially blends rates for Entergy New Orleans's customers residing in Algiers with customers residing in the remainder of Orleans Parish through a three-year phase-in; (2) contemporaneous cost recovery riders for investments in energy efficiency/demand response, incremental changes in capacity/long-term service agreement costs, grid modernization investment, and gas infrastructure replacement investment; and (3) formula rate plans for both electric and gas operations. In February 2019 the City Council's advisors and several intervenors filed testimony in response to Entergy New Orleans's application. The City Council's advisors recommended, among other things, overall rate reductions of approximately \$33 million in electric rates and \$3.8 million in gas rates. Certain intervenors recommended overall rate reductions of up to approximately \$49 million in electric rates and \$5 million in gas rates. An evidentiary hearing was held in June 2019, and the record and post-hearing briefs were submitted in July 2019.

In October 2019 the City Council's Utility Committee approved a resolution for a change in electric and gas rates for consideration by the full City Council that included a 9.35% return on common equity, an equity ratio of the lesser of 50% or Entergy New Orleans's actual equity ratio, and a total reduction in revenues that Entergy New Orleans initially estimated to be approximately \$39 million (\$36 million electric; \$3 million gas). At its November 7, 2019 meeting, the full City Council approved the resolution that had previously been approved by the City Council's Utility Committee. Based on the approved resolution, in the fourth quarter 2019 Entergy New Orleans recorded an accrual of \$10 million that reflects the estimate of the revenue billed in 2019 to be refunded to customers in 2020 based on an August 2019 effective date for the rate decrease. Entergy New Orleans also recorded a total of \$12 million in regulatory assets for rate case costs and information technology costs associated with integrating Algiers customers with Entergy New Orleans's legacy system and records. Entergy New Orleans also transferred \$10 million of retired general plant costs to a regulatory asset to be recovered over a 20-year period.

The resolution directed Entergy New Orleans to submit a compliance filing within 30 days of the date of the resolution to facilitate the eventual implementation of rates, including all necessary calculations and conforming rate schedules and riders. The electric formula rate plan rider includes, among other things, 1) a provision for forward-looking adjustments to include known and measurable changes realized up to 12 months after the evaluation period; 2) a decoupling mechanism; and 3) recognition that Entergy New Orleans is authorized to make an in-service adjustment to the formula rate plan to include the non-fuel cost of the New Orleans Power Station in rates, unless the two pending appeals in the New Orleans Power Station proceeding have not concluded. Under this circumstance, Entergy New Orleans shall be permitted to defer the New Orleans Power Station non-fuel costs, including the cost of capital, until Entergy New Orleans commences non-fuel cost recovery. After taking into account the requirements for submission of the compliance filing, the total annual revenue requirement reduction required by the resolution was refined to approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; \$3 million gas). In January

2020 the City Council's advisors found that the rates calculated by Entergy New Orleans and reflected in the December 2019 compliance filing should be implemented, except with respect to the City Council-approved energy efficiency cost recovery rider, which rider calculation should take into account events to be determined by the City Council in the future. Also in response to the resolution, Entergy New Orleans filed timely a petition for appeal and judicial review and for stay of or injunctive relief alleging that the resolution is unlawful in failing to produce just and reasonable rates. Based on the general acceptance of Entergy New Orleans's compliance filing, however, during the pendency of its appeal Entergy New Orleans expects to implement the compliance filing rates in April 2020. A hearing on the requested injunction was scheduled in Civil District Court for February 2020, but by joint motion of the City Council and Entergy New Orleans, the Civil District Court issued an order for a limited remand to the City Council to consider a potential agreement in principle/stipulation at its February 20, 2020 meeting. On February 17, 2020, Entergy New Orleans filed with the City Council an agreement in principle between Entergy New Orleans and the City Council's advisors. On February 20, 2020, the full City Council voted to approve the proposed agreement in principle and issued a resolution modifying the required treatment of certain accumulated deferred income taxes. As a result of the agreement in principle, the total annual revenue requirement reduction will be approximately \$45 million (\$42 million electric, including \$29 million in rider reductions; and \$3 million gas). As a result, Entergy New Orleans will fully implement new rates by April 2020. The merits of the appeal will be subject to a separate procedural schedule issued by the Civil District Court.

### **Advanced Metering Infrastructure (AMI)**

In October 2016, Entergy New Orleans filed an application seeking a finding from the City Council that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. Entergy New Orleans proposed to deploy advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy New Orleans's modernized power grid. The filing included an estimate of implementation costs for AMI of \$75 million and identified a number of quantified and unquantified benefits. Entergy New Orleans proposed a 15-year depreciable life for the new advanced meters. Deployment of the information technology infrastructure began in 2017 and deployment of the communications network began in 2018. Entergy New Orleans proposed to recover the cost of AMI through the implementation of a customer charge, net of certain benefits, phased in over the period 2019 through 2022. The City Council's advisors filed testimony in May 2017 recommending the adoption of AMI subject to certain modifications, including the denial of Entergy New Orleans's proposed customer charge as a cost recovery mechanism. In January 2018 a settlement was reached between the City Council's advisors and Entergy New Orleans. In February 2018 the City Council approved the settlement, which deferred cost recovery to the 2018 Entergy New Orleans rate case, but also stated that an adjustment for 2018-2019 AMI costs can be filed in the rate case and that, for all subsequent AMI costs, the mechanism to be approved in the 2018 rate case will allow for the timely recovery of such costs. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to explore the options for accelerating the deployment of AMI. In June 2018 the City Council approved a one-year acceleration of AMI in its service area for an incremental \$4.4 million. Entergy New Orleans began deployment of AMI during the first quarter of 2019 and expects to complete deployment by the end of 2020. Entergy New Orleans will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized on a straight-line basis over 12 years, as approved by the City Council.

### **Internal Restructuring**

In July 2016, Entergy New Orleans filed an application with the City Council seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy New Orleans, Inc. to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. In May 2017 the City Council adopted a resolution approving the proposed internal restructuring pursuant to an agreement in principle with the City Council advisors and certain intervenors. Pursuant to the agreement in principle, Entergy New Orleans would credit retail customers \$10 million in 2017, \$1.4 million in the first quarter of the year after the transaction closes, and \$117,500 each month in the second year after the transaction closes until such time as new base rates go into effect as a result of the then-anticipated 2018 base rate case. Entergy New Orleans began crediting retail customers

in June 2017. In June 2017 the FERC approved the transaction and, pursuant to the agreement in principle, Entergy New Orleans will provide additional credits to retail customers of \$5 million in each of the years 2018, 2019, and 2020.

In November 2017, Entergy New Orleans undertook a multi-step restructuring, including the following:

- Entergy New Orleans, Inc. redeemed its outstanding preferred stock at a price of approximately \$21 million, which included a call premium of approximately \$819,000, plus any accumulated and unpaid dividends.
- Entergy New Orleans, Inc. converted from a Louisiana corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy New Orleans, Inc. allocated substantially all of its assets to a new subsidiary, Entergy New Orleans Power, LLC, a Texas limited liability company (Entergy New Orleans Power), and Entergy New Orleans Power assumed substantially all of the liabilities of Entergy New Orleans, Inc. in a transaction regarded as a merger under the TXBOC. Entergy New Orleans, Inc. remained in existence and held the membership interests in Entergy New Orleans Power.
- Entergy New Orleans, Inc. contributed the membership interests in Entergy New Orleans Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy New Orleans Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2017, Entergy New Orleans, Inc. changed its name to Entergy Utility Group, Inc., and Entergy New Orleans Power then changed its name to Entergy New Orleans, LLC. Entergy New Orleans, LLC holds substantially all of the assets, and has assumed substantially all of the liabilities, of Entergy New Orleans, Inc. The restructuring was accounted for as a transaction between entities under common control.

### **Fuel and Purchased Power Cost Recovery**

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

### **Show Cause Order**

In July 2016 the City Council approved the issuance of a show cause order, which directed Entergy New Orleans to make a filing on or before September 29, 2016 to demonstrate the reasonableness of its actions or positions with regard to certain issues in four existing dockets that relate to Entergy New Orleans's: (i) storm hardening proposal; (ii) 2015 integrated resource plan; (iii) gas infrastructure rebuild proposal; and (iv) proposed sizing of the New Orleans Power Station and its community outreach prior to the filing. In September 2016, Entergy New Orleans filed its response to the City Council's show cause order. The City Council has not established any further procedural schedule with regard to this proceeding.

## **Reliability Investigation**

In August 2017 the City Council established a docket to investigate the reliability of the Entergy New Orleans distribution system and to consider implementing certain reliability standards and possible financial penalties for not meeting any such standards. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to demonstrate that it has been prudent in the management and maintenance of the reliability of its distribution system. The resolution also called for Entergy New Orleans to file a revised reliability plan addressing the current state of its distribution system and proposing remedial measures for increasing reliability. In June 2018, Entergy New Orleans filed its response to the City Council's resolution regarding the prudence of its management and maintenance of the reliability of its distribution system. In July 2018, Entergy New Orleans filed its revised reliability plan discussing the various reliability programs that it uses to improve distribution system reliability and discussing generally the positive effect that advanced meter deployment and grid modernization can have on future reliability. Entergy New Orleans has retained a national consulting firm with expertise in distribution system reliability to conduct a review of Entergy New Orleans's distribution system reliability-related practices and procedures and to provide recommendations for improving distribution system reliability. The report was filed with the City Council in October 2018. The City Council also approved a resolution that opens a prudence investigation into whether Entergy New Orleans was imprudent for not acting sooner to address outages in New Orleans and whether fines should be imposed. In January 2019, Entergy New Orleans filed testimony in response to the prudence investigation and asserting that it had been prudent in managing system reliability. In April 2019 the City Council advisors filed comments and testimony asserting that Entergy New Orleans did not act prudently in maintaining and improving its distribution system reliability in recent years and recommending that a financial penalty in the range of \$1.5 million to \$2 million should be assessed. Entergy New Orleans disagrees with the recommendation and submitted rebuttal testimony and rebuttal comments in June 2019. In November 2019 the City Council passed a resolution that penalized Entergy New Orleans \$1 million for alleged imprudence in the maintenance of its distribution system. In December 2019, Entergy New Orleans filed suit in Louisiana state court seeking judicial review of the City Council's resolution.

## **Renewable Portfolio Standard Rulemaking**

In March 2019 the City Council initiated a rulemaking proceeding to consider whether to establish a renewable portfolio standard. The rulemaking will consider, among other issues, whether to adopt a renewable portfolio standard, whether such standard should be voluntary or mandatory, what kinds of technologies should qualify for inclusion in the rules, what level, if any, of renewable generation should be required, and whether penalties are an appropriate component of the proposed rules. Parties to the proceeding submitted initial comments in June 2019 and reply comments in July 2019. Entergy New Orleans recommends that the City Council adopt a voluntary clean energy standard of 70% of generation being clean energy by 2030, as so defined, which, in addition to renewable generation, would include nuclear, beneficial electrification, and demand-side management as compliant technologies. Several other industry leaders, academic researchers, and environmental advocates filed comments also supporting a clean energy standard. Other parties, including many representatives of the solar and wind industry, are recommending mandatory, renewables-only requirements of up to 100% renewable resources by 2040. In September 2019 the City Council advisors issued a report and recommendations, which also put forth three alternative rules for comment from the parties. Comments were submitted in October 2019 and replies were filed in November 2019. Further City Council action, including the establishment of additional procedural steps for the rulemaking, is expected in the first quarter of 2020.

## **Federal Regulation**

See the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.



**Nuclear Matters**

See the "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of nuclear matters.

**Environmental Risks**

Entergy New Orleans's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous solid wastes, and other environmental matters. Management believes that Entergy New Orleans is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

**Critical Accounting Estimates**

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

**Utility Regulatory Accounting**

See "**Utility Regulatory Accounting**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

**Impairment of Long-lived Assets and Trust Fund Investments**

See "**Impairment of Long-lived Assets and Trust Fund Investments**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

**Taxation and Uncertain Tax Positions**

See "**Taxation and Uncertain Tax Positions**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

**Qualified Pension and Other Postretirement Benefits**

Entergy New Orleans's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See the "**Qualified Pension and Other Postretirement Benefits**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost and qualified projected benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$334	\$5,567
Rate of return on plan assets	(0.25%)	\$376	\$—
Rate of increase in compensation	0.25%	\$209	\$1,118

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$61	\$950
Health care cost trend	0.25%	\$97	\$665

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

Costs and Employer Contributions

Total qualified pension cost for Entergy New Orleans in 2019 was \$5.1 million. Entergy New Orleans anticipates 2020 qualified pension cost to be \$6 million. Entergy New Orleans contributed \$4.6 million to its qualified pension plans in 2019 and estimates 2020 pension contributions will be approximately \$3.2 million, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Total postretirement health care and life insurance benefit income for Entergy New Orleans in 2019 was \$3.5 million. Entergy New Orleans expects 2020 postretirement health care and life insurance benefit income of approximately \$4.3 million. Entergy New Orleans contributed \$1.7 million to its other postretirement plans in 2019 and estimates 2020 contributions will be approximately \$162 thousand.

**Other Contingencies**

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

**New Accounting Pronouncements**

See “**New Accounting Pronouncements**” section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of  
Entergy New Orleans, LLC and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy New Orleans, LLC and Subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, cash flows, and changes in member’s equity (pages 386 through 390 and applicable items in pages 49 through 236), for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Company’s auditor since 2001.

**ENERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

	For the Years Ended December 31,		
	2019	2018	2017
	(In Thousands)		
<b>OPERATING REVENUES</b>			
Electric	\$594,417	\$624,733	\$631,744
Natural gas	91,806	92,657	84,326
<b>TOTAL</b>	<b>686,223</b>	<b>717,390</b>	<b>716,070</b>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	105,217	114,787	111,082
Purchased power	258,306	270,634	282,178
Other operation and maintenance	121,057	124,293	107,977
Taxes other than income taxes	55,270	56,141	54,590
Depreciation and amortization	56,072	55,930	52,945
Other regulatory charges - net	21,616	21,413	10,889
<b>TOTAL</b>	<b>617,538</b>	<b>643,198</b>	<b>619,661</b>
<b>OPERATING INCOME</b>	<b>68,685</b>	<b>74,192</b>	<b>96,409</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	9,941	5,941	2,418
Interest and investment income	428	604	707
Miscellaneous - net	(6,038)	(10,444)	(1,269)
<b>TOTAL</b>	<b>4,331</b>	<b>(3,899)</b>	<b>1,856</b>
<b>INTEREST EXPENSE</b>			
Interest expense	24,463	21,772	21,281
Allowance for borrowed funds used during construction	(4,262)	(2,195)	(847)
<b>TOTAL</b>	<b>20,201</b>	<b>19,577</b>	<b>20,434</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>52,815</b>	<b>50,716</b>	<b>77,831</b>
Income taxes	186	(2,436)	33,278
<b>NET INCOME</b>	<b>52,629</b>	<b>53,152</b>	<b>44,553</b>
Preferred dividend requirements and other	—	—	841
<b>EARNINGS APPLICABLE TO COMMON EQUITY</b>	<b>\$52,629</b>	<b>\$53,152</b>	<b>\$43,712</b>

See Notes to Financial Statements.

**ENERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2019	2018	2017
	(In Thousands)		
<b>OPERATING ACTIVITIES</b>			
<b>Net income</b>	\$52,629	\$53,152	\$44,553
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>			
Depreciation and amortization	56,072	55,930	52,945
Deferred income taxes, investment tax credits, and non-current taxes accrued	21,350	24,548	64,036
Changes in assets and liabilities:			
Receivables	(9,372)	15,724	(18,058)
Fuel inventory	(387)	357	(49)
Accounts payable	(5,571)	(385)	1,874
Prepaid taxes and taxes accrued	234	30,547	(22,100)
Interest accrued	550	879	44
Deferred fuel costs	3,630	(6,486)	12,592
Other working capital accounts	5,021	4,146	(2,711)
Provisions for estimated losses	1,948	1,511	(3,430)
Other regulatory assets	(29,567)	21,637	16,673
Other regulatory liabilities	(22,105)	(28,459)	110,147
Deferred tax rate change recognized as regulatory liability/asset	—	—	(111,170)
Pension and other postretirement liabilities	(14,624)	(15,134)	(15,994)
Other assets and liabilities	55,796	13,811	(1,555)
<b>Net cash flow provided by operating activities</b>	<b>115,604</b>	<b>171,778</b>	<b>127,797</b>
<b>INVESTING ACTIVITIES</b>			
Construction expenditures	(229,560)	(202,186)	(115,584)
Allowance for equity funds used during construction	9,941	5,941	2,418
Changes in money pool receivable - net	16,825	(9,293)	1,492
Payments to storm reserve escrow account	(1,752)	(1,311)	(597)
Receipts from storm reserve escrow account	—	3	2,488
Changes in securitization account	236	(770)	283
<b>Net cash flow used in investing activities</b>	<b>(204,310)</b>	<b>(207,616)</b>	<b>(109,500)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	113,876	59,234	—
Retirement of long-term debt	(35,376)	(11,042)	(10,600)
Repayment of long-term payable due to associated company	(1,979)	(2,077)	(2,104)
Redemption of preferred stock	—	—	(20,599)
Capital contributions from parent	—	—	20,000
<b>Distributions/dividends paid:</b>			
Common equity	—	(23,750)	(74,250)
Preferred stock	—	—	(1,083)
Other	(1,475)	409	12
<b>Net cash flow provided by (used in) financing activities</b>	<b>75,046</b>	<b>22,774</b>	<b>(88,624)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(13,660)</b>	<b>(13,064)</b>	<b>(70,327)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>19,677</b>	<b>32,741</b>	<b>103,068</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$6,017</b>	<b>\$19,677</b>	<b>\$32,741</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$22,873	\$19,840	\$20,180
Income taxes	(\$5,310)	(\$39,781)	(\$8,660)

See Notes to Financial Statements.

**ENERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**ASSETS**

	December 31,	
	2019	2018
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Cash	\$26	\$26
Temporary cash investments	5,991	19,651
Total cash and cash equivalents	6,017	19,677
Securitization recovery trust account	1,989	2,224
Accounts receivable:		
Customer	48,265	43,890
Allowance for doubtful accounts	(3,226)	(3,222)
Associated companies	6,280	27,938
Other	7,378	4,090
Accrued unbilled revenues	25,453	18,907
Total accounts receivable	84,150	91,603
Fuel inventory - at average cost	1,920	1,533
Materials and supplies - at average cost	13,522	12,133
Prepayments and other	4,846	6,905
<b>TOTAL</b>	112,444	134,075
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Non-utility property at cost (less accumulated depreciation)	1,016	1,016
Storm reserve escrow account	82,605	80,853
<b>TOTAL</b>	83,621	81,869
<b>UTILITY PLANT</b>		
Electric	1,467,215	1,364,091
Natural gas	311,432	284,728
Construction work in progress	201,829	146,668
<b>TOTAL UTILITY PLANT</b>	1,980,476	1,795,487
Less - accumulated depreciation and amortization	715,406	670,135
<b>UTILITY PLANT - NET</b>	1,265,070	1,125,352
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Deferred fuel costs	4,080	4,080
Other regulatory assets (includes securitization property of \$49,542 as of December 31, 2019 and \$60,453 as of December 31, 2018)	259,363	229,796
Other	10,720	1,416
<b>TOTAL</b>	274,163	235,292
<b>TOTAL ASSETS</b>	\$1,735,298	\$1,576,588

See Notes to Financial Statements.

**ENERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	December 31,	
	2019	2018
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$25,000	\$—
Payable due to associated company	1,838	1,979
Accounts payable:		
Associated companies	43,222	43,416
Other	43,963	36,686
Customer deposits	28,493	28,667
Taxes accrued	4,302	4,068
Interest accrued	6,916	6,366
Deferred fuel costs	4,918	1,288
Current portion of unprotected excess accumulated deferred income taxes	9,470	25,301
Other	15,827	9,521
<b>TOTAL CURRENT LIABILITIES</b>	<b>183,949</b>	<b>157,292</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	354,536	323,595
Accumulated deferred investment tax credits	2,131	2,219
Regulatory liability for income taxes - net	49,090	60,249
Asset retirement cost liabilities	3,522	3,291
Accumulated provisions	88,542	86,594
Long-term debt (includes securitization bonds of \$52,641 as of December 31, 2019 and \$63,620 as of December 31, 2018)	521,539	467,358
Long-term payable due to associated company	12,529	14,367
Other	21,881	16,673
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,053,770</b>	<b>974,346</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Member's equity	497,579	444,950
<b>TOTAL</b>	<b>497,579</b>	<b>444,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,735,298</b>	<b>\$1,576,588</b>

See Notes to Financial Statements.

**ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	<u>Member's Equity</u> <u>(In Thousands)</u>
<b>Balance at December 31, 2016</b>	\$426,946
Net income	44,553
Capital contributions from parent	20,000
Common equity distributions	(74,250)
Preferred stock dividends	(841)
Other	(860)
<b>Balance at December 31, 2017</b>	\$415,548
Net income	53,152
Common equity distributions	(23,750)
<b>Balance at December 31, 2018</b>	\$444,950
Net income	52,629
<b>Balance at December 31, 2019</b>	\$497,579

See Notes to Financial Statements.



**ENERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	2019	2018	2017	2016	2015
(In Thousands)					
Operating revenues	\$686,223	\$717,390	\$716,070	\$665,463	\$671,446
Net income	\$52,629	\$53,152	\$44,553	\$48,849	\$44,925
Total assets	\$1,735,298	\$1,576,588	\$1,497,836	\$1,494,569	\$1,215,144
Long-term obligations (a)	\$534,068	\$481,725	\$434,793	\$466,670	\$357,687

(a) Includes long-term debt (including the long-term payable to associated company and excluding currently maturing debt) and preferred stock without sinking fund.

	2019	2018	2017	2016	2015
(Dollars In Millions)					

**Electric Operating Revenues:**

Residential	\$245	\$262	\$250	\$231	\$220
Commercial	202	217	228	206	186
Industrial	32	33	36	33	30
Governmental	71	72	77	69	64
Total billed retail	550	584	591	539	500
Sales for resale:					
Associated companies	—	—	—	30	66
Non-associated companies	38	30	29	3	—
Other	6	11	12	15	18
Total	\$594	\$625	\$632	\$587	\$584

**Billed Electric Energy Sales (GWh):**

Residential	2,353	2,401	2,155	2,231	2,301
Commercial	2,215	2,270	2,248	2,268	2,257
Industrial	438	448	429	441	463
Governmental	815	795	790	794	825
Total retail	5,821	5,914	5,622	5,734	5,846
Sales for resale:					
Associated companies	—	—	—	1,071	1,644
Non-associated companies	1,961	1,484	1,703	141	11
Total	7,782	7,398	7,325	6,946	7,501

**ENTERGY TEXAS, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Results of Operations****2019 Compared to 2018**Net Income

Net income decreased \$2.8 million primarily due to a higher effective income tax rate, after excluding the effect of the return of unprotected excess accumulated deferred income taxes which is offset in operating revenues, higher depreciation and amortization expenses and higher other operation and maintenance expenses, partially offset by higher retail electric price and higher other income.

Operating Revenues

Following is an analysis of the change in operating revenue comparing 2019 to 2018.

	<b>Amount</b>
	(In Millions)
2018 operating revenues	\$1,605.9
Fuel, rider, and other revenues that do not significantly affect net income	(88.4)
Return of unprotected excess accumulated deferred income taxes to customers	(72.8)
Retail electric price	41.0
Volume/weather	3.3
<b>2019 operating revenues</b>	<b>\$1,489.0</b>

Entergy Texas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The return of unprotected excess accumulated deferred income taxes to customers resulted from the return of unprotected excess accumulated deferred income taxes through a rider effective October 2018. In 2019, \$87.4 million was returned to customers as compared to \$14.6 million in 2018. There is no effect on net income as the reduction in operating revenues is offset by a reduction in income tax expense. See Note 2 to the financial statements for further discussion of regulatory activity regarding the Tax Cuts and Jobs Act.

The retail electric price variance is primarily due to a base rate increase effective October 2018 as approved by the PUCT. See Note 2 to the financial statements for further discussion of the rate case.

The volume/weather variance is primarily due to an increase in usage during the unbilled sales period.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of \$5.1 million in information technology costs primarily due to higher costs related to applications

- and infrastructure support, enhanced cyber security, and upgrades and maintenance;
- an increase of \$4.7 million in spending on initiatives to explore new customer products and services;
- an increase of \$3.9 million in fossil-fueled generation expenses primarily due to a higher scope of work performed during plant outages in 2019 as compared to 2018; and
- an increase of \$3.4 million in distribution operations and asset management costs primarily due to higher contract costs for meter reading services and higher advanced metering customer education costs.

Depreciation and amortization expenses increased primarily as a result of new depreciation rates established in the settlement of the 2018 base rate case and additions to plant in service.

Other regulatory charges (credits) include regulatory charges of \$25.4 million recorded in 2018 to reflect the effects of a provision in the settlement reached in the 2018 rate case proceeding to return the benefits of the lower federal income tax rate in 2018 to customers. See Note 2 to the financial statements for discussion of the rate case proceeding.

Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2019, including the Montgomery County Power Station project.

Interest expense decreased primarily due to an increase in the allowance for borrowed funds used during construction due to higher construction work in progress in 2019, including the Montgomery County Power Station project.

The effective income tax rates were (51.1%) for 2019 and (19.3%) for 2018. The difference in the effective income tax rate of (51.1%) versus the federal statutory rate of 21% for 2019 was primarily due to the amortization of excess accumulated deferred income taxes and book and tax differences related to the allowance for equity funds used during construction. The difference in the effective income tax rate of (19.3%) versus the federal statutory rate of 21% for 2018 was primarily due to the flow through and amortization of excess accumulated deferred income taxes, along with the effect on income tax expense of the resolution of Entergy Texas's 2018 base rate proceeding. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates.

## **2018 Compared to 2017**

See “**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Entergy Texas's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

## **Income Tax Legislation**

See the “**Income Tax Legislation**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Act.

**Liquidity and Capital Resources****Cash Flow**

Cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	2019	2018	2017
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$56	\$115,513	\$6,181
Net cash provided by (used in):			
Operating activities	286,739	331,753	301,396
Investing activities	(878,280)	(395,973)	(383,176)
Financing activities	604,414	(51,237)	191,112
Net increase (decrease) in cash and cash equivalents	12,873	(115,457)	109,332
Cash and cash equivalents at end of period	\$12,929	\$56	\$115,513

**2019 Compared to 2018****Operating Activities**

Net cash flow provided by operating activities decreased \$45 million in 2019 primarily due to the return of unprotected excess accumulated deferred income taxes to customers and the receipt of \$33.2 million in 2018 from Entergy Arkansas as a result of a compliance filing made in response to the FERC's October 2018 order in the Entergy Arkansas opportunity sales proceeding. The decrease was partially offset by the timing of recovery of fuel and purchased power costs and the timing of collection of receivables from customers. See Note 2 to the financial statements for further discussion of the opportunity sales proceeding and regulatory activity regarding the Tax Cuts and Jobs Act.

**Investing Activities**

Net cash flow used in investing activities increased \$482.3 million in 2019 primarily due to:

- an increase of \$243.3 million in fossil-fueled generation construction expenditures primarily due to increased spending on the Montgomery County Power Station;
- an increase of \$153.4 million in transmission construction expenditures primarily due to a higher scope of work performed in 2019 as compared to 2018;
- an increase of \$47.1 million in distribution construction expenditures primarily due to investment in the reliability and infrastructure of Entergy Texas's distribution system, including increased spending on advanced metering infrastructure, and increased storm spending; and
- money pool activity.

Increases in Entergy Texas's receivable from the money pool are a use of cash flow, and Entergy Texas's receivable from the money pool increased by \$11.2 million in 2019 compared to decreasing \$44.9 million in 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

**Financing Activities**

Entergy Texas's financing activities provided \$604.4 million of cash in 2019 compared to using \$51.2 million of cash in 2018 primarily due to:

- the issuance of \$300 million of 4.0% Series mortgage bonds and \$400 million of 4.5% Series mortgage bonds in January 2019;
- the issuance of \$300 million of 3.55% Series mortgage bonds in September 2019;
- capital contributions of \$185 million in 2019 received from Entergy Corporation in anticipation of upcoming construction expenditures, including Montgomery County Power Station; and
- the issuance of \$35 million aggregate liquidation value 5.375% Series A preferred stock in September 2019.

The increase was partially offset by the repayment, at maturity, of \$500 million of 7.125% Series mortgage bonds in February 2019 and money pool activity. See Note 5 to the financial statements for more details on long-term debt. See Note 6 to the financial statements for more details on the issuance of preferred stock.

Decreases in Entergy Texas's payable to the money pool are a use of cash flow, and Entergy Texas's payable to the money pool decreased by \$22.4 million in 2019 compared to increasing by \$22.4 million in 2018.

#### 2018 Compared to 2017

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Liquidity and Capital Resources - Cash Flow**" in Entergy Texas's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

#### **Capital Structure**

Entergy Texas's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio for Entergy Texas is primarily due to the net issuance of \$500 million of mortgage bonds in 2019, partially offset by an increase in equity.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Debt to capital	51.7%	51.6%
Effect of excluding the securitization bonds	(2.8%)	(5.2%)
Debt to capital, excluding securitization bonds (a)	48.9%	46.4%
Effect of subtracting cash	(0.2%)	—%
Net debt to net capital, excluding securitization bonds (a)	48.7%	46.4%

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

Net debt consists of debt less cash and cash equivalents. Debt consists of long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Texas 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 Texas's financial condition because the securitization bonds are non-recourse to Entergy Texas, as more fully described in Note 5 to the financial statements. Entergy Texas 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 Texas's financial condition because net debt indicates Entergy Texas's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Texas seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a dividend, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Texas may issue incremental debt or reduce dividends, or both, to maintain its capital structure. In addition, Entergy Texas may receive equity

contributions to maintain its capital structure for certain circumstances such as large transactions that would materially alter the capital structure if financed entirely with debt and reduced dividends.

### Uses of Capital

Entergy Texas requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- dividend and interest payments.

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

	2020	2021	2022
	(In Millions)		
<b>Planned construction and capital investment:</b>			
Generation	\$235	\$165	\$195
Transmission	265	180	220
Distribution	150	125	170
Utility Support	115	135	130
Total	<u>\$765</u>	<u>\$605</u>	<u>\$715</u>

Following are the amounts of Entergy Texas's existing debt and lease obligations (includes estimated interest payments) and other purchase obligations.

	2020	2021-2022	2023-2024	After 2024	Total
	(In Millions)				
Long-term debt (a)	\$164	\$466	\$133	\$2,683	\$3,446
Operating leases (b)	\$4	\$7	\$4	\$1	\$16
Finance leases (b)	\$1	\$2	\$2	\$1	\$6
Purchase obligations (c)	\$280	\$434	\$514	\$1,039	\$2,267

- (a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (b) Lease obligations are discussed in Note 10 to the financial statements.
- (c) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy Texas, it primarily includes unconditional fuel and purchased power obligations.

In addition to the contractual obligations given above, Entergy Texas expects to contribute approximately \$3.5 million to its qualified pension plans and approximately \$61 thousand to other postretirement health care and life insurance plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, Entergy Texas has \$17.5 million of unrecognized tax benefits and interest net of unused tax attributes and payments for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Texas includes specific investments such as the Montgomery County Power Station; transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to enhance reliability and improve service to customers, including advanced meters and related investments; system improvements; software and security; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital. Management provides more information on long-term debt in Note 5 to the financial statements.

As a subsidiary, Entergy Texas dividends its earnings to Entergy Corporation at a percentage determined monthly.

Montgomery County Power Station

In October 2016, Entergy Texas filed an application with the PUCT seeking certification that the public convenience and necessity would be served by the construction of the Montgomery County Power Station, a nominal 993 MW combined-cycle generating unit in Willis, Texas, on land adjacent to the existing Lewis Creek plant. The current estimated cost of the Montgomery County Power Station is \$937 million, including approximately \$111 million of transmission interconnection and network upgrades and other related costs. The independent monitor, who oversaw the request for proposal process, filed testimony and a report affirming that the Montgomery County Power Station was selected through an objective and fair request for proposal process that showed no undue preference to any proposal. In June 2017 parties to the proceeding filed an unopposed stipulation and settlement agreement. The stipulation contemplates that Entergy Texas’s level of cost-recovery for generation construction costs for Montgomery County Power Station is capped at \$831 million, subject to certain exclusions such as force majeure events. Transmission interconnection and network upgrades and other related costs are not subject to the \$831 million cap. In July 2017 the PUCT approved the stipulation. Subject to the timely receipt of other permits and approvals, commercial operation is estimated to occur by mid-2021.

**Sources of Capital**

Entergy Texas’s sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt or preferred stock issuances;
- capital contributions; and
- bank financing under new or existing facilities.

Entergy Texas may refinance, redeem, or otherwise retire debt prior to maturity, to the extent market conditions and interest and dividend rates are favorable.

All debt and common and preferred stock issuances by Entergy Texas require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. Entergy Texas has sufficient capacity under these tests to meet its foreseeable capital needs.

Entergy Texas’s receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2019	2018	2017	2016
(In Thousands)			
\$11,181	(\$22,389)	\$44,903	\$681

See Note 4 to the financial statements for a description of the money pool.

Entergy Texas has a credit facility in the amount of \$150 million scheduled to expire in September 2024. The credit facility includes fronting commitments for the issuance of letters of credit against \$30 million of the borrowing capacity of the facility. As of December 31, 2019, there were no cash borrowings and \$1.3 million of letters of credit outstanding under the credit facility. In addition, Entergy Texas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2019, a \$12.1 million letter of credit was outstanding under Entergy Texas's letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy Texas obtained authorizations from the FERC through November 2020 for short-term borrowings, not to exceed an aggregate amount of \$200 million at any time outstanding, and long-term borrowings and security issuances. See Note 4 to the financial statements for further discussion of Entergy Texas's short-term borrowing limits.

### **State and Local Rate Regulation and Fuel-Cost Recovery**

The rates that Entergy Texas charges for its services significantly influence its financial position, results of operations, and liquidity. Entergy Texas is regulated and the rates charged to its customers are determined in regulatory proceedings. The PUCT, a governmental agency, is primarily responsible for approval of the rates charged to customers.

#### **Filings with the PUCT**

##### **2018 Rate Case**

In May 2018, Entergy Texas filed a base rate case with the PUCT seeking an increase in base rates and rider rates of approximately \$166 million, of which \$48 million is associated with moving costs currently being collected through riders into base rates such that the total incremental revenue requirement increase is approximately \$118 million. The base rate case was based on a 12-month test year ending December 31, 2017. In addition, Entergy Texas included capital additions placed into service for the period of April 1, 2013 through December 31, 2017, as well as a post-test year adjustment to include capital additions placed in service by June 30, 2018.

In October 2018 the parties filed an unopposed settlement resolving all issues in the proceeding and a motion for interim rates effective for usage on and after October 17, 2018. The unopposed settlement reflects the following terms: a base rate increase of \$53.2 million (net of costs realigned from riders and including updated depreciation rates), a \$25 million refund to reflect the lower federal income tax rate applicable to Entergy Texas from January 25, 2018 through the date new rates are implemented, \$6 million of capitalized skylining tree hazard costs will not be recovered from customers, \$242.5 million of protected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and \$185.2 million of unprotected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider will include carrying charges and will be in effect over a period of 12 months for large customers and over a period of four years for other customers. The settlement also provides for the deferral of \$24.5 million of costs associated with the remaining book value of the Neches and Sabine 2 plants, previously taken out of service, to be recovered over a ten-year period and the deferral of \$20.5 million of costs associated with Hurricane Harvey to be recovered over a 12-year period, each beginning in October 2018. The settlement provides final resolution of all issues in the matter, including those related to the Tax Act. In October 2018 the ALJ granted the unopposed motion for interim rates to be effective for service rendered on or after October 17, 2018. In December 2018 the PUCT issued an order approving the unopposed settlement.

In January 2019, Entergy Texas filed for recovery of rate case expenses totaling \$7.2 million. The amounts requested primarily include internal and external expenses related to litigating the 2018 base rate case. Parties filed testimony in April 2019 recommending a disallowance ranging from \$3.2 million to \$4.2 million of the \$7.2 million requested. In May 2019, Entergy Texas filed rebuttal testimony responding to the parties' positions. In September 2019 an order was issued abating the procedural schedule and scheduled hearing to allow the finalization of a settlement



in principle reached among the parties. The settlement provides for a black box disallowance of \$1.4 million. In the third quarter 2019, Entergy Texas recorded a provision for the 2018 base rate case expenses based on the settlement in principle. In October 2019 the settlement was filed for review by the PUCT. In February 2020 the PUCT approved the settlement.

#### Distribution Cost Recovery Factor (DCRF) Rider

In June 2017, Entergy Texas filed an application to amend its DCRF rider by increasing the total collection from \$8.65 million to approximately \$19 million. In July 2017, Entergy Texas, the PUCT staff, and the two other parties in the proceeding entered into an unopposed stipulation and settlement agreement resulting in an amended DCRF annual revenue requirement of \$18.3 million. In September 2017 the PUCT issued its final order approving the unopposed stipulation and settlement agreement. The amended DCRF rider rates became effective for usage on and after September 1, 2017. DCRF rates were set to zero upon implementation of new base rates on October 17, 2018, as described above in the 2018 base rate case discussion.

In March 2019, Entergy Texas filed with the PUCT a request to set a new DCRF rider. The proposed new DCRF rider is designed to collect approximately \$3.2 million annually from Entergy Texas's retail customers based on its capital invested in distribution between January 1, 2018 and December 31, 2018. In September 2019 the PUCT issued an order approving rates, which had been effective on an interim basis since June 2019, at the level proposed in Entergy Texas's application.

#### Transmission Cost Recovery Factor (TCRF) Rider

In September 2016, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed amended TCRF rider was designed to collect approximately \$29.5 million annually from Entergy Texas's retail customers. In December 2016, concurrent with the 2016 fuel reconciliation stipulation and settlement agreement discussed below, Entergy Texas and the PUCT staff reached a settlement agreeing to the amended TCRF annual revenue requirement of \$29.5 million. As discussed below, the terms of the two settlements are interdependent. The PUCT approved the settlement and issued a final order in March 2017. Entergy Texas implemented the amended TCRF rider beginning with bills covering usage on and after March 20, 2017. TCRF rates were set to zero upon implementation of new base rates on October 17, 2018, as discussed above in the 2018 base rate case discussion.

In December 2018, Entergy Texas filed with the PUCT a request to set a new TCRF rider. The proposed new TCRF rider is designed to collect approximately \$2.7 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and September 30, 2018. In April 2019 parties filed testimony proposing a load growth adjustment, which would fully offset Entergy Texas's proposed TCRF revenue requirement. In July 2019 the PUCT granted Entergy Texas's application as filed to begin recovery of the requested \$2.7 million annual revenue requirement, rejecting opposing parties' proposed adjustment; however, the PUCT found that the question of prudence of the actual investment costs should be determined in Entergy Texas's next rate case similar to the procedure used for the costs recovered through the DCRF rider. In October 2019 the PUCT issued an order on a motion for rehearing, clarifying and affirming its prior order granting Entergy Texas's application as filed. Also, in October 2019 a second motion for rehearing was filed, and Entergy Texas filed a response in opposition to the motion. The second motion for rehearing was overruled by operation of law. In December 2019, Texas Industrial Energy Consumers filed an appeal to the PUCT order in district court alleging that the PUCT erred in declining to apply a load growth adjustment.

In August 2019, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed new TCRF rider is designed to collect approximately \$19.4 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and June 30, 2019, which is \$16.7 million in incremental annual revenue above the \$2.7 million approved in the prior pending TCRF proceeding. In November 2019, Entergy Texas filed an unopposed stipulation and settlement agreement providing for recovery of the requested revenue requirement. In January 2020 the PUCT issued an order approving the unopposed settlement.

### Advanced Metering Infrastructure (AMI)

In April 2017 the Texas legislature enacted legislation that extends statutory support for AMI deployment to Entergy Texas and directs that if Entergy Texas elects to deploy AMI, it shall do so as rapidly as practicable. In July 2017, Entergy Texas filed an application seeking an order from the PUCT approving Entergy Texas's deployment of AMI. Entergy Texas proposed to replace existing meters with advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Texas's modernized power grid. The filing included an estimate of implementation costs for AMI of \$132 million and identified a number of quantified and unquantified benefits. Entergy Texas proposed a seven-year depreciable life for the new advanced meters. Entergy Texas also proposed a surcharge tariff to recover the reasonable and necessary costs it has and will incur under the deployment plan for the full deployment of advanced meters. Further, Entergy Texas sought approval of fees that would be charged to customers who choose to opt out of receiving service through an advanced meter and instead receive electric service with a non-standard meter. In October 2017, Entergy Texas and other parties entered into and filed an unopposed stipulation and settlement agreement permitting deployment of AMI with limited modifications. The PUCT approved the stipulation and settlement agreement in December 2017. Entergy Texas implemented the AMI surcharge tariff beginning with January 2018 bills. As of December 31, 2019, Entergy Texas has a regulatory liability related to the collection of the surcharge from customers. Consistent with the approval, deployment of the communications network began in 2018 and the three-year deployment of the advanced meters began in 2019. Entergy Texas will recover the undepreciated balance of its existing meters through a regulatory asset to be amortized at current depreciation rates, as approved by the PUCT.

### **Fuel and Purchased Power Cost Recovery**

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, not recovered in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT.

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. The pending appeals did 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. In June 2016, Entergy Texas filed an unopposed settlement agreement that added additional over-recovered fuel costs for the months of March and April 2016. The settlement resulted in a \$68 million refund. The ALJ approved the refund on an interim basis and it was made to most customers over a four-month period beginning with the first billing cycle of July 2016. In July 2016 the PUCT issued an order approving the interim refund. The federal appeal of the PUCT's January 2016 decision was heard in December 2016, and the Federal District Court granted Entergy Texas's requested relief. In January 2017 the PUCT and an intervenor filed petitions for appeal to the U.S. Court of Appeals for the Fifth Circuit of the Federal District Court ruling. Oral argument was held before the Fifth Circuit in February 2018. In April 2018 the Fifth Circuit reversed the decision of the Federal District Court, reinstating the original PUCT decision. In October 2018, Entergy Texas filed a notice of nonsuit in its appeal to the Travis County District Court regarding the PUCT's January 2016 decision.

In July 2016, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period April 1, 2013 through March 31, 2016. During the reconciliation period, Entergy Texas incurred approximately \$1.77 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an over-recovery balance of approximately \$19.3 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2016. Entergy Texas also noted, however, that the estimated \$19.3 million over collection was being refunded to customers as a portion of the interim fuel refund beginning with the first billing cycle of July 2016, discussed above. Entergy Texas also requested a prudence finding for each of the fuel-related contracts and arrangements entered into or modified during the reconciliation period that have not been reviewed by the PUCT in a prior proceeding. In December 2016, Entergy Texas entered into a stipulation and settlement agreement resulting in a \$6 million disallowance not associated with any particular issue raised and a refund of the over-recovery balance of \$21 million as of November 30, 2016, to most customers beginning April 2017 through June 2017. This settlement was developed concurrently with the stipulation and settlement agreement in the 2016 transmission cost recovery factor rider amendment discussed above, and the terms and conditions in both settlements are interdependent. The fuel reconciliation settlement was approved by the PUCT in March 2017 and the refunds were made.

In June 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.7 million for the months of December 2016 through April 2017. For most customers, the refunds flowed through bills for the months of July 2017 through September 2017. The fuel refund was approved by the PUCT in August 2017.

In December 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.5 million for the months of May 2017 through October 2017. Also in December 2017, the PUCT's ALJ approved the refund on an interim basis. For most customers, the refunds flowed through bills January 2018 through March 2018. The fuel refund was approved by the PUCT in March 2018.

In September 2019, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period from April 2016 through March 2019. During the reconciliation period, Entergy Texas incurred approximately \$1.6 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an under-recovery balance of approximately \$25.8 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2019. The proceeding is currently pending.

### **Federal Regulation**

See the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

### **Nuclear Matters**

See the "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of nuclear matters.

### **Industrial and Commercial Customers**

Entergy Texas's large industrial and commercial customers continually explore ways to reduce their energy costs. In particular, cogeneration is an option available to a portion of Entergy Texas's industrial customer base. Entergy Texas responds by working with industrial and commercial customers and negotiating electric service contracts to provide, under existing rate schedules, competitive rates that match specific customer needs and load profiles. Entergy Texas actively participates in economic development, customer retention, and reclamation activities to increase industrial and commercial demand, from both new and existing customers.

## **Environmental Risks**

Entergy Texas's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy Texas is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

## **Critical Accounting Estimates**

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

### **Utility Regulatory Accounting**

See "**Utility Regulatory Accounting**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

### **Impairment of Long-lived Assets and Trust Fund Investments**

See "**Impairment of Long-lived Assets and Trust Fund Investments**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

### **Taxation and Uncertain Tax Positions**

See "**Taxation and Uncertain Tax Positions**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

### **Qualified Pension and Other Postretirement Benefits**

Entergy Texas's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See the "**Qualified Pension and Other Postretirement Benefits**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries' Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension and qualified projected benefit obligation cost to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$535	\$9,465
Rate of return on plan assets	(0.25%)	\$783	\$—
Rate of increase in compensation	0.25%	\$347	\$1,676

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$—	\$2,673
Health care cost trend	0.25%	\$97	\$2,050

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Texas in 2019 was \$5.7 million. Entergy Texas anticipates 2020 qualified pension cost to be \$8.4 million. Entergy Texas contributed \$3.7 million to its qualified pension plans in 2019 and estimates 2020 pension contributions will be approximately \$3.5 million, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Total postretirement health care and life insurance benefit income for Entergy Texas in 2019 was \$6.5 million. Entergy Texas expects 2020 postretirement health care and life insurance benefit income to approximate \$6.7 million. In 2019, Entergy Texas' postretirement contributions (that is, contributions to the external trusts plus claims payments) were offset by trust claims reimbursements, resulting in a net reimbursement of \$596 thousand. Entergy Texas estimates 2020 contributions will be approximately \$61 thousand.

**Other Contingencies**

See "**Other Contingencies**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of  
Entergy Texas, Inc. and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Texas, Inc. and Subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, cash flows, and changes in common equity (pages 405 through 410 and applicable items in pages 49 through 236), for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Company’s auditor since 2001.

**ENERGY TEXAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING REVENUES</b>			
Electric	\$1,488,955	\$1,605,902	\$1,544,893
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	162,544	204,830	225,517
Purchased power	602,563	614,012	610,279
Other operation and maintenance	258,924	238,400	230,437
Taxes other than income taxes	76,366	82,033	79,254
Depreciation and amortization	153,286	128,534	117,520
Other regulatory charges - net	88,770	131,667	82,328
<b>TOTAL</b>	<b>1,342,453</b>	<b>1,399,476</b>	<b>1,345,335</b>
<b>OPERATING INCOME</b>	<b>146,502</b>	<b>206,426</b>	<b>199,558</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	28,445	9,723	6,722
Interest and investment income	3,072	2,188	981
Miscellaneous - net	546	(655)	14
<b>TOTAL</b>	<b>32,063</b>	<b>11,256</b>	<b>7,717</b>
<b>INTEREST EXPENSE</b>			
Interest expense	86,333	87,203	86,719
Allowance for borrowed funds used during construction	(13,269)	(5,513)	(4,098)
<b>TOTAL</b>	<b>73,064</b>	<b>81,690</b>	<b>82,621</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>105,501</b>	<b>135,992</b>	<b>124,654</b>
Income taxes	(53,896)	(26,243)	48,481
<b>NET INCOME</b>	<b>159,397</b>	<b>162,235</b>	<b>76,173</b>
Preferred dividend requirements	580	—	—
<b>EARNINGS APPLICABLE TO COMMON STOCK</b>	<b>\$158,817</b>	<b>\$162,235</b>	<b>\$76,173</b>

See Notes to Financial Statements.

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**ENERGY TEXAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2019	2018	2017
	(In Thousands)		
<b>OPERATING ACTIVITIES</b>			
<b>Net income</b>	\$159,397	\$162,235	\$76,173
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>			
Depreciation and amortization	153,286	128,534	117,520
Deferred income taxes, investment tax credits, and non-current taxes accrued	20,143	(39,545)	42,119
Changes in assets and liabilities:			
Receivables	58,445	(17,099)	(15,934)
Fuel inventory	(4,926)	64	(25,054)
Accounts payable	(33,646)	43,319	32,842
Prepaid taxes and taxes accrued	(3,805)	7,854	30,308
Interest accrued	(5,363)	(1,201)	(421)
Deferred fuel costs	(6,696)	(47,604)	12,758
Other working capital accounts	(13,822)	1,328	(7,852)
Provisions for estimated losses	(5,748)	3,741	2,531
Other regulatory assets	85,400	63,350	184,574
Other regulatory liabilities	(105,517)	(19,336)	410,968
Deferred tax rate change recognized as regulatory liability/asset	—	—	(520,547)
Pension and other postretirement liabilities	(7,152)	(13,135)	(49,445)
Other assets and liabilities	(3,257)	59,248	10,856
<b>Net cash flow provided by operating activities</b>	<b>286,739</b>	<b>331,753</b>	<b>301,396</b>
<b>INVESTING ACTIVITIES</b>			
Construction expenditures	(898,090)	(451,988)	(348,027)
Allowance for equity funds used during construction	28,526	9,861	6,874
Proceeds from sale of assets	—	3,753	—
Insurance proceeds	—	—	2,431
Changes in money pool receivable - net	(11,181)	44,903	(44,222)
Changes in securitization account	2,465	(2,502)	(232)
<b>Net cash flow used in investing activities</b>	<b>(878,280)</b>	<b>(395,973)</b>	<b>(383,176)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	986,019	—	148,277
Retirement of long-term debt	(578,593)	(74,950)	(71,683)
Capital contributions from parent	185,000	—	115,000
Proceeds from the issuance of preferred stock	33,188	—	—
Change in money pool payable - net	(22,389)	22,389	—
Other	1,189	1,324	(482)
<b>Net cash flow provided by (used in) financing activities</b>	<b>604,414</b>	<b>(51,237)</b>	<b>191,112</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,873</b>	<b>(115,457)</b>	<b>109,332</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>56</b>	<b>115,513</b>	<b>6,181</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$12,929</b>	<b>\$56</b>	<b>\$115,513</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$89,402	\$85,719	\$84,556
Income taxes	\$17,010	\$20,787	(\$21,107)
See Notes to Financial Statements.			

**ENERGY TEXAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$25	\$26
Temporary cash investments	12,904	30
Total cash and cash equivalents	12,929	56
Securitization recovery trust account	37,720	40,185
Accounts receivable:		
Customer	59,365	69,714
Allowance for doubtful accounts	(471)	(461)
Associated companies	24,001	64,441
Other	17,050	12,275
Accrued unbilled revenues	50,048	51,288
Total accounts receivable	149,993	197,257
Fuel inventory - at average cost	47,593	42,667
Materials and supplies - at average cost	46,056	41,883
Prepayments and other	21,012	15,903
<b>TOTAL</b>	<b>315,303</b>	<b>337,951</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investments in affiliates - at equity	396	448
Non-utility property - at cost (less accumulated depreciation)	376	376
Other	20,077	19,218
<b>TOTAL</b>	<b>20,849</b>	<b>20,042</b>
<b>UTILITY PLANT</b>		
Electric	5,199,027	4,773,984
Construction work in progress	760,354	325,193
<b>TOTAL UTILITY PLANT</b>	5,959,381	5,099,177
Less - accumulated depreciation and amortization	1,770,852	1,684,569
<b>UTILITY PLANT - NET</b>	<b>4,188,529</b>	<b>3,414,608</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$160,375 as of December 31, 2019 and \$236,336 as of December 31, 2018)	512,648	598,048
Other	33,393	29,371
<b>TOTAL</b>	<b>546,041</b>	<b>627,419</b>
<b>TOTAL ASSETS</b>	<b>\$5,070,722</b>	<b>\$4,400,020</b>

See Notes to Financial Statements.

**ENERGY TEXAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	December 31,	
	2019	2018
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$—	\$500,000
Accounts payable:		
Associated companies	58,055	119,371
Other	188,460	150,679
Customer deposits	40,232	43,387
Taxes accrued	49,708	53,513
Interest accrued	18,992	24,355
Current portion of unprotected excess accumulated deferred income taxes	26,552	87,627
Deferred fuel costs	13,001	19,697
Other	10,521	6,353
<b>TOTAL</b>	<b>405,521</b>	<b>1,004,982</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	585,413	552,535
Accumulated deferred investment tax credits	10,559	11,176
Regulatory liability for income taxes - net	225,980	264,623
Other regulatory liabilities	42,085	47,884
Asset retirement cost liabilities	7,631	7,222
Accumulated provisions	8,108	13,856
Long-term debt (includes securitization bonds of \$205,349 as of December 31, 2019 and \$283,659 as of December 31, 2018)	1,922,956	1,013,735
Other	63,062	61,605
<b>TOTAL</b>	<b>2,865,794</b>	<b>1,972,636</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2019 and 2018	49,452	49,452
Paid-in capital	780,182	596,994
Retained earnings	934,773	775,956
<b>Total common shareholder's equity</b>	<b>1,764,407</b>	<b>1,422,402</b>
Preferred stock without sinking fund	35,000	—
<b>TOTAL</b>	<b>1,799,407</b>	<b>1,422,402</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$5,070,722</b>	<b>\$4,400,020</b>

See Notes to Financial Statements.

**ENERGY TEXAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	Preferred Stock	Common Equity			Total
		Common Stock	Paid-in Capital	Retained Earnings	
(In Thousands)					
<b>Balance at December 31, 2016</b>	\$—	\$49,452	\$481,994	\$537,548	\$1,068,994
Net income	—	—	—	76,173	76,173
Capital contributions from parent	—	—	115,000	—	115,000
<b>Balance at December 31, 2017</b>	\$—	\$49,452	\$596,994	\$613,721	\$1,260,167
Net income	—	—	—	162,235	162,235
<b>Balance at December 31, 2018</b>	\$—	\$49,452	\$596,994	\$775,956	\$1,422,402
Net income	—	—	—	159,397	159,397
Capital contributions from parent	—	—	185,000	—	185,000
Preferred stock issuance	35,000	—	(1,812)	—	33,188
Preferred stock dividends	—	—	—	(580)	(580)
<b>Balance at December 31, 2019</b>	<u>\$35,000</u>	<u>\$49,452</u>	<u>\$780,182</u>	<u>\$934,773</u>	<u>\$1,799,407</u>

See Notes to Financial Statements.

**ENTERGY TEXAS, INC. AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	2019	2018	2017	2016	2015
<b>(In Thousands)</b>					
Operating revenues	\$1,488,955	\$1,605,902	\$1,544,893	\$1,615,619	\$1,707,203
Net income	\$159,397	\$162,235	\$76,173	\$107,538	\$69,625
Total assets	\$5,070,722	\$4,400,020	\$4,279,738	\$4,033,081	\$3,898,582
Long-term obligations (a)	\$1,922,956	\$1,013,735	\$1,587,150	\$1,508,407	\$1,451,967

(a) Includes long-term debt (excluding currently maturing debt).

	2019	2018	2017	2016	2015
<b>(Dollars In Millions)</b>					
<b>Electric Operating Revenues:</b>					
Residential	\$658	\$674	\$636	\$613	\$633
Commercial	343	381	378	356	369
Industrial	373	394	384	365	372
Governmental	22	25	25	24	25
Total billed retail	1,396	1,474	1,423	1,358	1,399
Sales for resale:					
Associated companies	52	59	58	178	259
Non-associated companies	7	39	22	40	14
Other	34	34	42	40	35
Total	<u>\$1,489</u>	<u>\$1,606</u>	<u>\$1,545</u>	<u>\$1,616</u>	<u>\$1,707</u>

<b>Billed Electric Energy Sales (GWh):</b>					
Residential	6,039	6,135	5,716	5,836	5,889
Commercial	4,667	4,747	4,548	4,570	4,548
Industrial	8,043	8,052	7,521	7,493	7,036
Governmental	259	286	273	283	276
Total retail	19,008	19,220	18,058	18,182	17,749
Sales for resale:					
Associated companies	1,472	1,516	1,534	4,625	5,853
Non-associated companies	343	962	729	1,086	254
Total	<u>20,823</u>	<u>21,698</u>	<u>20,321</u>	<u>23,893</u>	<u>23,856</u>

**SYSTEM ENERGY RESOURCES, INC.**

**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

System Energy's principal asset currently consists of an ownership interest and a leasehold interest in Grand Gulf. The capacity and energy from its 90% interest is sold under the Unit Power Sales Agreement to its only four customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% interest in Grand Gulf pursuant to the Unit Power Sales Agreement. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues.

**Results of Operations**

**2019 Compared to 2018**

**Net Income**

Net income increased \$5 million primarily due to the increase in operating revenues resulting from changes in rate base, as compared to prior year, and a lower effective income tax rate, after excluding the effect of the return of unprotected excess accumulated deferred income taxes to customers which is offset in income taxes.

**Income Taxes**

The effective income tax rates were 13.4% for 2019 and (102.7%) for 2018. The difference in the effective income tax rate of 13.4% versus the federal statutory rate of 21% for 2019 was primarily due to the amortization of excess accumulated deferred income taxes and certain book and tax differences related to utility plant items, partially offset by state income taxes. The difference in the effective income tax rate of (102.7%) versus the federal statutory rate of 21% for 2018 was primarily due to the amortization of excess accumulated deferred income taxes. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates.

**2018 Compared to 2017**

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Results of Operations**" in System Energy's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of results of operations for 2018 compared to 2017.

**Income Tax Legislation**

See the "**Income Tax Legislation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements contains additional discussion of the effect of the Tax Act on 2017, 2018, and 2019 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements discusses the regulatory proceedings that have considered the effects of the Tax Act.

**Liquidity and Capital Resources**

**Cash Flow**

Cash flows for the years ended December 31, 2019, 2018, and 2017 were as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In Thousands)		
Cash and cash equivalents at beginning of period	\$95,685	\$287,187	\$245,863
Net cash provided by (used in):			
Operating activities	300,141	101,328	371,278
Investing activities	(119,553)	(286,161)	(174,250)
Financing activities	(207,739)	(6,669)	(155,704)
Net increase (decrease) in cash and cash equivalents	(27,151)	(191,502)	41,324
Cash and cash equivalents at end of period	<u>\$68,534</u>	<u>\$95,685</u>	<u>\$287,187</u>

**2019 Compared to 2018**

**Operating Activities**

Net cash flow provided by operating activities increased \$198.8 million in 2019 primarily due to:

- the decrease in the return of the unprotected excess accumulated deferred income taxes in 2018;
- a decrease in spending of \$48.5 million on nuclear refueling outages in 2019 as compared to prior year; and
- a decrease of \$51.7 million in income taxes paid in 2019. System Energy made income tax payments of \$54 million in 2018 in accordance with an intercompany income tax allocation agreement.

**Investing Activities**

Net cash flow used in investing activities decreased by \$166.6 million in 2019 primarily due to:

- a decrease of \$102.7 million as a result of fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle;
- money pool activity; and
- a decrease of \$28.4 million in nuclear construction expenditures as a result of spending in 2018 on Grand Gulf outage projects.

Decreases in System Energy's receivable from the money pool are a source of cash flow and System Energy's receivable from the money pool decreased by \$47.8 million in 2019 compared to decreasing by \$4.5 million in 2018. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

**Financing Activities**

Net cash flow used in financing activities increased \$201.1 million in 2019 primarily due to:

- the issuance in March 2018 of \$100 million of 3.42% Series J notes by the System Energy nuclear fuel company variable interest entity;

- an increase of \$56.5 million in common stock dividends and distributions in 2019. Common stock dividends and distributions were lower in 2018 in anticipation of the excess accumulated deferred income taxes being returned to customers as a result of the Tax Cuts and Jobs Act; and
- net repayments of \$82.3 million of long-term borrowings in 2019 compared to net borrowings of \$63.9 million of long-term borrowings in 2018 on the nuclear fuel company variable interest entity's credit facility.

The increase was partially offset by:

- the payment in October 2018, at maturity, of \$85 million of the System Energy nuclear fuel company variable interest entity's 3.78% Series I notes; and
- net repayments of short-term borrowings of \$17.8 million in 2018 on the nuclear fuel company variable interest entity's credit facility.

In March 2019, System Energy issued \$134 million of 2.50% Series 2019 revenue refunding bonds due April 2022. The proceeds were used to redeem, prior to maturity, \$134 million of 5.875% Series 1998 pollution control revenue refunding bonds due April 2022.

See Note 5 to the financial statements for additional details of long-term debt.

#### 2018 Compared to 2017

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow" in System Energy's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion of operating, investing, and financing cash flow activities for 2018 compared to 2017.

#### **Capital Structure**

System Energy's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due to a decrease in long-term debt outstanding, partially offset by a decrease in retained earnings.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Debt to capital	43.5%	46.1%
Effect of subtracting cash	(3.3%)	(4.0%)
Net debt to net capital	40.2%	42.1%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. System Energy uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating System Energy's financial condition. System Energy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating System Energy's financial condition because net debt indicates System Energy's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

System Energy seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce outstanding debt or may be paid as a dividend, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, System Energy may issue incremental debt or reduce dividends, or both, to maintain its capital structure.



## Uses of Capital

System Energy requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel costs; and
- dividend, distribution, and interest payments.

Following are the amounts of System Energy's planned construction and other capital investments.

	2020	2021	2022
	(In Millions)		
<b>Planned construction and capital investment:</b>			
Generation	\$165	\$80	\$145
Utility Support	5	15	15
Total	<u>\$170</u>	<u>\$95</u>	<u>\$160</u>

Following are the amounts of System Energy's existing debt and lease obligations (includes estimated interest payments) and other purchase obligations.

	2020	2021-2022	2023-2024	After 2024	Total
	(In Millions)				
Long-term debt (a)	\$35	\$326	\$287	\$206	\$854
Purchase obligations (b)	\$32	\$54	\$47	\$—	\$133

(a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.

(b) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For System Energy, it includes nuclear fuel purchase obligations.

In addition to the contractual obligations given above, System Energy expects to contribute approximately \$10.5 million to its qualified pension plans and approximately \$21 thousand to other postretirement health care and life insurance plans in 2020, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020. See "**Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, System Energy has \$464.9 million of unrecognized tax benefits and interest net of unused tax attributes and payments for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition to routine spending to maintain operations, the planned capital investment estimate includes specific Grand Gulf investments and initiatives.

As a wholly-owned subsidiary, System Energy dividends its earnings to Entergy Corporation at a percentage determined monthly.

## Sources of Capital

System Energy's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt issuances; and
- bank financing under new or existing facilities.

System Energy may refinance, redeem, or otherwise retire debt prior to maturity, to the extent market conditions and interest rates are favorable.

All debt issuances by System Energy require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. System Energy has sufficient capacity under these tests to meet its foreseeable capital needs.

System Energy's receivables from the money pool were as follows as of December 31 for each of the following years.

2019	2018	2017	2016
(In Thousands)			
\$59,298	\$107,122	\$111,667	\$33,809

See Note 4 to the financial statements for a description of the money pool.

The System Energy nuclear fuel company variable interest entity has a credit facility in the amount of \$120 million scheduled to expire in September 2021. As of December 31, 2019, \$31.6 million in loans were outstanding under the System Energy nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements for additional discussion of the variable interest entity credit facility.

System Energy obtained authorizations from the FERC through November 2020 for the following:

- short-term borrowings not to exceed an aggregate amount of \$200 million at any time outstanding;
- long-term borrowings and security issuances; and
- borrowings by its nuclear fuel company variable interest entity.

See Note 4 to the financial statements for further discussion of System Energy's short-term borrowing limits.

## Federal Regulation

See the "Rate, Cost-recovery, and Other Regulation – Federal Regulation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

## Complaints Against System Energy

### **Return on Equity and Capital Structure Complaints**

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana,

Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%, which was established in a rate proceeding that became final in July 2001.

The APSC and MPSC complaint alleges that the return on equity is unjust and unreasonable because capital market and other considerations indicate that it is excessive. The complaint requests the FERC to institute proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017 as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes that a return on equity of 8.37% to 8.67% is just and reasonable. The LPSC and the City Council intervened in the proceeding expressing support for the complaint. System Energy is recording a provision against revenue for the potential outcome of this proceeding. In September 2017 the FERC established a refund effective date of January 23, 2017 and directed the parties to engage in settlement proceedings before an ALJ. The parties have been unable to settle the return on equity issue and a FERC hearing judge was assigned in July 2018. The 15-month refund period in connection with the APSC/MPSC complaint expired on April 23, 2018.

In April 2018 the LPSC filed a complaint with the FERC against System Energy seeking an additional 15-month refund period. The LPSC complaint requests similar relief from the FERC with respect to System Energy's return on equity and also requests the FERC to investigate System Energy's capital structure. The APSC, MPSC, and City Council intervened in the proceeding, filed an answer expressing support for the complaint, and asked the FERC to consolidate this proceeding with the proceeding initiated by the complaint of the APSC and MPSC in January 2017. System Energy answered the LPSC complaint in May 2018 and also filed a motion to dismiss the complaint. The 15-month refund period in connection with the LPSC return on equity complaint expired on July 26, 2019.

In August 2018 the FERC issued an order dismissing the LPSC's request to investigate System Energy's capital structure and setting for hearing the return on equity complaint, with a refund effective date of April 27, 2018. The portion of the LPSC's complaint dealing with return on equity was subsequently consolidated with the APSC and MPSC complaint for hearing. The parties are required to address an order (issued in a separate proceeding involving New England transmission owners) that proposed modifying the FERC's standard methodology for determining return on equity. In September 2018, System Energy filed a request for rehearing and the LPSC filed a request for rehearing or reconsideration of the FERC's August 2018 order. The LPSC's request referenced an amended complaint that it filed on the same day raising the same capital structure claim the FERC had earlier dismissed. The FERC initiated a new proceeding for the amended capital structure complaint, and System Energy submitted a response in October 2018. In January 2019 the FERC set the amended complaint for settlement and hearing proceedings. Settlement proceedings in the capital structure proceeding commenced in February 2019. As noted below, in June 2019 settlement discussions were terminated and the amended capital structure complaint was consolidated with the ongoing return on equity proceeding. The 15-month refund period in connection with the capital structure complaint is from September 24, 2018 to December 23, 2019.

In January 2019 the LPSC and the APSC and MPSC filed direct testimony in the return on equity proceeding. For the refund period January 23, 2017 through April 23, 2018, the LPSC argues for an authorized return on equity for System Energy of 7.81% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.24%. For the refund period April 27, 2018 through July 27, 2019, and for application on a prospective basis, the LPSC argues for an authorized return on equity for System Energy of 7.97% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.41%. In March 2019, System Energy submitted answering testimony in the return on equity proceeding. For the first refund period, System Energy's testimony argues for a return on equity of 10.10% (median) or 10.70% (midpoint). For the second refund period, System Energy's testimony shows that the calculated returns on equity for the first period fall within the range of presumptively just and reasonable returns on equity, and thus the second complaint should be dismissed (and the first period return on equity used going forward). If the FERC nonetheless were to set a new return on equity for the second period (and going forward), System Energy argues the return on equity should be either 10.32% (median) or 10.69% (midpoint).

In May 2019 the FERC trial staff filed its direct and answering testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.89% based on the application of FERC's proposed methodology. The FERC trial staff's direct and answering testimony noted that an authorized return on equity of 9.89% for the first refund period was within the range of presumptively just and reasonable returns on equity for the second refund period, as calculated using a study period ending January 31, 2019 for the second refund period.

In June 2019, System Energy filed testimony responding to the testimony filed by the FERC trial staff. Among other things, System Energy's testimony rebutted arguments raised by the FERC trial staff and provided updated calculations for the second refund period based on the study period ending May 31, 2019. For that refund period, System Energy's testimony shows that strict application of the return on equity methodology proposed by the FERC staff indicates that the second complaint would not be dismissed, and the new return on equity would be set at 9.65% (median) or 9.74% (midpoint). System Energy's testimony argues that these results are insufficient in light of benchmarks such as state returns on equity and treasury bond yields, and instead proposes that the calculated returns on equity for the second period should be either 9.91% (median) or 10.3% (midpoint). System Energy's testimony also argues that, under application of its proposed modified methodology, the 10.10% return on equity calculated for the first refund period would fall within the range of presumptively just and reasonable returns on equity for the second refund period. System Energy is recording a provision against revenue for the potential outcome of this proceeding.

Also in June 2019, the FERC's Chief ALJ issued an order terminating settlement discussions in the amended complaint addressing System Energy's capital structure. The ALJ consolidated the amended capital structure complaint with the ongoing return on equity proceeding and set new procedural deadlines for the consolidated hearing.

In August 2019 the LPSC and the APSC and MPSC filed rebuttal testimony in the return on equity proceeding and direct and answering testimony relating to System Energy's capital structure. The LPSC reargues for an authorized return on equity for System Energy of 7.81% for the first refund period and 7.97% for the second refund period. The APSC and MPSC argue for an authorized return on equity for System Energy of 8.26% for the first refund period and 8.32% for the second refund period. With respect to capital structure, the LPSC proposes that the FERC establish a hypothetical capital structure for System Energy for ratemaking purposes. Specifically, the LPSC proposes that System Energy's common equity ratio be set to Entergy Corporation's equity ratio of 37% equity and 63% debt. In the alternative, the LPSC argues that the equity ratio should be no higher than 49%, the composite equity ratio of System Energy and the other Entergy operating companies who purchase under the Unit Power Sales Agreement. The APSC and MPSC recommend that 35.98% be set as the common equity ratio for System Energy. As an alternative, the APSC and MPSC propose that System Energy's common equity be set at 46.75% based on the median equity ratio of the proxy group for setting the return on equity.

In September 2019 the FERC trial staff filed its rebuttal testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.40% based on the application of the FERC's proposed methodology and an updated proxy group. For the second refund period, based on the study period ending May 31, 2019, the FERC trial staff rebuttal testimony argues for a return on equity of 9.63%. In September 2019 the FERC trial staff also filed direct and answering testimony relating to System Energy's capital structure. The FERC trial staff argues that the average capital structure of the proxy group used to develop System Energy's return on equity should be used to establish the capital structure. Using this approach, the FERC trial staff calculates the average capital structure for its proposed proxy group of 46.74% common equity, and 53.26% debt. In October 2019, System Energy filed answering testimony disputing the FERC trial staff's, the LPSC's, and the APSC's and MPSC's arguments for the use of a hypothetical capital structure and arguing that the use of System Energy's actual capital structure is just and reasonable.

In November 2019, in a proceeding that did not involve Entergy, the FERC issued an order addressing the methodology for determining the return on equity applicable to transmission owners in MISO. Thereafter, the participants the System Energy proceeding agreed to amend the procedural schedule to allow the participants to file testimony addressing the order in the MISO transmission owner proceeding. Under the new schedule, the hearing in the System Energy proceeding will commence in June 2020 and the initial decision will be due in October 2020.

## Grand Gulf Sale-leaseback Renewal Complaint

In May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. The complaint alleges that System Energy violated the filed rate and the FERC's ratemaking and accounting requirements when it included in Unit Power Sales Agreement billings the cost of capital additions associated with the sale-leaseback interest, and that System Energy is double-recovering costs by including both the lease payments and the capital additions in Unit Power Sales Agreement billings. The complaint also claims that System Energy was imprudent in entering into the sale-leaseback renewal because the Utility operating companies that purchase Grand Gulf's output from System Energy could have obtained cheaper capacity and energy in the MISO markets. The complaint further alleges that System Energy violated various other reporting and accounting requirements and should have sought prior FERC approval of the lease renewal. The complaint seeks various forms of relief from the FERC. The complaint seeks refunds for capital addition costs for all years in which they were recorded in allegedly non-formula accounts or, alternatively, the disallowance of the return on equity for the capital additions in those years plus interest. The complaint also asks that the FERC disallow and refund the lease costs of the sale-leaseback renewal on grounds of imprudence, investigate System Energy's treatment of a DOE litigation payment, and impose certain forward-looking procedural protections, including audit rights for retail regulators of the Unit Power Sales Agreement formula rates. The APSC, MPSC, and City Council intervened in the proceeding.

In June 2018, System Energy and Entergy Services filed a motion to dismiss and an answer to the LPSC complaint denying that System Energy's treatment of the sale-leaseback renewal and capital additions violated the terms of the filed rate or any other FERC ratemaking, accounting, or legal requirements or otherwise constituted double recovery. The response also argued that the complaint is inconsistent with a FERC-approved settlement to which the LPSC is a party and that explicitly authorizes System Energy to recover its lease payments. Finally, the response argued that both the capital additions and the sale-leaseback renewal were prudent investments and the LPSC complaint fails to justify any disallowance or refunds. The response also offered to submit formula rate protocols for the Unit Power Sales Agreement similar to the procedures used for reviewing transmission rates under the MISO tariff. In September 2018 the FERC issued an order setting the complaint for hearing and settlement proceedings. The FERC established a refund effective date of May 18, 2018.

In February 2019 the presiding ALJ ruled that the hearing ordered by the FERC includes the issue of whether specific subcategories of accumulated deferred income tax should be included in, or excluded from, System Energy's formula rate. In March 2019 the LPSC, MPSC, APSC and City Council filed direct testimony. The LPSC testimony seeks refunds that include the renewal lease payments (approximately \$17.2 million per year since July 2015), rate base reductions for accumulated deferred income tax associated with uncertain tax positions (claimed to be approximately \$334.5 million as of December 2018), and the cost of capital additions associated with the sale-leaseback interest (claimed to be approximately \$274.8 million), as well as interest on those amounts. The direct testimony of the City Council and the APSC and MPSC address various issues raised by the LPSC. System Energy disputes that any refunds are owed for billings under the Unit Power Sales Agreement.

In June 2019 System Energy filed answering testimony in the sale-leaseback complaint proceeding arguing that the FERC should reject all claims for refunds. Among other things, System Energy argued that claims for refunds of the costs of lease renewal payments and capital additions should be rejected because those costs were recovered consistent with the Unit Power Sales Agreement formula rate, System Energy was not over or double recovering any costs, and ratepayers will save approximately \$850 million over initial and renewal terms of the leases. System Energy argued that claims for refunds associated with liabilities arising from uncertain tax positions should be rejected because the liabilities do not provide cost-free capital, the repayment timing of the liabilities is uncertain, and the outcome of the underlying tax positions is uncertain. System Energy's testimony also challenged the refund calculations supplied by the other parties.

In August 2019 the FERC trial staff filed direct and answering testimony seeking refunds for rate base reductions for liabilities associated with uncertain tax positions (claimed to be up to approximately \$602 million plus interest). The FERC trial staff also argued that System Energy recovered \$32 million more than it should have in depreciation expense for capital additions. In September 2019, System Energy filed cross-answering testimony disputing the FERC trial staff's arguments for refunds, stating that the FERC trial staff's position regarding depreciation rates for capital additions is not unreasonable and explaining that any change in depreciation expense is only one element of a Unit Power Sales Agreement rebilling calculation. Adjustments to depreciation expense in any rebilling under the Unit Power Sales Agreement formula rate will also involve changes to accumulated depreciation, accumulated deferred income taxes, and other formula elements as needed. In October 2019 the LPSC filed rebuttal testimony increasing the amount of refunds sought for liabilities associated with uncertain tax positions. The LPSC now seeks approximately \$512 million plus interest. At the same time, the FERC trial staff filed rebuttal testimony conceding that it was no longer seeking up to \$602 million related to the uncertain tax positions; instead, it is seeking approximately \$511 million plus interest. The LPSC also argued that adjustments to depreciation rates should affect rate base on a prospective basis only.

A hearing was held before a FERC ALJ in November 2019 and the initial decision is due in April 2020.

### **Unit Power Sales Agreement**

In August 2017, System Energy submitted to the FERC proposed amendments to the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The filing proposes limited amendments to the Unit Power Sales Agreement to adopt (1) updated rates for use in calculating Grand Gulf plant depreciation and amortization expenses and (2) updated nuclear decommissioning cost annual revenue requirements, both of which are recovered through the Unit Power Sales Agreement rate formula. The amendments result in lower charges to the Utility operating companies that buy capacity and energy from System Energy under the Unit Power Sales Agreement. The changes were based on updated depreciation and nuclear decommissioning studies that take into account the renewal of Grand Gulf's operating license for a term through November 1, 2044.

In September 2017 the FERC accepted System Energy's proposed Unit Power Sales Agreement amendments, subject to further proceedings to consider the justness and reasonableness of the amendments. Because the amendments propose a rate decrease, the FERC also initiated an investigation under Section 206 of the Federal Power Act to determine if the rate decrease should be lower than proposed. The FERC accepted the proposed amendments effective October 1, 2017, subject to refund pending the outcome of the further settlement and/or hearing proceedings, and established a refund effective date of October 11, 2017 with respect to the rate decrease. In June 2018, System Energy filed with the FERC an uncontested settlement relating to the updated depreciation rates and nuclear decommissioning cost annual revenue requirements. In August 2018 the FERC issued an order accepting the settlement. In the third quarter 2018, System Energy recorded a reduction in depreciation expense of approximately \$26 million, representing the cumulative difference in depreciation expense resulting from the depreciation rates used from October 11, 2017 through September 30, 2018 and the depreciation rates included in the settlement filing accepted by the FERC.

### **Nuclear Matters**

System Energy owns and, through an affiliate, operates Grand Gulf. System Energy is, therefore, subject to the risks related to owning and operating a nuclear plant. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems and the Fukushima event; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license renewal and amendments, and decommissioning; the performance and capacity factors of these nuclear plants; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency

of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of Grand Gulf, System Energy may be required to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. Grand Gulf's operating license expires in 2044.

### **Environmental Risks**

System Energy's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that System Energy is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in "**Regulation of Entergy's Business - Environmental Regulation**" in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

### **Critical Accounting Estimates**

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

#### **Nuclear Decommissioning Costs**

See "**Nuclear Decommissioning Costs**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

#### **Utility Regulatory Accounting**

See "**Utility Regulatory Accounting**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

#### **Impairment of Long-lived Assets and Trust Fund Investments**

See "**Impairment of Long-lived Assets and Trust Fund Investments**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets and trust fund investments.

#### **Taxation and Uncertain Tax Positions**

See "**Taxation and Uncertain Tax Positions**" in the "**Critical Accounting Estimates**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

#### **Qualified Pension and Other Postretirement Benefits**

System Energy's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee

demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See the “**Qualified Pension and Other Postretirement Benefits**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

#### Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost and qualified projected benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Qualified Pension Cost	Impact on 2019 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$737	\$10,902
Rate of return on plan assets	(0.25%)	\$666	\$—
Rate of increase in compensation	0.25%	\$422	\$2,072

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in thousands).

Actuarial Assumption	Change in Assumption	Impact on 2020 Postretirement Benefit Cost	Impact on 2019 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$31	\$1,507
Health care cost trend	0.25%	\$64	\$1,164

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

#### Costs and Employer Contributions

Total qualified pension cost for System Energy in 2019 was \$12.3 million. System Energy anticipates 2020 qualified pension cost to be \$17.6 million. System Energy contributed \$20.2 million to its qualified pension plans in 2019 and estimates 2020 pension contributions will approximate \$10.5 million, although the 2020 required pension contributions will be known with more certainty when the January 1, 2020 valuations are completed, which is expected by April 1, 2020.

Total postretirement health care and life insurance benefit income for System Energy in 2019 was \$1 million. System Energy expects 2020 postretirement health care and life insurance benefit income to approximate \$1.3 million. System Energy contributed \$829 thousand to its other postretirement plans in 2019 and expects 2020 contributions to approximate \$21 thousand.

#### **Other Contingencies**

See “**Other Contingencies**” in the “**Critical Accounting Estimates**” section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.



**New Accounting Pronouncements**

See "**New Accounting Pronouncements**" section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and Board of Directors of  
System Energy Resources, Inc.

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of System Energy Resources, Inc. (the “Company”) as of December 31, 2019 and 2018, the related statements of income, cash flows, and changes in common equity (pages 425 through 430 and applicable items in pages 49 through 236), for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

We have served as the Company’s auditor since 2001.

**SYSTEM ENERGY RESOURCES, INC.**  
**INCOME STATEMENTS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING REVENUES</b>			
Electric	\$573,410	\$456,707	\$633,458
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	82,438	64,778	71,700
Nuclear refueling outage expenses	33,376	20,715	17,968
Other operation and maintenance	206,444	196,505	207,344
Decommissioning	35,729	34,336	43,347
Taxes other than income taxes	29,018	28,090	26,180
Depreciation and amortization	106,630	97,527	137,767
Other regulatory credits - net	(35,210)	(28,924)	(37,831)
<b>TOTAL</b>	<b>458,425</b>	<b>413,027</b>	<b>466,475</b>
<b>OPERATING INCOME</b>	<b>114,985</b>	<b>43,680</b>	<b>166,983</b>
<b>OTHER INCOME</b>			
Allowance for equity funds used during construction	8,709	8,750	6,345
Interest and investment income	29,488	35,985	17,538
Miscellaneous - net	(5,516)	(5,775)	(6,711)
<b>TOTAL</b>	<b>32,681</b>	<b>38,960</b>	<b>17,172</b>
<b>INTEREST EXPENSE</b>			
Interest expense	35,328	38,424	37,141
Allowance for borrowed funds used during construction	(2,131)	(2,218)	(1,551)
<b>TOTAL</b>	<b>33,197</b>	<b>36,206</b>	<b>35,590</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>114,469</b>	<b>46,434</b>	<b>148,565</b>
Income taxes	15,349	(47,675)	69,969
<b>NET INCOME</b>	<b>\$99,120</b>	<b>\$94,109</b>	<b>\$78,596</b>

See Notes to Financial Statements.

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**SYSTEM ENERGY RESOURCES, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Thousands)</b>		
<b>OPERATING ACTIVITIES</b>			
<b>Net income</b>	\$99,120	\$94,109	\$78,596
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	212,170	186,719	240,962
Deferred income taxes, investment tax credits, and non-current taxes accrued	95	24,040	7,827
Changes in assets and liabilities:			
Receivables	(23,382)	18,169	9,210
Accounts payable	18,204	(7,067)	15,969
Prepaid taxes and taxes accrued	19,247	(51,999)	62,466
Interest accrued	(1,302)	(94)	(660)
Other working capital accounts	15,879	(45,415)	12,083
Other regulatory assets	(43,712)	(2,044)	60,012
Other regulatory liabilities	130,949	(156,802)	331,251
Deferred tax rate change recognized as regulatory liability/asset	—	—	(325,707)
Pension and other postretirement liabilities	11,177	(23,235)	4,024
Other assets and liabilities	(138,304)	64,947	(124,755)
<b>Net cash flow provided by operating activities</b>	<b>300,141</b>	<b>101,328</b>	<b>371,278</b>
<b>INVESTING ACTIVITIES</b>			
Construction expenditures	(166,695)	(194,696)	(91,705)
Allowance for equity funds used during construction	8,709	8,750	6,345
Nuclear fuel purchases	(18,170)	(125,272)	(49,728)
Proceeds from the sale of nuclear fuel	26,223	30,634	69,516
Proceeds from nuclear decommissioning trust fund sales	500,384	573,561	565,416
Investment in nuclear decommissioning trust funds	(517,828)	(583,683)	(596,236)
Changes in money pool receivable - net	47,824	4,545	(77,858)
<b>Net cash flow used in investing activities</b>	<b>(119,553)</b>	<b>(286,161)</b>	<b>(174,250)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	1,103,917	741,785	150,100
Retirement of long-term debt	(1,187,406)	(662,904)	(150,103)
Changes in short-term credit borrowings - net	—	(17,830)	(49,063)
Common stock dividends and distributions	(124,250)	(67,720)	(106,610)
Other	—	—	(28)
<b>Net cash flow used in financing activities</b>	<b>(207,739)</b>	<b>(6,669)</b>	<b>(155,704)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(27,151)</b>	<b>(191,502)</b>	<b>41,324</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>95,685</b>	<b>287,187</b>	<b>245,863</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$68,534</b>	<b>\$95,685</b>	<b>\$287,187</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$21,052	\$17,183	\$26,251
Income taxes	\$2,284	\$53,956	(\$2,227)
See Notes to Financial Statements.			

**SYSTEM ENERGY RESOURCES, INC.**  
**BALANCE SHEETS**  
**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$93	\$68
Temporary cash investments	68,441	95,617
Total cash and cash equivalents	68,534	95,685
Accounts receivable:		
Associated companies	121,972	148,571
Other	7,547	5,390
Total accounts receivable	129,519	153,961
Materials and supplies - at average cost	108,766	97,225
Deferred nuclear refueling outage costs	14,493	44,424
Prepaid taxes	—	5,415
Prepayments and other	6,045	2,985
<b>TOTAL</b>	<b>327,357</b>	<b>399,695</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Decommissioning trust funds	1,054,098	869,543
<b>TOTAL</b>	<b>1,054,098</b>	<b>869,543</b>
<b>UTILITY PLANT</b>		
Electric	5,070,859	5,036,116
Construction work in progress	164,996	70,156
Nuclear fuel	149,574	234,889
<b>TOTAL UTILITY PLANT</b>	5,385,429	5,341,161
Less - accumulated depreciation and amortization	3,285,487	3,212,080
<b>UTILITY PLANT - NET</b>	<b>2,099,942</b>	<b>2,129,081</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets	490,083	446,371
Accumulated deferred income tax	8,023	—
Other	3,192	4,124
<b>TOTAL</b>	<b>501,298</b>	<b>450,495</b>
<b>TOTAL ASSETS</b>	<b>\$3,982,695</b>	<b>\$3,848,814</b>

See Notes to Financial Statements.

**SYSTEM ENERGY RESOURCES, INC.**  
**BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In Thousands)</b>	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$10	\$6
Accounts payable:		
Associated companies	14,619	11,031
Other	64,144	47,565
Taxes accrued	13,832	—
Interest accrued	11,993	13,295
Current portion of unprotected excess accumulated deferred income taxes	—	4,426
Other	3,381	2,832
<b>TOTAL</b>	<b>107,979</b>	<b>79,155</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	821,963	805,296
Accumulated deferred investment tax credits	40,181	38,673
Regulatory liability for income taxes - net	142,845	158,998
Other regulatory liabilities	533,415	381,887
Decommissioning	931,729	896,000
Pension and other postretirement liabilities	109,816	98,639
Long-term debt	548,097	630,744
Other	34,602	22,224
<b>TOTAL</b>	<b>3,162,648</b>	<b>3,032,461</b>
Commitments and Contingencies		
<b>COMMON EQUITY</b>		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2019 and 2018	601,850	601,850
Retained earnings	110,218	135,348
<b>TOTAL</b>	<b>712,068</b>	<b>737,198</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$3,982,695</b>	<b>\$3,848,814</b>

See Notes to Financial Statements.

**SYSTEM ENERGY RESOURCES, INC.**  
**STATEMENTS OF CHANGES IN COMMON EQUITY**  
**For the Years Ended December 31, 2019, 2018, and 2017**

	<u>Common Equity</u>		<u>Total</u>
	<u>Common Stock</u>	<u>Retained Earnings</u>	
	(In Thousands)		
<b>Balance at December 31, 2016</b>	\$679,350	\$59,473	\$738,823
Net income	—	78,596	78,596
Common stock dividends and distributions	(21,000)	(85,610)	(106,610)
<b>Balance at December 31, 2017</b>	\$658,350	\$52,459	\$710,809
Net income	—	94,109	94,109
Common stock dividends and distributions	(56,500)	(11,220)	(67,720)
<b>Balance at December 31, 2018</b>	\$601,850	\$135,348	\$737,198
Net income	—	99,120	99,120
Common stock dividends and distributions	—	(124,250)	(124,250)
<b>Balance at December 31, 2019</b>	<u>\$601,850</u>	<u>\$110,218</u>	<u>\$712,068</u>

See Notes to Financial Statements.



**SYSTEM ENERGY RESOURCES, INC.**  
**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(Dollars In Thousands)</b>				
Operating revenues	\$573,410	\$456,707	\$633,458	\$548,291	\$632,405
Net income	\$99,120	\$94,109	\$78,596	\$96,744	\$111,318
Total assets	\$3,982,695	\$3,848,814	\$3,938,887	\$3,927,712	\$3,728,875
Long-term obligations (a)	\$548,097	\$630,744	\$466,484	\$501,129	\$572,665
Electric energy sales (GWh)	9,940	6,264	6,675	5,384	10,547

(a) Includes long-term debt (excluding currently maturing debt).

**Item 2. Properties**

Information regarding the registrant's properties is included in Part I. Item 1. - Entergy's Business under the sections titled "**Utility - Property and Other Generation Resources**" and "**Entergy Wholesale Commodities - Property**" in this report.

**Item 3. Legal Proceedings**

Details of the registrant's material environmental regulation and proceedings and other regulatory proceedings and litigation that are pending or those terminated in the fourth quarter of 2019 are discussed in Part I. Item 1. - Entergy's Business under the sections titled "**Retail Rate Regulation**," "**Environmental Regulation**," and "**Litigation**" and "**Impairment of Long-lived Assets**" in Note 14 to the financial statements.

**Item 4. Mine Safety Disclosures**

Not applicable.

**INFORMATION ABOUT EXECUTIVE OFFICERS OF ENTERGY CORPORATION****Executive Officers**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Period</b>
Leo P. Denault (a)	60	Chairman of the Board and Chief Executive Officer of Entergy Corporation	2013-Present
A. Christopher Bakken, III (a)	58	Executive Vice President and Chief Nuclear Officer of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy Project Director, Hinkley Point C of EDF Energy	2016-Present 2009-2016
Marcus V. Brown (a)	58	Executive Vice President and General Counsel of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2013-Present
Andrew S. Marsh (a)	48	Executive Vice President and Chief Financial Officer of Entergy Corporation Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy Chief Financial Officer of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2013-Present 2013-Present 2014-Present

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Period</b>
Roderick K. West (a)	51	Group President Utility Operations of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas	2017-Present
		President, Chief Executive Officer, and Director of System Energy	2017-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2017-Present
		President and Chief Executive Officer of Entergy New Orleans	2018
		Executive Vice President of Entergy Corporation	2010-2017
		Chief Administrative Officer of Entergy Corporation	2010-2016
Paul D. Hinnenkamp (a)	58	Executive Vice President and Chief Operating Officer of Entergy Corporation	2017-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas	2015-Present
		Senior Vice President and Chief Operating Officer of Entergy Corporation	2015-2017
		Senior Vice President, Capital Project Management and Technology of Entergy Services, Inc.	2015
		Vice President, Capital Project Management and Technology of Entergy Services, Inc.	2013-2015
Kimberly A. Fontan (a)	46	Senior Vice President and Chief Accounting Officer of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy	2019-Present
		Vice President, System Planning of Entergy Services, Inc.	2017-2019
		Vice President, Regulatory Services of Entergy Services, Inc.	2015-2017
		Vice President, Regulatory Affairs of Entergy Louisiana	2014-2015
Peter S. Norgeot, Jr. (a)	54	Senior Vice President, Transformation of Entergy Corporation	2018-Present
		Senior Vice President, Power Generation of Entergy Services	2017-2018
		Vice President, Fossil Generation of Entergy Services	2015-2017
		Vice President, Power Plant Operations, Steam of Entergy Services	2014-2015
Julie E. Harbert (a)	46	Senior Vice President, Corporate Business Services of Entergy Corporation	2019-Present
		Vice President, Shared Services of Entergy Services, Inc.	2017-2019
		Senior Vice President, Global Business Services of Philips Health Tech	2015-2017
		Vice President and Group Head of Operations, Global Shared Services of IBM	2014

(a) In addition, this officer is an executive officer and/or director of various other wholly owned subsidiaries of Entergy Corporation and its operating companies.

Each officer of Entergy Corporation is elected yearly by the Board of Directors. Each officer's age and title are provided as of December 31, 2019.

## PART II

**Item 5. Market for Registrants' Common Equity and Related Stockholder Matters****Entergy Corporation**

The shares of Entergy Corporation's common stock are listed on the New York Stock and Chicago Stock Exchanges under the ticker symbol ETR. As of January 31, 2020, there were 23,696 stockholders of record of Entergy Corporation.

**Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities (1)**

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum \$ Amount of Shares that May Yet be Purchased Under a Plan (2)
10/01/2019 - 10/31/2019	—	\$—	—	\$350,052,918
11/01/2019 - 11/30/2019	—	\$—	—	\$350,052,918
12/01/2019 - 12/31/2019	—	\$—	—	\$350,052,918
Total	—	\$—	—	

In accordance with Entergy's stock-based compensation plans, Entergy periodically grants stock options to key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plans, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans. In addition to this authority, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a \$500 million share repurchase program. The amount of share repurchases under these programs may vary as a result of material changes in business results or capital spending or new investment opportunities. In addition, in the first quarter 2019, Entergy withheld 76,735 shares of its common stock at \$86.03 per share, 82,550 shares of its common stock at \$86.51 per share, 38,326 shares of its common stock at \$87.10 per share, 932 shares of its common stock at \$89.19 per share, and 2,280 shares of its common stock at \$93.25 per share to pay income taxes due upon vesting of restricted stock granted and payout of performance units as part of its long-term incentive program.

- (1) See Note 12 to the financial statements for additional discussion of the stock-based compensation plans.
- (2) Maximum amount of shares that may yet be repurchased relates only to the \$500 million plan does not include an estimate of the amount of shares that may be purchased to fund the exercise of grants under the stock-based compensation plans.

**Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy**

There is no market for the common equity of the Registrant Subsidiaries. Information with respect to restrictions that limit the ability of the Registrant Subsidiaries to pay dividends or distributions is presented in Note 7 to the financial statements.

**Item 6. Selected Financial Data**

Refer to “SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON OF ENTERGY CORPORATION AND SUBSIDIARIES, ENTERGY ARKANSAS, LLC AND SUBSIDIARIES, ENTERGY LOUISIANA, LLC AND SUBSIDIARIES, ENTERGY MISSISSIPPI, LLC, ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES, ENTERGY TEXAS, INC. AND SUBSIDIARIES, and SYSTEM ENERGY RESOURCES, INC.” which follow each company’s financial statements in this report, for information with respect to selected financial data and certain operating statistics.

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

Refer to “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS OF ENTERGY CORPORATION AND SUBSIDIARIES, ENTERGY ARKANSAS, LLC AND SUBSIDIARIES, ENTERGY LOUISIANA, LLC AND SUBSIDIARIES, ENTERGY MISSISSIPPI, LLC, ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES, ENTERGY TEXAS, INC. AND SUBSIDIARIES, and SYSTEM ENERGY RESOURCES, INC.”

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Refer to “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS OF ENTERGY CORPORATION AND SUBSIDIARIES - Market and Credit Risk Sensitive Instruments.”

**Item 8. Financial Statements and Supplementary Data**

Refer to “TABLE OF CONTENTS - Entergy Corporation and Subsidiaries, Entergy Arkansas, LLC and Subsidiaries, Entergy Louisiana, LLC and Subsidiaries, Entergy Mississippi, LLC, Entergy New Orleans, LLC and Subsidiaries, Entergy Texas, Inc. and Subsidiaries, and System Energy Resources, Inc.”

**Item 9. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure**

No event that would be described in response to this item has occurred with respect to Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, or System Energy.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures**

As of December 31, 2019, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) management, including their respective Principal Executive Officers (PEO) and Principal Financial Officers (PFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, each PEO and PFO has concluded that, as to the Registrant or Registrants for which they serve as PEO or PFO, the Registrant’s or Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant’s or Registrants’ disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant’s or Registrants’ management, including their respective PEOs and PFOs, as appropriate to allow timely decisions regarding required disclosure.

**Internal Control over Financial Reporting** (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

The managements of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) are responsible for establishing and maintaining adequate internal control over financial reporting for the Registrants. Each Registrant’s internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of each Registrant’s financial statements presented in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Each Registrant’s management assessed the effectiveness of each Registrant’s internal control over financial reporting as of December 31, 2019. In making this assessment, each Registrant’s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. The 2013 COSO Framework was utilized for management’s assessment.

Based on each management’s assessment and the criteria set forth by the 2013 COSO Framework, each Registrant’s management believes that each Registrant maintained effective internal control over financial reporting as of December 31, 2019.

The report of Deloitte & Touche LLP, Entergy Corporation’s independent registered public accounting firm, regarding Entergy Corporation’s internal control over financial reporting is included herein. The report of Deloitte & Touche LLP is not applicable to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy because these Registrants are non-accelerated filers.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrant’s management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended December 31, 2019 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**Attestation Report of Registered Public Accounting Firm**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and Board of Directors of  
Entergy Corporation and Subsidiaries

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2019, based on criteria established in *Internal Control -Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019 of the Corporation and our report dated February 21, 2020 expressed an unqualified opinion on those consolidated financial statements.

**Basis for Opinion**

The Corporation’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 9A, Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

PART III

**Item 10. Directors, Executive Officers, and Corporate Governance of the Registrants (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)**

Information required by this item concerning directors of Entergy Corporation is set forth under the heading “Proposal 1 – Election of Directors” contained in the Proxy Statement of Entergy Corporation, to be filed in connection with its Annual Meeting of Stockholders to be held May 8, 2020, and is incorporated herein by reference.

All officers and directors listed below held the specified positions with their respective companies as of the date of filing this report, unless otherwise noted.

Name	Age	Position	Period
<b>Entergy Arkansas, LLC</b>			
<b>Directors</b>			
Laura R. Landreaux	46	President and Chief Executive Officer of Entergy Arkansas	2018-Present
		Director of Entergy Arkansas	2018-Present
		Operational Finance Director of Entergy Arkansas	2017-2018
		Vice President, Regulatory Affairs of Entergy Arkansas	2014-2017
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
<b>Officers</b>			
A. Christopher Bakken, III		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Marcus V. Brown		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Leo P. Denault		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Laura R. Landreaux		See information under the Entergy Arkansas Directors Section above.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Kimberly A. Fontan		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	



## ENTERGY LOUISIANA, LLC

### Directors

Phillip R. May, Jr.	57	President and Chief Executive Officer of Entergy Louisiana	2013-Present
		Director of Entergy Louisiana	2013-Present

Paul D. Hinnenkamp See information under the Information about Executive Officers of Entergy Corporation in Part I.

Andrew S. Marsh See information under the Information about Executive Officers of Entergy Corporation in Part I.

Roderick K. West See information under the Information about Executive Officers of Entergy Corporation in Part I.

### Officers

A. Christopher Bakken, III See information under the Information about Executive Officers of Entergy Corporation in Part I.

Marcus V. Brown See information under the Information about Executive Officers of Entergy Corporation in Part I.

Leo P. Denault See information under the Information about Executive Officers of Entergy Corporation in Part I.

Paul D. Hinnenkamp See information under the Information about Executive Officers of Entergy Corporation in Part I.

Andrew S. Marsh See information under the Information about Executive Officers of Entergy Corporation in Part I.

Phillip R. May, Jr. See information under the Entergy Louisiana Directors Section above.

Kimberly A. Fontan See information under the Information about Executive Officers of Entergy Corporation in Part I.

Roderick K. West See information under the Information about Executive Officers of Entergy Corporation in Part I.

## ENTERGY MISSISSIPPI, LLC

### Directors

Haley R. Fisackerly	54	President and Chief Executive Officer of Entergy Mississippi	2008-Present
		Director of Entergy Mississippi	2008-Present

Paul D. Hinnenkamp See information under the Information about Executive Officers of Entergy Corporation in Part I.

Andrew S. Marsh See information under the Information about Executive Officers of Entergy Corporation in Part I.

Roderick K. West See information under the Information about Executive Officers of Entergy Corporation in Part I.

**Officers**

Marcus V. Brown	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Leo P. Denault	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Haley R. Fisackerly	See information under the Entergy Mississippi Directors Section above.
Paul D. Hinnenkamp	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Andrew S. Marsh	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Kimberly A. Fontan	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Roderick K. West	See information under the Information about Executive Officers of Entergy Corporation in Part I.

**ENERGY NEW ORLEANS, LLC**

**Directors**

David D. Ellis	51	President and Chief Executive Officer of Entergy New Orleans	2018-Present
		Director of Entergy New Orleans	2018-Present
		President and Chief Executive Officer, Global Power Technologies	2018
		Managing Director and Chairman of Comverge International, Inc.	2010-2017
Paul D. Hinnenkamp		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Andrew S. Marsh		See information under the Information about Executive Officers of Entergy Corporation in Part I.	
Roderick K. West		See information under the Information about Executive Officers of Entergy Corporation in Part I.	

**Officers**

Marcus V. Brown	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Leo P. Denault	See information under the Information about Executive Officers of Entergy Corporation in Part I.
David D. Ellis	See information under the Entergy New Orleans Directors Section above.
Paul D. Hinnenkamp	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Andrew S. Marsh	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Kimberly A. Fontan	See information under the Information about Executive Officers of Entergy Corporation in Part I.
Roderick K. West	See information under the Information about Executive Officers of Entergy Corporation in Part I.

## ENTERGY TEXAS, INC.

### Directors

Sallie T. Rainer	57	President and Chief Executive Officer of Entergy Texas Director of Entergy Texas	2012-Present 2012-Present
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Paul D. Hinnenkamp See information under the Information about Executive Officers of Entergy Corporation in Part I.

Andrew S. Marsh See information under the Information about Executive Officers of Entergy Corporation in Part I.

Roderick K. West See information under the Information about Executive Officers of Entergy Corporation in Part I.

### Officers

Marcus V. Brown See information under the Information about Executive Officers of Entergy Corporation in Part I.

Leo P. Denault See information under the Information about Executive Officers of Entergy Corporation in Part I.

Paul D. Hinnenkamp See information under the Information about Executive Officers of Entergy Corporation in Part I.

Andrew S. Marsh See information under the Information about Executive Officers of Entergy Corporation in Part I.

Kimberly A. Fontan See information under the Information about Executive Officers of Entergy Corporation in Part I.

Sallie T. Rainer See information under the Entergy Texas Directors Section above.

Roderick K. West See information under the Information about Executive Officers of Entergy Corporation in Part I.

The directors and officers of Entergy Texas are elected annually to serve by the unanimous consent of its sole common stockholder. The directors and officers of Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC and Entergy New Orleans, LLC are elected annually to serve by the unanimous consent of the sole common membership owner, Entergy Utility Holding Company, LLC. Entergy Corporation's directors are elected annually at the annual meeting of shareholders. Entergy Corporation's officers are elected at the annual organizational meeting of the Board of Directors, which immediately follows the annual meeting of shareholders. The age of each officer and director for whom information is presented above is as of December 31, 2019.

### Corporate Governance Guidelines and Committee Charters

Each of the Audit, Corporate Governance, and Personnel Committees of Entergy Corporation's Board of Directors operates under a written charter. In addition, the Board has adopted Corporate Governance Guidelines. Each charter and the guidelines are available through Entergy's website ([www.entergy.com](http://www.entergy.com)) or upon written request.

### Audit Committee of the Entergy Corporation Board

The following directors are members of the Audit Committee of Entergy Corporation's Board of Directors:

Patrick J. Condon (Chairman)  
Philip L. Frederickson  
M. Elise Hyland  
Karen A. Puckett

All Audit Committee members are independent. In addition to the general independence requirements of the NYSE, all Audit Committee members must meet the heightened independence standards imposed by the SEC and NYSE. All Audit Committee members possess the level of financial literacy required by the NYSE rules and the Board has determined that Messrs. Condon and Frederickson satisfy the financial expertise requirements of the NYSE and have the requisite experience to be designated an audit committee financial expert as that term is defined by the rules of the SEC.

### **Code of Ethics**

Effective October 2018, the Entergy Corporation Board of Directors adopted a Code of Business Conduct and Ethics that applies to members of the Entergy Corporation Board of Directors and all Entergy officers and employees. The Code of Business Conduct and Ethics includes Special Provisions Relating to Principal Executive Officer and Senior Financial Officers. It is to be read in conjunction with Entergy's omnibus code of integrity under which Entergy operates, called the Code of Entegrity, as well as system policies. All employees are expected to abide by the Codes. Non-bargaining employees are required to acknowledge annually that they understand and abide by the Code of Entegrity. The Code of Business Conduct and Ethics, including any amendments or any waivers thereto, and the Code of Entegrity are available through Entergy's website ([www.entergy.com](http://www.entergy.com)) or upon written request.

### **Nominations to the Entergy Corporation Board of Directors; Nominating Procedure**

Shareholders wishing to recommend a candidate to the Corporate Governance Committee should do so by submitting the recommendation in writing to Entergy Corporation's Secretary at 639 Loyola Avenue, P.O. Box 61000, New Orleans, LA 70161, and it will be forwarded to the Corporate Governance Committee members for their consideration. Any recommendation should include:

- the number of shares of Entergy Corporation stock held by the shareholder;
- the name and address of the candidate;
- a brief biographical description of the candidate, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements discussed in the Proxy Statement under "Board of Directors - Identifying Director Candidates"; and
- the candidate's signed consent to be named in the Proxy Statement and a representation of such candidates' intent to serve as a director for the entire term if elected.

Once the Corporate Governance Committee receives the recommendation, it may request additional information from the candidate about the candidate's independence, qualifications, and other information that would assist the Corporate Governance Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in the Proxy Statement, if nominated. The Corporate Governance Committee will apply the same standards in considering director candidates recommended by shareholders as it applies to other candidates.

**Item 11. Executive Compensation**

**ENTERGY CORPORATION**

Information concerning compensation earned by the directors and officers of Entergy Corporation is set forth in its Proxy Statement, to be filed in connection with the Annual Meeting of Shareholders to be held May 8, 2020, under the headings “Compensation Discussion and Analysis,” “Annual Compensation Risk Assessment,” “Executive Compensation Tables,” “Pay Ratio Disclosure,” “Our 2020 Director Nominees,” and “2019 Non-Employee Director Compensation,” all of which information is incorporated herein by reference. References in this section to the “Company” refer to Entergy Corporation.

**ENTERGY ARKANSAS, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, AND ENTERGY TEXAS**

**COMPENSATION DISCUSSION AND ANALYSIS**

In this section, the compensation earned in 2019 by the following executive officers (referred to herein as “Named Executive Officers”) is discussed.

<b>Name<sup>(1)</sup></b>	<b>Title</b>
A. Christopher Bakken, III	Executive Vice President, Nuclear Operations/Chief Nuclear Officer
Marcus V. Brown	Executive Vice President and General Counsel
Leo P. Denault	Chairman of the Board and Chief Executive Officer
David D. Ellis	President and Chief Executive Officer, Entergy New Orleans
Haley R. Fisackerly	President and Chief Executive Officer, Entergy Mississippi
Laura R. Landreaux	President and Chief Executive Officer, Entergy Arkansas
Andrew S. Marsh	Executive Vice President and Chief Financial Officer Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Phillip R. May, Jr.	President and Chief Executive Officer, Entergy Louisiana
Sallie T. Rainer	President and Chief Executive Officer, Entergy Texas
Roderick K. West	Group President Utility Operations

- (1) Messrs. Bakken, Brown, Denault, Marsh, and West hold the positions referenced above as executive officers of Entergy Corporation and are members of Entergy Corporation’s Office of the Chief Executive. No additional compensation was paid in 2019 to any of these officers for their service as Named Executive Officers of the Utility operating companies.

**Entergy Corporation’s Executive Compensation Programs and Practices**

Entergy Corporation regularly reviews its executive compensation programs to align them with commonly viewed best practices in the market and to reflect feedback from discussions with investors on executive compensation.

**Entergy Corporation’s Compensation Principles and Philosophy**

Entergy Corporation’s executive compensation programs are based on a philosophy of pay for performance that is embodied in the design of its annual and long-term incentive plans. It believes the executive pay programs:

- **Motivate** its management team to drive strong financial and operational results.

- **Attract** and retain a highly experienced and successful management team.
- **Incentivize and reward** the achievement of financial and operational metrics that are deemed by the Personnel Committee to be consistent with the overall goals and strategic direction that the Board has approved for Entergy Corporation.
- **Align** the interests of the executives and Entergy Corporation shareholders by directly tying the value of equity-based awards to Entergy Corporation’s stock price performance, relative total shareholder return and earnings growth.
- **Create** sustainable value for the benefit of all of Entergy Corporation’s stakeholders, including its owners, customers, employees and communities.

**Executive Compensation Best Practices:**

<p><b>What Entergy Corporation Does</b></p>	<ul style="list-style-type: none"> <li>* Executive compensation programs are highly correlated to performance and focused on long-term value creation</li> <li>* Double trigger for cash severance payments and equity acceleration in the event of a change in control</li> <li>* Clawback policy</li> <li>* Maximum payout capped at 200% of target under the Annual Incentive Plan and Long-Term Performance Unit Program for members of the Office of the Chief Executive</li> <li>* Rigorous goal setting aligned with externally disclosed annual and multi-year financial targets</li> <li>* Minimum vesting periods for equity-based awards</li> <li>* Long-term compensation mix weighted more toward performance units than service-based equity awards</li> <li>* All long-term incentive compensation is settled in Entergy Corporation common stock</li> <li>* Rigorous stock ownership and share retention requirements</li> <li>* Annual Say on Pay vote</li> </ul>
<p><b>What Entergy Corporation Doesn’t Do</b></p>	<ul style="list-style-type: none"> <li>* No 280G tax “gross up” payments in the event of a change in control</li> <li>* No tax “gross up” payments on any executive perquisites for members of the Office of the Chief Executive, other than relocation benefits</li> <li>* No option repricing or cash buy-outs for underwater options without shareholder approval</li> <li>* No agreements providing for severance payments to executive officers that exceed 2.99 times annual base salary and annual incentive awards without shareholder approval</li> <li>* No unusual or excessive perquisites</li> <li>* No hedging or pledging of Entergy Corporation common stock</li> <li>* No fixed term employment agreements</li> <li>* No new officer participation in the System Executive Retirement Plan</li> <li>* No grants of supplemental service credit to newly-hired officers under any of Entergy Corporation’s non-qualified retirement plans</li> </ul>

**2019 Executive Compensation Program Changes**

During 2019, the following changes were made to Entergy Corporation’s executive officer compensation programs:

*Annual Incentive Plan*

In recognition of Entergy Corporation’s successful execution on its strategy to exit the Entergy Wholesale Commodities merchant power business, Entergy Corporation decided to establish a new, single earnings measure not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) for guidance

and investor reporting purposes that would better reflect its ongoing business and respond to feedback received from investors on the earnings measures on which Entergy Corporation had previously reported and guided. This new measure, Entergy Adjusted Earnings Per Share (“ETR Adjusted EPS”), adjusts the Company’s as reported (GAAP) earnings per share results to eliminate the impact of its Entergy Wholesale Commodities merchant power business, significant tax items and other non-routine items. With this change in the external guidance measure, and given the Personnel Committee’s desire to maintain an appropriate degree of alignment between the Company’s externally communicated earnings targets and the targets under the annual incentive plan, the committee adopted new performance measures to determine the maximum funding level of the annual incentive plan with each performance measure weighted equally:

- The earnings measure, ETR Tax Adjusted EPS, is based on the externally reported ETR Adjusted EPS, which is then adjusted to add back the effect of significant tax items, and to eliminate the effect of major storms, the resolution of certain unresolved regulatory litigation matters, changes in federal income tax law and unrealized gains or losses on equity securities (the “Pre-Determined Exclusions”).
- The cash flow measure, ETR Adjusted Operating Cash Flow is calculated based on Entergy Corporation’s as-reported (GAAP) operating cash flow, adjusted to eliminate the effect of any Pre-Determined Exclusions.

#### *Long-Term Incentives*

In keeping with the change in Entergy Corporation’s external guidance measure, the committee also adopted a new earnings measure for use in measuring performance under the Long-Term Performance Unit Program. In particular, the committee decided that, for the 2019-2021 the Long-Term Performance Unit Program period, the performance measures will be (1) cumulative ETR Adjusted EPS, adjusted to eliminate the effect of any Pre-Determined Exclusions; and (2) relative total shareholder return with relative total shareholder return weighted eighty percent and cumulative ETR Adjusted EPS accounting for the remaining twenty percent.

#### *Short-Term and Long-Term Incentive Targets Tailored to Role*

Beginning in 2019, the short and long-term incentive targets for officers who are members of Entergy Corporation’s Office of the Chief Executive are being determined based on job-specific market data for the officer’s role. Previously, the targets were the average of the market data for the officers within a specific management level, without regard to the officer’s specific job functions. The targets for the Named Executive Officers who are Presidents of the Utility operating companies continue to be determined based on the average of the market data for the officers within a specific management level, without regard to their specific job function. Entergy Corporation believes that this change for the members of the Office of the Chief Executive will help assure that each officer’s incentive targets are market competitive with respect to the officer’s particular role.

#### **2019 Incentive Pay Outcomes**

Entergy Corporation believes the 2019 incentive pay outcomes for the Named Executive Officers demonstrated the application of Entergy Corporation’s pay for performance philosophy.

#### **Annual Incentive Plan**

Awards under the Executive Annual Incentive Plan, or Annual Incentive Plan, are tied to Entergy Corporation’s financial and operational performance through the Entergy Achievement Multiplier (“EAM”), which is the performance metric used to determine the maximum funding available for awards under the plan. The 2019 EAM was determined based on the two equally weighted performance metrics discussed in the “2019 Executive Compensation Program Changes” section above.

### *2019 Annual Incentive Plan Payout*

For 2019, the Personnel Committee, based on the recommendation of the Finance Committee, determined that management exceeded its ETR Tax Adjusted EPS goal of \$5.30 per share by \$1.23 per share and fell short of its ETR Adjusted Operating Cash Flow goal of \$3.1 billion by approximately \$134 million. Based on the targets and ranges previously established by the Personnel Committee, these results resulted in a calculated EAM of 139%.

### **Long-Term Performance Unit Program**

Under the Long-Term Performance Unit Program, units are granted with performance measured over a three-year period based on Entergy Corporation's total shareholder return in relation to the total shareholder return of the companies included in the Philadelphia Utility Index. Payouts, if any, are based on Entergy Corporation's performance on these measures against pre-established performance goals.

### *Long-Term Performance Unit Program Payout*

For the three-year performance period ending in 2019, Entergy Corporation's total shareholder return was in the top quartile of the companies in the Philadelphia Utility Index, yielding a payout of 200% of target for the Named Executive Officers. Payouts were made in shares of Entergy Corporation stock which are required to be held by the executive officers until they satisfy the executive stock ownership guidelines.

### ***What Entergy Corporation Pays and Why***

#### **Competitive Positioning**

#### *Market Data for Compensation Comparison*

Annually, the Personnel Committee reviews:

- Published and private compensation survey data compiled by Pay Governance, LLC ("Pay Governance"), the Personnel Committee's independent compensation consultant;
- Both utility and general industry data to determine total cash compensation (base salary and annual incentive) for non-industry specific roles;
- Data from utility companies to determine total cash compensation for management roles that are utility-specific, such as Group President, Utility Operations; and
- Utility market data to determine long-term incentives for all positions.

#### *How the Personnel Committee Uses the Market Data*

The Personnel Committee uses this survey data to develop compensation opportunities that are designed to deliver total target compensation within a targeted range of approximately the 50<sup>th</sup> percentile of the surveyed companies in the aggregate. In most cases, the committee considers its objectives to have been met if Entergy Corporation's Chief Executive Officer and the eight other executive officers (including the applicable Named Executive Officers) who constitute the Office of the Chief Executive each has a target compensation opportunity that falls within a targeted range of 85% - 115% of the 50<sup>th</sup> percentile of the survey data. In general, compensation levels for an executive officer who is new to a position tend to be at the lower end of the competitive range, while seasoned executive officers with strong performance who are viewed as critical to retain would be positioned at the higher end of the competitive range. Generally, differences in the levels of total direct compensation among the Named Executive Officers are primarily driven by the scope of their responsibilities, differences in the competitive market pay range for similar positions and considerations of internal pay equity.



*Proxy Peer Group*

Although the survey data described above are the primary data used in benchmarking compensation, the committee uses compensation information from the companies included in the Philadelphia Utility Index to evaluate the overall reasonableness of Entergy Corporation’s compensation programs and to determine relative total shareholder return for the 2017-2019 Long-Term Performance Unit Program awards. Companies included in the Philadelphia Utility Index at the time the proxy data was compiled were as follows:

<input checked="" type="checkbox"/> AES Corporation	<input checked="" type="checkbox"/> El Paso Electric Co.
<input checked="" type="checkbox"/> Ameren Corporation	<input checked="" type="checkbox"/> Eversource Energy
<input checked="" type="checkbox"/> American Electric Power Co. Inc.	<input checked="" type="checkbox"/> Exelon Corporation
<input checked="" type="checkbox"/> American Water Works	<input checked="" type="checkbox"/> FirstEnergy Corporation
<input checked="" type="checkbox"/> CenterPoint Energy Inc.	<input checked="" type="checkbox"/> NextEra Energy, Inc.
<input checked="" type="checkbox"/> Consolidated Edison Inc.	<input checked="" type="checkbox"/> PG&E Corporation
<input checked="" type="checkbox"/> Dominion Energy	<input checked="" type="checkbox"/> Public Service Enterprise Group, Inc.
<input checked="" type="checkbox"/> DTE Energy Company	<input checked="" type="checkbox"/> Southern Company
<input checked="" type="checkbox"/> Duke Energy Corporation	<input checked="" type="checkbox"/> Xcel Energy, Inc.
<input checked="" type="checkbox"/> Edison International	

**Principal Executive Compensation Elements**

The following table summarizes the elements of total direct compensation (“TDC”) granted or paid to the executive officers under the 2019 executive compensation programs. The programs use a mix of fixed and variable compensation elements and are designed to provide alignment with both short- and long-term business goals through annual and long-term incentives. An executive officer’s TDC is based primarily on corporate performance, market-based compensation levels and individual performance with each of these elements reviewed annually for each Named Executive Officer.

<b>Compensation Component</b>	<b>Primary Purpose</b>	<b>Performance Measured</b>	<b>Performance Period</b>
Base Salary (Cash)	Provides a base level of competitive cash compensation for executive talent.	Experience, job scope, market data, individual performance and internal equity	Annual
Annual Incentive (Cash)	Motivates and rewards executives for performance on key financial measures during the year.	ETR Tax Adjusted EPS ETR Adjusted Operating Cash Flow	1 year
Long-Term Performance Unit Program (Equity)	Focuses the executives on growing earnings and building long-term shareholder value and increases the executives’ ownership in Entergy Corporation common stock.	Relative total shareholder return Cumulative ETR Adjusted EPS	3 years
Stock Options (Equity)	Align interests of executives with long-term shareholder value, provide competitive compensation, and increase the executives’ ownership in Entergy Corporation’s common stock.	Stock price, job scope, market data, and individual performance	3 years
Restricted Stock (Equity)	Aligns interests of executives with long-term shareholder value, provides competitive compensation, retains executive talent and increases the executives’ ownership in Entergy Corporation’s common stock.	Stock price, job scope, market data, and individual performance	3 years

**Fixed Compensation*****Base Salary***

The Personnel Committee determines the base salaries for all of the Named Executive Officers who are members of the Office of the Chief Executive based on competitive compensation data, performance considerations, and advice provided by the committee's independent compensation consultant. For the other Named Executive Officers, their salaries are established by their immediate supervisors using the same criteria. The base salaries of the Named Executive Officers are considered annually as part of the performance review process, and upon a Named Executive Officer's promotion or other change in job responsibilities. In 2019, all of the Named Executive Officers, other than Mr. Denault, received merit increases in their base salaries ranging from approximately 2.5% to 4.5%. In 2019, Mr. Denault did not receive a merit increase in his base salary. Instead, the Personnel Committee increased Mr. Denault's TDC by increasing his annual and long-term incentive target opportunities; thus, increasing the share of his compensation that is "at risk." The increases in base salary were based on the market data previously discussed in this CD&A under "What Entergy Corporation Pays and Why."

The following table sets forth the 2018 and 2019 base salaries for the Named Executive Officers. Changes in base salaries for 2019 were effective in April.

<b>Named Executive Officer</b>	<b>2018 Base Salary</b>	<b>2019 Base Salary</b>
A. Christopher Bakken, III	\$638,125	\$654,078
Marcus V. Brown	\$650,000	\$666,250
Leo P. Denault	\$1,260,000	\$1,260,000
David D. Ellis	\$305,000	\$313,388
Haley R. Fisackerly	\$365,959	\$376,023
Laura R. Landreaux	\$308,000	\$316,470
Andrew S. Marsh	\$622,000	\$650,000
Phillip R. May, Jr.	\$381,550	\$392,043
Sallie T. Rainer	\$338,123	\$347,422
Roderick K. West	\$696,598	\$714,013

**Variable Compensation*****Short-Term Incentive Compensation******Annual Incentive Plan***

Awards under the Executive Annual Incentive Plan, or Annual Incentive Plan, are tied to Entergy Corporation's financial and operational performance through the EAM, which is the performance metric used to determine the maximum funding available for awards under the plan. Entergy Corporation uses the following process to determine annual incentive awards:

- Establish Performance Measures to Determine EAM Pool. Annually, the Personnel Committee engages in a rigorous process to determine the performance measures used to determine the EAM. The Personnel Committee's goal is to establish measures that are consistent with Entergy Corporation's strategy and business objectives for the upcoming year, as reflected in its financial plan, and are designed to drive results that represent a high level of achievement. These measures are approved based on a comprehensive review by the full Board of Entergy Corporation's financial plan, conducted in December of the preceding year and updated in January to reflect key drivers of anticipated changes in performance from the preceding year.

- Establish Target Achievement Levels. In January, after Entergy Corporation's financial plan is updated to reflect any changes from that reviewed in December, the Personnel Committee establishes the specific targets that must be achieved for each performance measure. The Personnel Committee also seeks to assure that the targets:
  - Take into account changes in the business environment and specific challenges facing Entergy Corporation;
  - Reflect an appropriate balancing of the various risks and opportunities recognized at the time the targets are set; and
  - Are aligned with external expectations communicated to Entergy Corporation's shareholders.
- Establish Named Officer Target Opportunities. In January of each year, the Personnel Committee establishes the target opportunities for the members of the Office of the Chief Executive based on its review of the competitive analysis of job-specific market data prepared by Pay Governance as well as the officer's role, individual performance and internal equity considerations. For the Named Executive Officers who are members of the Office of the Chief Executive (Messrs. Bakken, Brown, Denault, Marsh and West), target award opportunities are established based on these factors. For the other Named Executive Officers, target award opportunities are determined based on their management level within the Entergy organization. Executive management levels at Entergy Corporation range from ML level 1 through ML level 4 (the "ML 1-4 Officers"). At December 31, 2019, Mr. May held a Level 3 position, and Mr. Ellis, Mr. Fisackerly, Ms. Landreaux and Ms. Rainer held Level 4 positions. Accordingly, their respective incentive award opportunities differ from one another based on either their management level or the external market data developed by the Committee's independent compensation consultant. The 2019 target opportunities were increased for Mr. Denault, Mr. Marsh and Mr. Brown to align more closely with market data. The target levels for the other Named Executive Officers are comparable to the levels set for 2018.
- Determine the EAM. After the end of the fiscal year, the Finance and Personnel Committees jointly review Entergy Corporation's financial results and the Personnel Committee determines the EAM, which represents the level of success in achieving the performance objectives established by the committee and determines the maximum funding level of the annual incentive plan, as a percentage of the total target opportunity.
- Determine Annual Incentive Awards. To determine individual executive officer awards under the annual incentive plan, the Personnel Committee considers not only each executive's role in executing on Entergy Corporation's strategies and delivering the financial performance achieved, but also the individual's accountability for any challenges the Company experienced during the year.

#### *2019 Targets*

Using the process described above, in December 2018, the Personnel Committee decided to use ETR Tax Adjusted EPS and ETR Adjusted Operating Cash Flow, with each measure weighted equally, as the performance measures for determining the 2019 EAM pool. ETR Tax Adjusted EPS is based on ETR Adjusted EPS, which is the primary earnings measure used by the Company externally and the measure on which it provides annual earnings guidance, which is then adjusted to add back the effect of any significant tax items that were excluded to arrive at ETR Adjusted EPS and to eliminate the effects, if any, of the Pre-Determined Exclusions. ETR Adjusted Operating Cash Flow is calculated based on Entergy Corporation's as-reported (GAAP) operating cash flow, adjusted to eliminate the effect of any Pre-Determined Exclusions. The Personnel Committee determined that ETR Tax Adjusted EPS and ETR Adjusted Operating Cash Flow were the appropriate metrics to use for this purpose because:

- They are based on objective financial measures that Entergy Corporation and its investors consider to be important in evaluating its financial performance;
- They are based on the same metrics we use for internal and external financial reporting; and
- They provide both discipline and transparency.

The Personnel Committee considered it appropriate to use ETR Tax Adjusted EPS, which adds back the effect of significant tax items that may have been excluded from ETR Adjusted EPS, as the earnings measure because of the significant benefits to Entergy Corporation resulting from such tax items and the management effort required to achieve them. The Personnel Committee also considered the appropriateness of excluding the effect of each of the Pre-Determined Exclusions from each of the financial measures. It viewed the exclusion of major storms as appropriate because although Entergy Corporation includes estimates for storm costs in its financial plan, it does not include estimates for a major storm event, such as a hurricane. The Personnel Committee considered the exclusion of any unanticipated effects of the tax reform legislation adopted at the end of 2017 to be appropriate because of the lingering uncertainty around those effects and the inability of management to impact those results. The Personnel Committee approved the other exclusions from reported results - for the impact of certain legacy unresolved regulatory litigation and unanticipated unrealized gains and losses on securities held by Entergy Corporation's nuclear decommissioning trusts - primarily because of management's inability to influence either of the related outcomes.

In determining the targets to set for 2019, the Personnel Committee reviewed anticipated drivers for consolidated operational earnings per share and consolidated operational operating cash flow for 2019 as set forth in Entergy Corporation's financial plan, as well as factors driving the strong financial performance achieved in 2018. The Personnel Committee confirmed that the proposed plan targets for ETR Tax Adjusted EPS and ETR Adjusted Operating Cash Flow reflected substantial growth in the core weather-adjusted utility earnings and consolidated operating cash flow measures underlying the annual incentive plan targets. The Personnel Committee also considered the potential impact of a wide range of identified risks and opportunities and confirmed that there appeared to be more downside risk than upside opportunity embedded in the financial plan targets and, as a result, the Personnel Committee believed that the related annual incentive plan targets reflected a reasonable degree of challenge.

*2019 Performance Assessment*

The following table shows the 2019 Incentive Plan targets established by the Personnel Committee and 2019 results:

***Annual Incentive Plan Targets and Results***

	Weight	Performance Goals <sup>(1)</sup>			2019 Results
		Minimum	Target	Maximum	
ETR Tax Adjusted EPS (\$) <sup>(2)</sup>	50%	\$4.77	\$5.30	\$5.83	\$6.53
ETR Adjusted Operating Cash Flow (\$ billions) <sup>(2)</sup>	50%	\$2.650	\$3.100	\$3.550	\$2.966
EAM as % of Target		25%	100%	200%	139%

- (1) Payouts for performance between minimum and target achievement levels and between target and maximum achievement levels are calculated using straight-line interpolation. There is no payout for performance below the minimum achievement level.
- (2) ETR Tax Adjusted Earnings Per Share is a different measure than the consolidated operational earnings per share, and ETR Adjusted Operating Cash Flow is a different measure than the consolidated operational operating cash flow used to determine the 2018 annual incentive awards. As a result, the goals and results are not comparable year over year.

In January 2020, the Finance and Personnel Committees jointly reviewed Entergy Corporation's financial results against the performance objectives reflected in the table above. Management discussed with the committees Entergy Corporation's ETR Tax Adjusted EPS and ETR Adjusted Operating Cash Flow results for 2019, including primary factors explaining how those results compared to the 2019 business plan and Annual Incentive Plan targets set in January 2019. ETR Tax Adjusted EPS exceeded Entergy Corporation's ETR Tax Adjusted EPS target of \$5.30 per share by \$1.23, but management fell short of achieving its ETR Adjusted Operating Cash Flow target of \$3.1 billion by approximately \$134 million, leading to a calculated EAM of 139%. None of the Pre-Determined Exclusions resulted in any adjustment to ETR Tax Adjusted EPS and ETR Adjusted Operating Cash Flow.

In addition to the foregoing results, the Personnel Committee considered management's degree of success in achieving various operational and regulatory goals set out at the beginning of the year and in overcoming certain challenges that arose in the business during the course of the year. The Personnel Committee also considered (i) the Entergy Corporation's degree of success in achieving its published earnings guidance, which it exceeded by \$0.10 per share at the midpoint of the original guidance range for ETR Adjusted EPS provided at the beginning of the year and by \$0.05 per share at the midpoint of the adjusted guidance range published in July 2019, and (ii) total shareholder return for 2019 in relation to the Philadelphia Utility Index, which placed Entergy Corporation in the top quartile of companies in the index with a total shareholder return of 44.3% for the year. Finally, the committee reviewed the impact on ETR Tax Adjusted EPS and ETR Adjusted Operating Cash Flow of significant tax items that were included in the results and additional pension contributions made during the year beyond those that were required or included in the initial 2019 financial plan. Following this review, the Personnel Committee decided to approve the EAM as calculated in accordance with the plan design.

To determine individual executive officer awards under the Annual Incentive Plan for the Named Executive Officers who are members of the Office of the Chief Executive, the Personnel Committee considered not only each executive's role in executing on Entergy Corporation's strategies and delivering the strong financial performance achieved in 2018, but also the individual's accountability for certain operational and regulatory challenges it experienced during the year. With these considerations in mind, the committee exercised negative discretion to determine individual awards that ranged from 135% to 137% of target for each of the Named Executive Officers who are members of the Office of the Chief Executive, with the extent of the negative discretion applied varying based on the executive's specific accountabilities and accomplishments.

After the EAM was established to determine overall funding for the Annual Incentive Plan, Entergy Corporation's Chief Executive Officer allocated incentive award funding to individual business units based on business unit results. Individual awards were determined for the remaining Named Executive Officers who are not members of the Office of the Chief Executive by their immediate supervisor based on the individual officer's key accountabilities, accomplishments, and performance. This resulted in payouts that ranged from 127% of target to 208% of target for the Named Executive Officers who are not members of the Office of the Chief Executive.

Based on the foregoing evaluation of management performance, the Named Executive Officers received the following Annual Incentive Plan payouts for 2019:

<b>Named Executive Officer</b>	<b>Base Salary</b>	<b>Target as Percentage of Base Salary</b>	<b>Payout as Percentage of Target</b>	<b>2019 Annual Incentive Award</b>
A. Christopher Bakken, III	\$654,078	70%	135%	\$618,104
Marcus V. Brown	\$666,250	75%	137%	\$684,573
Leo P. Denault	\$1,260,000	140%	137%	\$2,416,680
David D. Ellis	\$313,388	40%	127%	\$159,804
Haley R. Fisackerly	\$376,023	40%	183%	\$274,570
Laura R. Landreaux	\$316,470	40%	208%	\$263,523
Andrew S. Marsh	\$650,000	80%	137%	\$712,400
Phillip R. May, Jr.	\$392,043	60%	173%	\$407,922
Sallie T. Rainer	\$347,422	40%	158%	\$219,069
Roderick K. West	\$714,013	70%	135%	\$674,742

### **Long-Term Incentive Compensation**

Long-term incentive compensation, consisting solely of equity awards in 2019, represents the largest portion of the Named Executive Officers' compensation. Entergy Corporation's believes the combination of long-term incentives we employ acts in retaining the senior management team, and aligns the interests of the executive officers

with the interests of Entergy Corporation's shareholders and customers by enhancing executives' focus on the Company's long-term goals. In general, Entergy Corporation seeks to allocate the total value of long-term incentive compensation 60% to performance units and 40% to a combination of stock options and restricted stock, equally divided in value, based on the value the compensation model seeks to deliver. Awards for individual Named Executive Officers may vary from this target as a result of individual performance, promotions, and internal pay equity.

#### *2019 Long-Term Incentive Award Mix*

Beginning in 2019, a dollar value was established for the target long-term incentive awards for each Named Executive Officer who is a member of the Office of the Chief Executive. The targeted award value for these officers was determined based on market median compensation data for the officer's role, adjusted to reflect individual performance and internal equity. Previously, the targets for these Named Executive Officers were the average of the market data for the officers within a specific management level, without regard to the officer's specific job functions. In January 2019, the Personnel Committee approved the 2019 long-term incentive award target values for the Named Executive Officers who are members of the Office of the Chief Executive. This value was then converted into the number of performance units, stock options and shares of restricted stock granted using the allocation described above based on the target grant date value.

In consultation with Entergy Corporation's Chief Executive Officer, the Personnel Committee reviews each of the other Named Executive Officer's performance, role and responsibilities, strengths, developmental opportunities and internal equity and allocates awards of restricted stock and stock options to each of these officers based on these factors. Grants of long-term performance units for these Named Executive Officers was determined based on the average of the market data for the officers within a specific management level, without regard to the officer's specific job function.

#### *Performance Unit Program*

The Named Executive Officers are issued performance unit awards under the Long-Term Performance Unit Program.

- Each performance unit represents one share of Entergy Corporation's common stock at the end of the three-year performance period, plus dividends accrued during the performance period.
- The performance units and accrued dividends on any shares earned during the performance period are settled in shares of Entergy Corporation common stock.
- The Personnel Committee sets payout opportunities for the program at the outset of each performance period, with payouts only occurring if the performance goals are met.
- Payouts under this program will not be made for the 2019-2021 performance period if total shareholder return falls within the lowest quartile of the peer companies in the Philadelphia Utility Index and Cumulative Entergy Adjusted EPS is below the minimum performance goal.
- All shares paid out under the Long-Term Performance Unit Program are required to be retained by Entergy Corporation's officers until applicable executive stock ownership requirements are met.

The Long-Term Performance Unit Program specifies a minimum, target and maximum achievement level, the achievement of which will determine the number of performance units that may be earned by each participant. For the 2019 - 2021 performance period, the Personnel Committee chose the performance measures and targets set forth below.

Given the economic and market conditions at the time the targets were set, the target payout level for the Cumulative ETR Adjusted EPS goal was designed to be challenging, but achievable while payout at the maximum levels was designed to require stretch performance.

**2019-2021 Long-Term Performance Unit Performance Period Measures and Goals<sup>(1)</sup>**

<b>Performance Measures<sup>(1)</sup></b>	<b>Long-Term Performance Measure Weight</b>	<b>Payout</b>
Relative Total Shareholder Return	80%	Minimum (25%) - Bottom of 3 <sup>rd</sup> Quartile Target (100%) - Median Percentile Maximum (200%) - Top Quartile
Cumulative ETR Adjusted EPS(\$)	20%	Minimum (25%) - Minus 10% of Target Target (100%) - 100% of Target Maximum (200%) - Plus 10% of Target

(1) Payouts for performance between achievement levels are calculated using straight-line interpolation, with no payouts for performance below the minimum achievement level for both performance measures.

*Performance Measures*

Total Shareholder Return

- The Personnel Committee chose relative total shareholder return as a performance measure because it reflects Entergy Corporation’s creation of shareholder value relative to other electric utilities included in the Philadelphia Utility Index over the performance period. By measuring performance in relation to an industry benchmark, this measure is intended to isolate and reward management for the creation of shareholder value that is not driven by events that affect the industry as a whole.
- Minimum, target and maximum performance levels are determined by reference to the ranking of Entergy Corporation’s total shareholder return in relation to the TSR of the companies in the Philadelphia Utility Index. The Personnel Committee identified the Philadelphia Utility Index as the appropriate industry peer group for determining relative total shareholder return because the companies included in this index, in the aggregate, are deemed to be comparable to the Company in terms of business and scale.

Cumulative ETR Adjusted EPS

- Cumulative ETR Adjusted EPS, which adjusts Entergy Corporation’s as reported (GAAP) results to eliminate the impact of earnings or loss from Entergy Wholesale Commodities and other non-routine items, was selected in 2019 as a performance measure because the Personnel Committee wished to incentivize management to achieve steady, predictable earnings growth for the Company over the 3 year performance period, and because it aligns with the earnings measure used to communicate the Company’s earnings expectations externally to investors.
- In a manner similar to the way targets are established for the annual incentives, targets for the Cumulative ETR Adjusted EPS performance measure were established by the Personnel Committee after the Entergy Corporation Board’s review of Entergy’s financial plan for the three-year period beginning in 2019 and are consistent with the earnings expectations for the Company that are communicated to investors. These targets also incorporate the Pre-Determined Exclusions discussed previously with respect to the annual incentive measures.

*Stock Options and Restricted Stock*

Entergy Corporation grants stock options and shares of restricted stock because they align the interests of the executive officers with long-term shareholder value, provide competitive compensation, and increase the executives’ ownership in Entergy Corporation common stock. Generally, stock options are granted with a maximum term of ten years, and vest one-third on each of the first three anniversaries of the date of grant. The exercise price for each option granted in 2019 was \$89.19, which was the closing price of Entergy’s common stock on the date of grant. Shares of restricted stock vest one-third on each of the first three anniversaries of the date of grant, are paid dividends which are

reinvested in shares of Entergy stock and have the ability to vote. The dividend reinvestment shares are subject to forfeiture similar to the terms of the original grant.

*2019 Long-Term Incentive Awards*

In January 2019, the Personnel Committee granted the following long-term performance units, stock options and shares of restricted stock to each Named Executive Officer. The number of long-term performance units, stock options and shares of restricted stock were determined as discussed above under “Long-Term Incentive Compensation - 2019 Long-Term Incentive Award Mix.”

<b>Named Executive Officer</b>	<b>2019-2021 Target Long-Term Performance Units</b>	<b>Stock Options</b>	<b>Shares of Restricted Stock</b>
A. Christopher Bakken, III	9,568	36,421	3,604
Marcus V. Brown	9,383	35,719	3,535
Leo P. Denault	40,508	154,206	15,259
David D. Ellis	1,450	4,700	500
Haley R. Fisackerly	1,450	6,200	600
Laura R. Landreaux	1,450	5,100	500
Andrew S. Marsh	11,869	45,182	4,471
Phillip R. May, Jr.	2,150	9,300	900
Sallie T. Rainer	1,450	6,200	600
Roderick K. West	10,073	38,346	3,795

All of the outstanding performance units and all of the shares of restricted stock and stock options granted to the Named Executive Officers in 2019 were granted pursuant to the 2015 Equity Ownership Plan or 2015 Equity Plan. The 2015 Equity Plan requires both a change in control and an involuntary job loss or substantial diminution of duties (a “double trigger”) for the acceleration of these awards upon a change in control.

2019 Long-Term Performance Unit Program Payouts

Payout for the 2017-2019 Long-Term Performance Unit Program Period. For the 2017-2019 three-year performance period, the Personnel Committee chose relative total shareholder return as the performance measure with the payout subject to achievement of the following:

*2017-2019 Long-Term Performance Unit Program Period Measures and Goals<sup>(1)</sup>*

<b>Performance Measure<sup>(1)</sup></b>		<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Relative Total Shareholder Return	4th Quartile	Bottom of 3rd Quartile	Median Percentile	Top Quartile
Payout	No Payout	Minimum Payout of 25% of Target	100% of Target	200% of Target

- (1) Payouts for performance between achievement levels are calculated using straight-line interpolation, with no payouts for performance below the minimum achievement level.

In January 2020, the Personnel Committee reviewed the Company’s total shareholder return for the 2017 - 2019 performance period in order to determine the payout to participants. The committee compared Entergy Corporation’s total shareholder return against the total shareholder return of the companies that comprise the Philadelphia Utility Index, with the performance measures and range of potential payouts for the 2017 - 2019 performance period as provided above. As recommended by the Finance Committee, the Personnel Committee



concluded that the Company's relative total shareholder return for the 2017 - 2019 performance period was in the top quartile, yielding a payout of 200% of target for the Named Executive Officers.

<b>Named Executive Officer</b>	<b>2017-2019 Target</b>	<b>Number of Shares Issued<sup>(1)</sup></b>	<b>Value of Shares Actually Issued<sup>(2)</sup></b>	<b>Grant Date Fair Value<sup>(3)</sup></b>
A. Christopher Bakken, III	8,300	18,088	\$2,284,695	\$592,620
Marcus V. Brown	8,300	18,088	\$2,284,695	\$592,620
Leo P. Denault	48,700	106,131	\$13,405,407	\$3,477,180
David D. Ellis <sup>(4)</sup>	617	1,271	\$160,540	\$44,054
Haley R. Fisackerly	1,850	4,031	\$509,156	\$132,090
Laura R. Landreaux <sup>(5)</sup>	925	1,934	\$244,284	\$66,045
Andrew S. Marsh	8,300	18,088	\$2,284,695	\$592,620
Phillip R. May, Jr.	3,150	6,864	\$866,992	\$224,910
Sallie T. Rainer	1,850	4,031	\$509,156	\$132,090
Roderick K. West	8,300	18,088	\$2,284,695	\$592,620

- (1) Includes accrued dividends.
- (2) Value determined based on the closing price of Entergy Corporation common stock on January 17, 2020 (\$126.31), the date the Personnel Committee certified the 2017-2019 performance period results.
- (3) Represents the aggregate grant date fair value calculated in accordance with applicable accounting rules as reflected in the 2017 Summary Compensation Table.
- (4) As a new hire in 2018, Mr. Ellis received a pro-rata target award opportunity for the 2017-2019 performance period.
- (5) As a new officer in 2018, Ms. Landreaux received a pro-rata target award opportunity for the 2017-2019 performance period.

**Benefits and Perquisites**

Entergy Corporation’s Named Executive Officers are eligible to participate in or receive the following benefits:

<b>Plan Type</b>	<b>Description</b>
<b>Retirement Plans</b>	<p>Entergy Corporation-sponsored:</p> <p style="padding-left: 40px;"><u>Entergy Retirement Plan</u> - a tax-qualified final average pay defined benefit pension plan that covers a broad group of employees hired before July 1, 2014.</p> <p style="padding-left: 40px;"><u>Cash Balance Plan</u> - a tax-qualified cash balance defined benefit pension plan that covers a broad group of employees hired on or after July 1, 2014.</p> <p style="padding-left: 40px;"><u>Pension Equalization Plan</u> - a non-qualified pension restoration plan for a select group of management or highly compensated employees who participate in the Entergy Retirement Plan.</p> <p style="padding-left: 40px;"><u>Cash Balance Equalization Plan</u> - a non-qualified restoration plan for a select group of management or highly compensated employees who participate in the Cash Balance Plan.</p> <p style="padding-left: 40px;"><u>System Executive Retirement Plan</u> - a non-qualified supplemental retirement plan for individuals who became executive officers before July 1, 2014.</p> <p>See “2019 Pension Benefits” for additional information regarding the operation of the plans described above.</p>
<b>Savings Plan</b>	Entergy Corporation-sponsored 401(k) Savings Plan that covers a broad group of employees.
<b>Health &amp; Welfare Benefits</b>	<p>Medical, dental, and vision coverage, life and accidental death and dismemberment insurance, business travel accident insurance, and long-term disability insurance.</p> <p>Eligibility, coverage levels, potential employee contributions, and other plan design features are the same for the Named Executive Officers as for the broad employee population.</p>
<b>2019 Perquisites</b>	<p>Corporate aircraft usage, annual mandatory physical exams, relocation assistance, and event tickets. The Named Executive Officers who are members of the Office of the Chief Executive do not receive tax gross ups on any benefits, except for relocation assistance.</p> <p>Named Executive Officers who are not members of the Office of the Chief Executive also were provided in 2019 with club dues and tax gross up payments on some perquisites.</p> <p>For additional information regarding perquisites, see the “All Other Compensation” column in the 2019 Summary Compensation Table.</p>
<b>Deferred Compensation</b>	The Named Executive Officers are eligible to defer up to 100% of their base salary and Annual Incentive Plan awards into the Entergy Corporation sponsored Executive Deferred Compensation Plan.
<b>Executive Disability Plan</b>	Eligible individuals who become disabled under the terms of the plan are eligible for 65% of the difference between their annual base salary and \$276,923 (i.e. the annual base salary that produces the maximum \$15,000 monthly disability payment under the general long-term disability plan).

Entergy Corporation provides these benefits to the Named Executive Officers as part of its effort to provide a competitive executive compensation program and because it believes that these benefits are important retention and recruitment tools since many of the companies with which it competes for executive talent provide similar arrangements to their senior executive officers.

## **Severance and Other Compensation Arrangements**

The Personnel Committee believes that retention and transitional compensation arrangements are an important part of overall compensation as they help to secure the continued employment and dedication of the Named Executive Officers, notwithstanding any concern that they might have at the time of a change in control regarding their own continued employment. In addition, the Personnel Committee believes that these arrangements are important as recruitment and retention devices, as many of the companies with which Entergy Corporation competes for executive talent have similar arrangements in place for their senior employees.

To achieve these objectives, Entergy Corporation has established a System Executive Continuity Plan under which ML 1-4 Officers are entitled to receive “change in control” payments and benefits if such officer’s employment is involuntarily terminated in connection with a change in control of Entergy Corporation and its subsidiaries. Entergy Corporation strives to ensure that the benefits and payment levels under the System Executive Continuity Plan are consistent with market practices. Entergy Corporation’s executive officers, including the Named Executive Officers, are not entitled to any tax gross up payments on any severance benefits received under this plan. For more information regarding the System Executive Continuity Plan, see “2019 Potential Payments Upon Termination or Change in Control.”

In certain cases, the Personnel Committee may approve the execution of a retention agreement with an individual executive officer. These decisions are made on a case by case basis to reflect specific retention needs or other factors, including market practice. If a retention agreement is entered into with an individual officer, the committee considers the economic value associated with that agreement in making overall compensation decisions for that officer.

### *Mr. Ellis*

In connection with the commencement of his employment as President, Entergy New Orleans, Mr. Ellis was eligible for certain relocation benefits pursuant to Entergy Corporation’s Relocation Assistance Policy, including assistance with moving expenses, transportation of household goods and assistance with the sale of his home. Mr. Ellis also received a sign-on bonus of \$200,000 when he assumed this role. Mr. Ellis’s sign-on bonus and certain of his relocation benefits are subject to forfeiture under certain circumstances if Mr. Ellis’s employment is terminated within 24 months of the commencement of his employment. Also, in accordance with the terms of the Long-Term Performance Unit Program in January 2019, Mr. Ellis received pro-rated target award opportunities for the 2017-2019 and 2018-2020 performance periods.

### *Nuclear Retention Plan*

Mr. Bakken participates in the Nuclear Retention Plan, a retention plan for officers and other leaders with expertise in the nuclear industry. The Personnel Committee authorized this plan to attract and retain key management and employee talent in the nuclear power field, a field that requires unique technical and other expertise that is in great demand in the utility industry. The plan provides for bonuses to be paid annually over a three-year service period with the bonus opportunity dependent on the participant’s management level and continued employment. Each annual payment is equal to an amount ranging from 15% to 30% of the employee’s base salary as of their date of enrollment in the plan. Mr. Bakken’s participation in the plan commenced in May 2016, and in accordance with the terms and conditions of the plan, in May 2017, 2018 and 2019, Mr. Bakken received a cash bonus equal to \$181,500 or 30% of his May 1, 2016 base salary. This plan does not provide for accelerated or prorated payout upon termination of any kind.

### ***Compensation Policies and Practices***

Entergy Corporation strives to ensure that its compensation philosophy and practices are in line with the best practices of companies in its industry as well as other companies in the S&P 500. Some of these practices include the following:

## **Clawback Provisions**

Entergy Corporation has adopted a clawback policy that covers all individuals subject to Section 16 of the Exchange Act, including the members of the Office of the Chief Executive. Under the policy, which goes beyond the requirements of Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the Personnel Committee will require reimbursement of incentives paid to these executive officers where:

- (i) the payment was predicated upon the achievement of certain financial results with respect to the applicable performance period that were subsequently determined to be the subject of a material restatement other than a restatement due to changes in accounting policy; or (ii) a material miscalculation of a performance award occurs, whether or not the financial statements were restated and, in either such case, a lower payment would have been made to the executive officer based upon the restated financial results or correct calculation; or
- in the Board of Directors' view, the executive officer engaged in fraud that caused or partially caused the need for a restatement or caused a material miscalculation of a performance award, in each case, whether or not the financial statements were restated.

The amount the Personnel Committee requires to be reimbursed is equal to the excess of the gross incentive payment made over the gross payment that would have been made if the original payment had been determined based on the restated financial results or correct calculation. Further, following a material restatement of Entergy Corporation's financial statements, Entergy Corporation will seek to recover any compensation received by Entergy Corporation's Chief Executive Officer and Chief Financial Officer that is required to be reimbursed under Sarbanes-Oxley.

## **Stock Ownership Guidelines and Share Retention Requirements**

For many years, Entergy Corporation has had stock ownership guidelines for executives, including the Named Executive Officers. These guidelines are designed to align the executives' long-term financial interests with the interests of Entergy Corporation's shareholders. Annually, the Personnel Committee monitors the executive officers' compliance with these guidelines.

The ownership guidelines are as follows:

<b>Role</b>	<b>Value of Common Stock to be Owned</b>
Chief Executive Officer	6 times base salary
Executive Vice Presidents	3 times base salary
Senior Vice Presidents	2 times base salary
Vice Presidents	1 time base salary

Further, to facilitate compliance with the guidelines, until an executive officer satisfies the stock ownership guidelines, the officer must retain:

- all net after-tax shares paid out under the Long-Term Performance Unit Program;
- all net after-tax shares of the restricted stock and restricted stock units received upon vesting; and
- at least 75% of the after-tax net shares received upon the exercise of Entergy Corporation stock options.

## **Trading Controls**

Executive officers, including the Named Executive Officers, are required to receive permission from Entergy Corporation's General Counsel or his designee prior to entering into any transaction involving Entergy Corporation securities, including gifts, other than the exercise of employee stock options. Trading is generally permitted only during specified open trading windows beginning shortly after the release of earnings. Employees, who are subject to trading restrictions, including the Named Executive Officers, may enter into trading plans under Rule 10b5-1 of the Exchange Act, but these trading plans may be entered into only during an open trading window and must be approved by Entergy Corporation. The Named Executive Officer bears full responsibility if he or she violates Entergy Corporation's policy by buying or selling shares of Entergy Corporation stock without pre-approval or when trading is restricted.

Entergy Corporation also prohibits directors and executive officers, including the Named Executive Officers, from pledging any Entergy Corporation securities or entering into margin accounts involving Entergy Corporation securities. Entergy Corporation prohibits these transactions because of the potential that sales of Entergy Corporation securities could occur outside trading periods and without the required approval of the General Counsel.

Entergy Corporation also has adopted an anti-hedging policy that prohibits officers, directors, and employees from entering into hedging or monetization transactions involving Entergy Corporation's common stock. Prohibited transactions include, without limitation, zero-cost collars, forward sale contracts, purchase or sale of options, puts, calls, straddles or equity swaps or other derivatives that are directly linked to Entergy Corporation's stock or transactions involving "short-sales" of its common stock. The Board adopted this policy to require officers, directors, and employees to continue to own Entergy Corporation stock with the full risks and rewards of ownership, thereby ensuring continued alignment of their objectives with those of Entergy Corporation's other shareholders.

### **How Entergy Corporation Makes Compensation Decisions**

The Personnel Committee oversees Entergy Corporation's executive compensation programs and policies with the advice of its independent compensation consultant and support from its management team.

<p><b>Personnel Committee</b></p>	<ul style="list-style-type: none"> <li>☒ The Personnel Committee is responsible for the review and approval of all aspects of Entergy Corporation’s executive compensation programs.</li> <li>☒ Among its duties, the Personnel Committee is responsible for approving the compensation for all members of the Office of Chief Executive, including: <ul style="list-style-type: none"> <li>☒ Annual review of the compensation elements and mix of elements for the following year;</li> <li>☒ Annual review and approval of incentive program design, goals and objectives for alignment with Entergy Corporation’s compensation and business strategies;</li> <li>☒ Evaluation of Entergy Corporation and individual performance results in light of these goals and objectives;</li> <li>☒ Evaluation of the competitiveness of each executive officer’s total compensation package;</li> <li>☒ Approval of any changes to the officers’ compensation, including but not limited to, base salary, annual and long-term incentive award opportunities, and retention programs;</li> <li>☒ Evaluation of the performance of Entergy Corporation’s Chairman and Chief Executive Officer; and</li> <li>☒ Reporting, at least annually, to the Board on succession planning.</li> </ul> </li> <li>☒ The Personnel Committee has the sole authority to hire its compensation consultant, approve its compensation, determine the nature and scope of its services, evaluate its performance and terminate its engagement.</li> </ul>
<p><b>Management</b></p>	<ul style="list-style-type: none"> <li>☒ The CEO and Chief Human Resources Officer work closely with the Personnel Committee in managing the executive compensation programs and attend meetings of the Personnel Committee. During 2019, Mr. Denault attended 8 meetings of the Personnel Committee.</li> <li>☒ The CEO makes recommendations to the Committee regarding compensation for executive officers other than himself.</li> </ul>
<p><b>Independent Compensation Consultant</b></p>	<ul style="list-style-type: none"> <li>☒ During 2019, Pay Governance assisted the Personnel Committee with its responsibilities related to Entergy Corporation’s executive compensation programs.</li> <li>☒ Pay Governance: <ul style="list-style-type: none"> <li>☒ Regularly attended meetings of the committee;</li> <li>☒ Conducted studies of competitive compensation practices;</li> <li>☒ Identified Entergy Corporation’s market surveys and proxy peer group;</li> <li>☒ Provided updates on executive compensation trends and regulatory developments;</li> <li>☒ Reviewed base salary, annual incentives and long-term incentive compensation opportunities relative to competitive practices; and</li> <li>☒ Developed conclusions and recommendations related to Entergy Corporation’s executive compensation programs for consideration by the committee.</li> </ul> </li> </ul>

**Compensation Consultant Independence**

To maintain the independence of the Personnel Committee’s compensation consultant, the Board has adopted a policy that any consultant (including its affiliates) retained by the Board of Directors or any committee of the Board of Directors to provide advice or recommendations on the amount or form of executive or director compensation should not be retained by Entergy Corporation or any of its affiliates to provide other services in an aggregate amount that exceeds \$120,000 in any year. Pay Governance, which serves as the Personnel Committee’s compensation consultant, did not provide any services to management in 2019.

Annually, the Personnel Committee reviews the relationship with its compensation consultant, including services provided, quality of those services, and fees associated with services in its evaluation of the compensation consultant's independence. The committee also assesses Pay Governance's independence under NYSE rules and has concluded that no conflicts of interest exist that would prevent Pay Governance from independently advising the Personnel Committee.

#### **PERSONNEL COMMITTEE REPORT**

The Personnel Committee Report included in the Entergy Corporation Proxy Statement is incorporated by reference, but will not be deemed to be "filed" in this Annual Report on Form 10-K. None of the Registrant Subsidiaries has a compensation committee or other board committee performing equivalent functions. The board of directors of each of the Registrant Subsidiaries is comprised of individuals who are officers or employees of Entergy Corporation or one of the Registrant Subsidiaries. These boards do not make determinations regarding the compensation paid to executive officers of the Registrant Subsidiaries.

**EXECUTIVE COMPENSATION TABLES**

**2019 Summary Compensation Tables**

The following table summarizes the total compensation paid or earned by each of the Named Executive Officers for the fiscal year ended December 31, 2019, and to the extent required by SEC executive compensation disclosure rules, the fiscal years ended December 31, 2018 and 2017. For information on the principal positions held by each of the Named Executive Officers, see Item 10, “Directors, Executive Officers, and Corporate Governance of the Registrants.”

The compensation set forth in the table represents the aggregate compensation paid by all Entergy System companies. For additional information regarding the material terms of the awards reported in the following tables, including a general description of the formula or criteria to be applied in determining the amounts payable, see “Compensation Discussion and Analysis.”

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position (1)	Year	Salary (2)	Bonus (3)	Stock Awards (4)	Option Awards (5)	Non-Equity Incentive Plan Compensation (6)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (7)	All Other Compensation (8)	Total
	2018	\$632,967	\$181,500	\$1,041,479	\$283,095	\$544,959	\$108,700	\$452,012	\$3,244,712
	2017	\$615,791	\$181,500	\$959,376	\$245,904	\$559,973	\$33,000	\$114,494	\$2,710,038
Marcus V. Brown Executive Vice President and General Counsel of Entergy Corp.	2019	\$661,563	\$—	\$1,248,839	\$297,182	\$684,573	\$1,455,300	\$69,955	\$4,417,412
	2018	\$644,231	\$—	\$1,041,479	\$283,095	\$546,000	\$371,800	\$61,885	\$2,948,490
	2017	\$622,788	\$—	\$1,022,853	\$287,760	\$568,890	\$1,217,200	\$43,269	\$3,762,760
Leo P. Denault Chairman of the Board and CEO - Entergy Corp.	2019	\$1,260,000	\$—	\$5,391,253	\$1,282,994	\$2,416,680	\$3,704,500	\$208,822	\$14,264,249
	2018	\$1,251,346	\$—	\$4,744,977	\$1,168,029	\$2,041,200	\$982,800	\$138,104	\$10,326,456
	2017	\$1,221,346	\$—	\$4,676,190	\$1,173,276	\$2,142,045	\$3,819,500	\$125,863	\$13,158,220
David D. Ellis CEO - Entergy New Orleans	2019	\$311,004	\$—	\$188,861	\$39,104	\$159,804	\$18,000	\$15,267	\$732,040
	2018	\$7,258	\$200,000	\$—	\$—	\$—	\$600	\$35,308	\$243,166
Haley R. Fisackerly CEO - Entergy Mississippi	2019	\$373,313	\$—	\$197,780	\$51,584	\$274,570	\$644,700	\$37,897	\$1,579,844
	2018	\$363,089	\$—	\$198,449	\$46,134	\$172,000	\$—	\$35,982	\$815,654
	2017	\$354,451	\$—	\$192,041	\$49,704	\$169,123	\$406,300	\$35,724	\$1,207,343
Laura R. Landreaux CEO - Entergy Arkansas	2019	\$314,407	\$—	\$188,861	\$42,432	\$263,523	\$228,700	\$26,536	\$1,064,459
	2018	\$246,136	\$—	\$273,062	\$—	\$124,000	\$21,500	\$10,741	\$675,439



(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position (1)	Year	Salary (2)	Bonus (3)	Stock Awards (4)	Option Awards (5)	Non-Equity Incentive Plan Compensation (6)	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation (8)	Total
							(7)		
Andrew S. Marsh	2019	\$641,923	\$—	\$1,579,663	\$375,914	\$712,400	\$1,554,300	\$69,863	\$4,934,063
Executive Vice	2018	\$615,654	\$—	\$1,057,095	\$342,510	\$531,188	\$—	\$57,638	\$2,604,085
President and CFO - Entergy Corp., Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas	2017	\$588,291	\$—	\$1,022,853	\$287,760	\$541,800	\$801,900	\$51,647	\$3,294,251
Phillip R. May, Jr.	2019	\$389,016	\$—	\$294,183	\$77,376	\$407,922	\$877,100	\$28,297	\$2,073,894
CEO - Entergy Louisiana	2018	\$377,108	\$—	\$288,238	\$69,201	\$270,000	\$—	\$26,874	\$1,031,421
	2017	\$363,410	\$—	\$302,493	\$68,670	\$300,000	\$503,400	\$26,981	\$1,564,954
Sallie T. Rainer	2019	\$344,722	\$—	\$197,780	\$51,584	\$219,069	\$617,200	\$37,361	\$1,467,716
CEO - Entergy Texas	2018	\$335,263	\$—	\$198,449	\$46,134	\$159,000	\$—	\$35,379	\$774,225
	2017	\$325,737	\$—	\$195,567	\$51,012	\$156,259	\$435,900	\$35,785	\$1,200,260
Roderick K. West	2019	\$709,023	\$—	\$1,340,679	\$319,039	\$674,742	\$1,604,100	\$67,191	\$4,714,774
Group President	2018	\$690,581	\$—	\$1,057,095	\$297,075	\$560,762	\$—	\$67,234	\$2,672,747
Utility Operations of Entergy Corp.	2017	\$670,876	\$—	\$818,316	\$190,968	\$610,065	\$867,200	\$52,220	\$3,209,645

- (1) Mr. Ellis was named Chief Executive Officer, Entergy New Orleans in December 2018, and Ms. Landreaux was named Chief Executive Officer, Entergy Arkansas in July 2018.
- (2) The amounts in column (c) represent the actual base salary paid to the Named Executive Officers in the applicable year. The 2019 changes in base salaries noted in the Compensation Discussion and Analysis were effective in April 2019.
- (3) The amount in column (d) in 2019, 2018 and 2017 for Mr. Bakken represents the cash bonus paid to him pursuant to the Nuclear Retention Plan. See “Nuclear Retention Plan” in Compensation Discussion and Analysis. The amount in column (d) in 2018 for Mr. Ellis represents a cash sign-on bonus paid in connection with his commencement of employment with Entergy New Orleans.
- (4) The amounts in column (e) represent the aggregate grant date fair value of restricted stock and performance units granted under the 2015 Equity Plan, each calculated in accordance with FASB ASC Topic 718, without taking into account estimated forfeitures. The grant date fair value of the restricted stock is based on the closing price of Entergy Corporation common stock on the date of grant. The grant date fair value of the portion of the performance units with vesting based on the total shareholder return was measured using a Monte Carlo simulation valuation model. The simulation model applies a risk-free interest rate and an expected volatility assumption. The risk-free interest rate is assumed to equal the yield on a three-year treasury bond on the grant date. Volatility is based on historical volatility for the 36-month period preceding the grant date. The performance units in the table are also valued based on the probable outcome of the applicable performance condition at the time of grant. The maximum value of shares that will be received if the highest achievement level is attained with respect to both the total shareholder return and Cumulative ETR Adjusted EPS, for performance units granted in 2019 are as follows: Mr. Bakken, \$1,953,212; Mr. Brown, \$1,915,446; Mr. Denault, \$8,269,303; Mr. Ellis, \$296,003; Mr.

Fisackerly, \$296,003; Ms. Landreaux \$296,003; Mr. Marsh, \$2,422,938; Mr. May, \$438,901; Ms. Rainer, \$296,003; and Mr. West, \$2,056,302.

- (5) The amounts in column (f) represent the aggregate grant date fair value of stock options granted under the 2015 Equity Plan calculated in accordance with FASB ASC Topic 718. For a discussion of the relevant assumptions used in valuing these awards, see Note 12 to the financial statements.
- (6) The amounts in column (g) represent cash payments made under the Annual Incentive Plan.
- (7) For all Named Executive Officers, the amounts in column (h) include the annual actuarial increase in the present value of these Named Executive Officers' benefits under all pension plans established by Entergy Corporation using interest rate and mortality rate assumptions consistent with those used in Entergy Corporation's financial statements and include amounts which the Named Executive Officers may not currently be entitled to receive because such amounts are not vested (see "2019 Pension Benefits"). The increase in pension benefits for all of the Named Executive Officers in 2019 was driven by a decline in the discount rate that was a result of the decrease in prevailing interest rates. None of the increases for any of the Named Executive Officers is attributable to above-market or preferential earnings on non-qualified deferred compensation. For 2018, the aggregate change in the actuarial present value was a decrease of pension benefits of \$52,000 for Mr. Fisackerly, \$163,000 for Mr. Marsh, \$700 for Mr. May, \$110,700 for Ms. Rainer, and \$149,300 for Mr. West.
- (8) The amounts in column (i) for 2019 include (a) matching contributions by Entergy Corporation under the Savings Plan to each of the Named Executive Officers; (b) dividends paid on restricted stock when vested; (c) life insurance premiums; (d) tax gross up payments on club dues and relocation expenses; and (e) perquisites and other compensation as described further below. The amounts are listed in the following table:

Named Executive Officer	Company Contribution – Savings Plan	Dividends Paid on Restricted Stock	Life Insurance Premium	Tax Gross Up Payments	Perquisites and Other Compensation	Total
A. Christopher Bakken, III	\$16,800	\$20,114	\$12,277	\$—	\$13,216	\$62,407
Marcus V. Brown	\$11,760	\$48,749	\$7,482	\$—	\$1,964	\$69,955
Leo P. Denault	\$11,760	\$129,470	\$11,484	\$—	\$56,108	\$208,822
David D. Ellis	\$14,436	\$—	\$722	\$—	\$109	\$15,267
Haley R. Fisackerly	\$11,760	\$7,793	\$2,959	\$4,729	\$10,656	\$37,897
Laura R. Landreaux	\$—	\$11,257	\$477	\$4,510	\$10,292	\$26,536
Andrew S. Marsh	\$11,760	\$49,010	\$6,275	\$—	\$2,818	\$69,863
Phillip R. May, Jr.	\$11,760	\$9,958	\$5,779	\$—	\$800	\$28,297
Sallie T. Rainer	\$11,760	\$7,879	\$6,872	\$2,728	\$8,122	\$37,361
Roderick K. West	\$11,760	\$39,754	\$4,002	\$—	\$11,675	\$67,191

*Perquisites and Other Compensation*

The amounts set forth in column (i) also include perquisites and other personal benefits that Entergy Corporation provides to its Named Executive Officers as part of providing a competitive executive compensation programs and for employee retention. The following perquisites were provided to the Named Executive Officers in 2019.

<b>Named Executive Officer</b>	<b>Relocation</b>	<b>Personal Use of Corporate Aircraft</b>	<b>Club Dues</b>	<b>Executive Physical Exams</b>	<b>Event Tickets</b>
A. Christopher Bakken, III		X		X	
Marcus V. Brown				X	
Leo P. Denault		X		X	
David D. Ellis	X				
Haley R. Fisackerly			X		
Laura R. Landreaux			X		X
Andrew S. Marsh		X		X	
Phillip R. May, Jr.					X
Sallie T. Rainer			X		
Roderick K. West		X		X	

For security and business reasons, Entergy Corporation’s Chief Executive Officer is permitted to use its corporate aircraft for personal use at the expense of Entergy Corporation. The other Named Executive Officers may use the corporate aircraft for personal travel subject to the approval of Entergy Corporation’s Chief Executive Officer. The Personnel Committee reviews the level of usage throughout the year. Entergy Corporation believes that its officers’ ability to use its plane for limited personal use saves time and provides additional security for them, thereby benefiting Entergy Corporation. The amounts included in column (i) for the personal use of corporate aircraft, reflect the incremental cost to Entergy Corporation for use of the corporate aircraft, determined on the basis of the variable operational costs of each flight, including fuel, maintenance, flight crew travel expense, catering, communications, and fees, including flight planning, ground handling, and landing permits. The aggregate incremental aircraft usage cost associated with Mr. Denault’s personal use of the corporate aircraft was \$56,108 for fiscal year 2019. In addition, Entergy Corporation offers its executives comprehensive annual physical exams at Entergy Corporation’s expense. Tickets to cultural and sporting events are purchased for business purposes, and if not utilized for business purposes, the tickets are made available to the employees, including the Named Executive Officers, for personal use. None of the other perquisites referenced above exceeded \$25,000 for any of the other Named Executive Officers.

**2019 Grants of Plan-Based Awards**

The following table summarizes award grants during 2019 to the Named Executive Officers.

(a)	(b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts under Equity Incentive Plan Awards <sup>(2)</sup>			(i)	(j)	(k)	(l)
		(c)	(d)	(e)	(f)	(g)	(h)				
Name	Grant Date	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Under-lying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
								(3)	(4)		(5)
A. Christopher	1/31/19	\$-	\$457,855	\$915,710							
Bakken, III	1/31/19				2,392	9,568	19,136				\$951,959
	1/31/19							3,604			\$321,441
	1/31/19								36,421	\$89.19	\$303,023
Marcus V. Brown	1/31/19	\$-	\$499,688	\$999,376							
	1/31/19				2,346	9,383	18,766				\$933,552
	1/31/19							3,535			\$315,287
	1/31/19								35,719	\$89.19	\$297,182
Leo P. Denault	1/31/19	\$-	\$1,764,000	\$3,528,000							
	1/31/19				10,127	40,508	81,016				\$4,030,303
	1/31/19							15,259			\$1,360,950
	1/31/19								154,206	\$89.19	\$1,282,994
David D. Ellis	1/31/19	\$-	\$125,355	\$250,710							
	1/31/19				363	1,450	2,900				\$144,266
								500			\$44,595
									4,700	\$89.19	\$39,104
Haley R. Fisackerly	1/31/19	\$-	\$150,409	\$300,818							
	1/31/19				363	1,450	2,900				\$144,266
	1/31/19							600			\$53,514
	1/31/19								6,200	\$89.19	\$51,584
Laura R. Landreaux	1/31/19	\$-	\$126,588	\$253,176							
	1/31/19				363	1,450	2,900				\$144,266
	1/31/19							500			\$44,595
									5,100	\$89.19	\$42,432
Andrew S. Marsh	1/31/19	\$-	\$520,000	\$1,040,000							
	1/31/19				2,967	11,869	23,738				\$1,180,894
	1/31/19							4,471			\$398,768
	1/31/19								45,182	\$89.19	\$375,914

(a)	(b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts under Equity Incentive Plan Awards <sup>(2)</sup>			(i)	(j)	(k)	(l)
		(c)	(d)	(e)	(f)	(g)	(h)				
Name	Grant Date	Thresh- old	Target	Maximum	Thresh- old	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Under-lying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(#)	(\$/Sh)	(\$)
								(3)	(4)		(5)
Phillip R.	1/31/19	\$-	\$235,226	\$470,452							
May, Jr.	1/31/19				538	2,150	4,300				\$213,912
	1/31/19							900			\$80,271
	1/31/19								9,300	\$89.19	\$77,376
Sallie T.	1/31/19	\$-	\$138,969	\$277,938							
Rainer	1/31/19				363	1,450	2,900				\$144,266
	1/31/19							600			\$53,514
	1/31/19								6,200	\$89.19	\$51,584
Roderick K.	1/31/19	\$-	\$499,809	\$999,618							
West	1/31/19				2,518	10,073	20,146				\$1,002,203
	1/31/19							3,795			\$338,476
	1/31/19								38,346	\$89.19	\$319,039

- (1) The amounts in columns (c), (d), and (e) represent minimum, target, and maximum payment levels under the Annual Incentive Plan. The actual amounts awarded are reported in column (g) of the Summary Compensation Table.
- (2) The amounts in columns (f), (g), and (h) represent the minimum, target, and maximum payment levels under the Long-Term Performance Unit Program. Performance under the program is measured by Entergy Corporation's total shareholder return relative to the total shareholder returns of the companies included in the Philadelphia Utility Index and Cumulative Entergy Adjusted EPS with total shareholder return weighted eighty percent and Cumulative Entergy Adjusted EPS weighted twenty percent. There is no payout under the program if Entergy Corporation's total shareholder return falls within the lowest quartile of the peer companies in the Philadelphia Utility Index and Cumulative Entergy Adjusted EPS is below the minimum performance goal. Subject to the achievement of performance targets, each unit will be converted into one share of Entergy Corporation's common stock on the last day of the performance period (December 31, 2021.) Accrued dividends on the shares earned will also be paid in Entergy Corporation common stock.
- (3) The amounts in column (i) represent shares of restricted stock granted under the 2015 Equity Plan. Shares of restricted stock vest one-third on each of the first through third anniversaries of the grant date, have voting rights, and accrue dividends during the vesting period.
- (4) The amounts in column (j) represent options to purchase shares of Entergy Corporation's common stock. The options vest one-third on each of the first through third anniversaries of the grant date and have a ten-year term from the date of grant. The options were granted under the 2015 Equity Plan.
- (5) The amounts in column (l) are valued based on the aggregate grant date fair value of the award calculated in accordance with FASB ASC Topic 718 and, in the case of the performance units, are based on the probable outcome of the applicable performance conditions. See Notes 4 and 5 to the 2019 Summary Compensation Table for a discussion of the relevant assumptions used in calculating the grant date fair value.

### 2019 Outstanding Equity Awards at Fiscal Year-End

The following table summarizes, for each Named Executive Officer, unexercised options, restricted stock that has not vested, and equity incentive plan awards outstanding as of December 31, 2019.

(a)	Option Awards					Stock Awards				
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	
A. Christopher Bakken, III	—	36,421 <sup>(1)</sup>		\$89.19	1/31/2029					
	—	27,000 <sup>(2)</sup>		\$78.08	1/25/2028					
	—	12,534 <sup>(3)</sup>		\$70.53	1/26/2027					
								19,136 <sup>(4)</sup>	\$2,292,493	
								15,800 <sup>(5)</sup>	\$1,892,840	
							3,604 <sup>(6)</sup>	\$431,759		
							3,334 <sup>(7)</sup>	\$399,413		
							1,734 <sup>(8)</sup>	\$207,733		
							20,000 <sup>(10)</sup>	\$2,396,000		
	Marcus V. Brown	—	35,719 <sup>(1)</sup>		\$89.19	1/31/2029				
—		27,000 <sup>(2)</sup>		\$78.08	1/25/2028					
1		14,667 <sup>(3)</sup>		\$70.53	1/26/2027					
1		—		\$70.56	1/28/2026					
								18,766 <sup>(4)</sup>	\$2,248,167	
								15,800 <sup>(5)</sup>	\$1,892,840	
							3,535 <sup>(6)</sup>	\$423,493		
						3,334 <sup>(7)</sup>	\$399,413			
						2,034 <sup>(8)</sup>	\$243,673			

(a)	Option Awards					Stock Awards			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Leo P. Denault	—	154,206 <sup>(1)</sup>		\$89.19	1/31/2029				
	55,700	111,400 <sup>(2)</sup>		\$78.08	1/25/2028				
	119,600	59,800 <sup>(3)</sup>		\$70.53	1/26/2027				
	167,000	—		\$70.56	1/28/2026				
	88,000	—		\$89.90	1/29/2025				
	106,000	—		\$63.17	1/30/2024				
	50,000	—		\$64.60	1/31/2023				
								81,016 <sup>(4)</sup>	\$9,705,717
							85,400 <sup>(5)</sup>	\$10,230,920	
						15,259 <sup>(6)</sup>	\$1,828,028		
						10,467 <sup>(7)</sup>	\$1,253,947		
						5,667 <sup>(8)</sup>	\$678,907		
David D. Ellis	—	4,700 <sup>(1)</sup>		\$89.19	1/31/2029			2,900 <sup>(4)</sup>	\$347,420
								2,200 <sup>(5)</sup>	\$263,560
						500 <sup>(6)</sup>	\$59,900		
Halcy R. Fisackerly	—	6,200 <sup>(1)</sup>		\$89.19	1/31/2029			2,900 <sup>(4)</sup>	\$347,420
	—	4,400 <sup>(2)</sup>		\$78.08	1/25/2028			3,300 <sup>(5)</sup>	\$395,340
	—	2,534 <sup>(3)</sup>		\$70.53	1/26/2027				
						600 <sup>(6)</sup>	\$71,880		
						534 <sup>(7)</sup>	\$63,973		
					284 <sup>(8)</sup>	\$34,023			
Laura R. Landreaux	—	5,100 <sup>(1)</sup>		\$89.19	1/31/2029			2,900 <sup>(4)</sup>	\$347,420
								2,750 <sup>(5)</sup>	\$329,450
						500 <sup>(6)</sup>	\$59,900		
						800 <sup>(7)</sup>	\$95,840		
						500 <sup>(8)</sup>	\$59,900		

(a)	Option Awards					Stock Awards				
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	
Andrew S. Marsh	—	45,182 <sup>(1)</sup>		\$89.19	1/31/2029					
	16,333	32,667 <sup>(2)</sup>		\$78.08	1/25/2028					
	29,333	14,667 <sup>(3)</sup>		\$70.53	1/26/2027					
	45,000	—		\$70.56	1/28/2026					
	24,000	—		\$89.90	1/29/2025					
	35,000	—		\$63.17	1/30/2024					
	32,000	—		\$64.60	1/31/2023					
	10,000	—		\$71.30	1/26/2022					
	4,000	—		\$72.79	1/27/2021					
									23,738 <sup>(4)</sup>	\$2,843,812
								15,800 <sup>(5)</sup>	\$1,892,840	
						4,471 <sup>(6)</sup>	\$535,626			
						3,467 <sup>(7)</sup>	\$415,347			
						2,034 <sup>(8)</sup>	\$243,673			
						21,100 <sup>(9)</sup>	\$2,527,780			
Phillip R. May, Jr.	—	9,300 <sup>(1)</sup>		\$89.19	1/31/2029					
	—	6,600 <sup>(2)</sup>		\$78.08	1/25/2028					
	—	3,500 <sup>(3)</sup>		\$70.53	1/26/2027					
	2,000	—		\$63.17	1/30/2024					
	2,000	—		\$64.60	1/31/2023					
									4,300 <sup>(4)</sup>	\$515,140
								5,100 <sup>(5)</sup>	\$610,980	
						900 <sup>(6)</sup>	\$107,820			
						667 <sup>(7)</sup>	\$79,907			
						367 <sup>(8)</sup>	\$43,967			
Sallie T. Rainer	—	6,200 <sup>(1)</sup>		\$89.19	1/31/2029					
	—	4,400 <sup>(2)</sup>		\$78.08	1/25/2028					
	—	2,600 <sup>(3)</sup>		\$70.53	1/26/2027					
									2,900 <sup>(4)</sup>	\$347,420
									3,300 <sup>(5)</sup>	\$395,340
							600 <sup>(6)</sup>	\$71,880		
						534 <sup>(7)</sup>	\$63,973			
						300 <sup>(8)</sup>	\$35,940			



(a)	Option Awards					Stock Awards			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Roderick K. West	—	38,346 <sup>(1)</sup>		\$89.19	1/31/2029				
	14,166	28,334 <sup>(2)</sup>		\$78.08	1/25/2028				
	9,733	9,734 <sup>(3)</sup>		\$70.53	1/26/2027				
	13,667	—		\$70.56	1/28/2026				
	23,000	—		\$89.90	1/29/2025				
								20,146 <sup>(4)</sup>	\$2,413,491
								15,800 <sup>(5)</sup>	\$1,892,840
						3,795 <sup>(6)</sup>	\$454,641		
						3,467 <sup>(7)</sup>	\$415,347		
						1,067 <sup>(8)</sup>	\$127,827		

- (1) Consists of options granted under the 2015 Equity Plan that vested or will vest as follows: 1/3 of the options granted vest on each of January 31, 2020, January 31, 2021 and January 31, 2022.
- (2) Consists of options granted under the 2015 Equity Plan that vested or will vest as follows: 1/2 of the remaining unexercisable options vest on each of January 25, 2020 and January 25, 2021.
- (3) Consists of options granted under the 2015 Equity Plan that vested on January 26, 2020.
- (4) Consists of performance units granted under the 2015 Equity Plan that will vest on December 31, 2021 based on two performance measures: 1) Entergy Corporation's total shareholder return performance over the 2019-2021 performance period and 2) Cumulative Entergy Adjusted EPS with total shareholder return weighted eighty percent and Cumulative Entergy Adjusted EPS weighted twenty percent, as described under "What Entergy Corporation Pays and Why - Principal Executive Compensation Elements - Variable Compensation - Long-Term Incentive Compensation - Performance Unit Program" in the Compensation Discussion and Analysis.
- (5) Consists of performance units granted under the 2015 Equity Plan that will vest on December 31, 2020 based on two performance measures: 1) Entergy Corporation's total shareholder return performance over the 2018-2020 performance period and 2) Cumulative Utility, Parent and Other Adjusted EPS with each performance measure weighted equally.
- (6) Consists of shares of restricted stock granted under the 2015 Equity Plan that vested or will vest as follows: 1/3 of the shares of restricted stock granted vest on each of January 31, 2020, January 31, 2021, and January 31, 2022.
- (7) Consists of shares of restricted stock granted under the 2015 Equity Plan that vested or will vest as follows: 1/2 of the shares of restricted stock granted vest on each of January 25, 2020 and January 25, 2021.
- (8) Consists of shares of restricted stock granted under the 2015 Equity Plan that vested on January 26, 2020.
- (9) Consists of restricted stock units granted under the 2015 Equity Plan which will vest on August 3, 2020.
- (10) Consists of restricted stock units granted under the 2015 Equity Plan which will vest 1/2 on each of April 6, 2022 and April 6, 2025.

### 2019 Option Exercises and Stock Vested

The following table provides information concerning each exercise of stock options and each vesting of stock during 2019 for the Named Executive Officers.

(a)  Name	Options Awards		Stock Awards	
	(b) Number of Shares Acquired on Exercise (#)	(c) Value Realized on Exercise (\$)	(d) Number of Shares Acquired on Vesting (#)	(e) Value Realized on Vesting <sup>(1)</sup> (\$)
A. Christopher Bakken, III	38,566	\$1,377,860	31,719	\$3,543,240
Marcus V. Brown	145,031	\$4,056,865	24,484	\$2,839,040
Leo P. Denault	105,000	\$2,861,250	123,760	\$14,933,716
David D. Ellis	—	\$—	1,271	\$160,540
Haley R. Fisackerly	13,700	\$280,882	5,037	\$596,349
Laura R. Landreaux	—	\$—	3,431	\$374,036
Andrew S. Marsh	17,100	\$468,315	24,554	\$2,845,137
Phillip R. May, Jr.	18,900	\$456,820	8,146	\$978,103
Sallie T. Rainer	15,667	\$372,696	5,055	\$597,906
Roderick K. West	—	\$—	23,347	\$2,740,719

- (1) Represents the value of performance units for the 2017-2019 performance period (payable solely in shares based on the closing stock price of Entergy Corporation on the date of vesting) under the Performance Unit Program and the vesting of shares of restricted stock in 2019.

**2019 Pension Benefits**

The following table shows the present value as of December 31, 2019, of accumulated benefits payable to each of the Named Executive Officers, including the number of years of service credited to each Named Executive Officer, under the retirement plans sponsored by Entergy Corporation, determined using interest rate and mortality rate assumptions set forth in Note 11 to the financial statements. Additional information regarding these retirement plans follows this table.

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service</b>	<b>Present Value of Accumulated Benefit</b>	<b>Payments During 2019</b>
A. Christopher Bakken, III	Cash Balance Equalization Plan	3.74	\$196,900	\$—
	Cash Balance Plan	3.74	\$71,200	\$—
Marcus V. Brown <sup>(1)</sup>	System Executive Retirement Plan	24.74	\$6,368,400	\$—
	Entergy Retirement Plan	24.74	\$1,160,000	\$—
Leo P. Denault <sup>(1)(2)</sup>	System Executive Retirement Plan	35.83	\$26,526,500	\$—
	Entergy Retirement Plan	20.83	\$1,035,100	\$—
David D. Ellis	Cash Balance Equalization Plan	1.06	\$1,900	\$—
	Cash Balance Plan	1.06	\$16,700	\$—
Haley R. Fisackerly	System Executive Retirement Plan	24.08	\$1,728,000	\$—
	Entergy Retirement Plan	24.08	\$1,023,900	\$—
Laura R. Landreaux	Pension Equalization Plan	12.48	\$86,300	\$—
	Entergy Retirement Plan	12.48	\$418,700	\$—
Andrew S. Marsh	System Executive Retirement Plan	21.37	\$4,694,700	\$—
	Entergy Retirement Plan	21.37	\$738,700	\$—
Phillip R. May, Jr. <sup>(1)</sup>	System Executive Retirement Plan	33.56	\$2,964,100	\$—
	Entergy Retirement Plan	33.56	\$1,538,500	\$—
Sallie T. Rainer <sup>(1)(3)</sup>	System Executive Retirement Plan	35.38	\$1,511,300	\$—
	Entergy Retirement Plan	35.00	\$1,766,400	\$—
Roderick K. West	System Executive Retirement Plan	20.75	\$5,892,400	\$—
	Entergy Retirement Plan	20.75	\$792,700	\$—

- (1) As of December 31, 2019, Mr. Brown, Mr. Denault, Mr. May, and Ms. Rainer were retirement eligible.
- (2) In 2006, Mr. Denault entered into a retention agreement granting him an additional 15 years of service and permission to retire under the non-qualified System Executive Retirement Plan in the event his employment is terminated by his Entergy employer other than for cause (as defined in the retention agreement), by Mr. Denault for good reason (as defined in the retention agreement), or on account of his death or disability. His retention agreement also provides that if he terminates employment for any other reason, he shall be entitled to the additional 15 years of service under the non-qualified System Executive Retirement Plan only if his Entergy employer grants him permission to retire. The additional 15 years of service increases the present value of his benefit by \$3,887,900.
- (3) Service under the non-qualified System Executive Retirement Plan is granted from the date of hire. Service under the qualified Entergy Retirement Plan is granted from the later of the date of hire or the plan participation date.

**Retirement Benefits**

The tables below contain summaries of the pension benefit plans sponsored by Entergy Corporation that the Named Executive Officers participated in during 2019. Benefits for the Named Executive Officers who participate in these plans are determined using the same formulas as for other eligible employees.

**Qualified Retirement Benefits**

	<b>Entergy Retirement Plan</b>	<b>Cash Balance Plan</b>
<b>Eligible Named Executive Officers</b>	Marcus V. Brown Haley R. Fisackerly Leo P. Denault Andrew S. Marsh Laura R. Landreaux	Phillip R. May, Jr. Sallie T. Rainer Roderick K. West
<b>Eligibility</b>	Non-bargaining employees hired before July 1, 2014	Non-bargaining employees hired on or after July 1, 2014
<b>Vesting</b>	A participant becomes vested in the Entergy Retirement Plan upon attainment of at least 5 years of vesting service or upon attainment of age 65 while actively employed by an Entergy system company.	A participant becomes vested in the Cash Balance Plan upon attainment of at least 3 years of vesting service or upon attainment of age 65 while actively employed by an Entergy system company.
<b>Form of Payment Upon Retirement</b>	Benefits are payable as an annuity. For employees who separate from service on or after January 1, 2018, a single lump sum distribution may be elected by the participant if eligibility criteria are met.	Benefits are payable as an annuity or single lump sum distribution.
<b>Retirement Benefit Formula</b>	Benefits are calculated as a single life annuity payable at age 65 and generally are equal to 1.5% of a participant's Final Average Monthly Earnings (FAME) multiplied by years of service (not to exceed 40).  "Earnings" for the purpose of calculating FAME generally includes the employee's base salary and eligible annual incentive awards subject to Internal Revenue Code limitations, and excludes all other bonuses. Executive annual incentive awards are not eligible for inclusion in Earnings under this plan.  FAME is calculated using the employee's average monthly Earnings for the 60 consecutive months in which the employee's earnings were highest during the 120 month period immediately preceding the employee's retirement and includes up to 5 eligible annual incentive awards paid during the 60 month period.	The normal retirement benefit at age 65 is determined by converting the sum of an employee's annual pay credits and his or her annual interest credits, into an actuarially equivalent annuity.  Pay credits ranging from 4-8% of an employee's eligible Earnings are allocated annually to a notional account for the employee based on an employee's age and years of service. Earnings for purposes of calculating an employee's pay credit include the employee's base salary and annual incentive awards subject to Internal Revenue Code limitations and exclude all other bonuses. Executive annual incentive awards are eligible for inclusion in Earnings under this plan.  Interest credits are calculated based upon the annual rate of interest on 30-year U.S. Treasury securities, as specified by the Internal Revenue Service, for the month of August preceding the first day of the applicable calendar year subject to a minimum rate of 2.6% and a maximum rate of 9%.

<p><b>Benefit Timing</b></p>	<p>Normal retirement age under the plan is 65.</p> <p>A reduced terminated vested benefit may be commenced as early as age 55. The amount of this benefit is determined by reducing the normal retirement benefit by 7% per year for the first 5 years commencement precedes age 65, and 6% per year for each additional year commencement precedes age 65.</p> <p>A subsidized early retirement benefit may be commenced by employees who are at least age 55 with 10 years of service at the time they separate from service. The amount of this benefit is determined by reducing the normal retirement benefit by 2% per year for each year that early retirement precedes age 65.</p>	<p>Normal retirement age under the plan is 65.</p> <p>A vested cash balance benefit can be commenced as early as the first day of the month following separation from service. The amount of the benefit is determined in the same manner as the normal retirement benefit described above in the “Retirement Benefit Formula” section.</p>
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**Non-qualified Retirement Benefits**

The Named Executive Officers are eligible to participate in certain non-qualified retirement benefit plans that provide retirement income, including the Pension Equalization Plan, the Cash Balance Equalization Plan, and the System Executive Retirement Plan. Each of these plans is an unfunded non-qualified defined benefit pension plan that provides benefits to key management employees. In these plans, as described below, an executive may participate in one or more non-qualified plans, but is only paid the amount due under the plan that provides the highest benefit. In general, upon disability, participants in the Pension Equalization Plan and the System Executive Retirement Plan remain eligible for continued service credits until the earlier of recovery, separation from service due to disability, or retirement eligibility. Generally, spouses of participants who die before commencement of benefits may be eligible for a portion of the participant’s accrued benefit.

	<b>Pension Equalization Plan</b>	<b>Cash Balance Equalization Plan</b>	<b>System Executive Retirement Plan</b>
<b>Eligible Named Executive Officers</b>	Marcus V. Brown Haley R. Fisackerly Leo P. Denault Laura R. Landreaux Andrew S. Marsh Phillip R. May, Jr. Sallie T. Rainer Roderick K. West	A. Christopher Bakken, III David D. Ellis	Marcus V. Brown Haley R. Fisackerly Leo P. Denault Andrew S. Marsh Phillip R. May, Jr. Sallie T. Rainer Roderick K. West
<b>Eligibility</b>	Management or highly compensated employees who participate in the Entergy Retirement Plan	Management or highly compensated employees who participate in the Cash Balance Plan	Certain individuals who became executive officers before July 1, 2014
<b>Form of Payment Upon Retirement</b>	Single lump sum distribution	Single lump sum distribution	Single lump sum distribution
<b>Retirement Benefit Formula</b>	Benefits generally are equal to the actuarial present value of the difference between (1) the amount that would have been payable as an annuity under the Entergy Retirement Plan, including executive annual incentive awards as eligible earnings and without applying limitations of the Internal Revenue Code of 1986, as amended (the “Code”) on pension benefits and earnings that may be considered in calculating tax-qualified pension benefits, and (2) the amount actually payable an annuity under the Entergy Retirement Plan.  Executive annual incentive awards are taken into account as eligible earnings under this plan.	Benefits generally are equal to the difference between the amount that would have been payable as a lump sum under the Cash Balance Plan, but for the Code limitations on pension benefits and earnings that may be considered in calculating tax-qualified cash balance plan benefits, and the amount actually payable as a lump sum under the Cash Balance Plan.	Benefits generally are equal to the actuarial present value of a specified percentage, based on the participant’s years of service (including supplemental service granted under the plan) and management level of the participant’s “Final Average Monthly Compensation” (which is generally 1/36th of the sum of the participant’s base salary and annual incentive plan award for the 3 highest years during the last 10 years preceding separation from service), after first being reduced by the value of the participant’s Entergy Retirement Plan benefit.
<b>Benefit timing</b>	Payable at age 65  Benefits payable prior to age 65 are subject to the same reduced terminated vested or early retirement reduction factors as benefits payable under the Entergy Retirement Plan as described above.  An employee with supplemental credited service who terminates employment prior to age 65 must receive prior written consent of the Entergy employer in order to receive the portion of their benefit attributable to their supplemental credited service agreement.  Benefits payable upon separation from service subject to the 6 month delay required under the Code Section 409A.	Payable upon separation from service subject to 6 month delay required under the Code Section 409A.	Payable at age 65  Prior to age 65, vesting is conditioned on the prior written consent of the officer’s Entergy employer.  Benefits payable prior to age 65 are subject to the same reduced terminated vested or subsidized early retirement reduction factors as benefits payable under the Entergy Retirement Plan as described above.  Benefits payable upon separation from service subject to the 6 month delay required under Internal Revenue Code Section 409A.

**Additional Information**

- (1) Effective July 1, 2014, (a) no new grants of supplemental service may be provided to participants in the Pension Equalization Plan; (b) supplemental credited service granted prior to July 1, 2014 was grandfathered; and (c) participants in Entergy Corporation’s Cash Balance Plan are not eligible to participate in the Pension Equalization Plan and instead may be eligible to participate in the Cash Balance Equalization Plan.
- (2) Benefits accrued under the System Executive Retirement Plan, Pension Equalization Plan, and Cash Balance Equalization Plan, if any, will become fully vested if a participant is involuntarily terminated without cause or terminates his or her employment for good reason in connection with a change in control with payment generally made in a lump-sum payment as soon as reasonably practicable following the first day of the month after the termination of employment, unless delayed 6 months under Internal Revenue Code Section 409A.
- (3) The System Executive Retirement Plan was closed to new executive officers effective July 1, 2014.

**2019 Non-qualified Deferred Compensation**

As of December 31, 2019, Mr. May had a deferred account balance under a frozen Defined Contribution Restoration Plan. The amount is deemed invested, as chosen by Mr. May, in certain T. Rowe Price investment funds that are also available to the participant under the Savings Plan. Mr. May has elected to receive the deferred account balance after he retires. The Defined Contribution Restoration Plan, until it was frozen in 2005, credited eligible employees’ deferral accounts with employer contributions to the extent contributions under the qualified savings plan in which the employee participated were subject to limitations imposed by the Internal Revenue Code.

**Defined Contribution Restoration Plan**

Name (a)	Executive Contributions in 2019 (b)	Registrant Contributions in 2019 (c)	Aggregate Earnings in 2019 <sup>(1)</sup> (d)	Aggregate Withdrawals/Distributions (e)	Aggregate Balance at December 31, 2019 (f)
Phillip R. May, Jr.	\$—	\$—	\$805	\$—	\$2,987

- (1) Amounts in this column are not included in the Summary Compensation Table.

**2019 Potential Payments Upon Termination or Change in Control**

Entergy Corporation has plans and other arrangements that provide compensation to a Named Executive Officer if his or her employment terminates under specified conditions, including following a change in control of Entergy Corporation or its subsidiaries.

*Change in Control*

Under Entergy Corporation’s System Executive Continuity Plan (the “Continuity Plan”), ML 1-4 Officers are eligible to receive the severance benefits described below if their employment is terminated by their Entergy System employer other than for cause or if they terminate their employment for good reason during a period beginning with a potential change in control and ending 24 months following the effective date of a change in control (a “Qualifying Termination”). A participant will not be eligible for benefits under the Continuity Plan if such participant: accepts employment with Entergy Corporation or any of its subsidiaries; elects to receive the benefits of another severance or separation program; removes, copies or fails to return any property belonging to Entergy Corporation or any of its subsidiaries or violates his or her non-compete provision (which generally runs for two years but extends to three years if permissible under applicable law). Entergy Corporation does not have any plans or agreements that provide for payments or benefits to any of the Named Executive Officers solely upon a change in control.

In the event of a Qualifying Termination, executive officers, including the Named Executive Officers, generally will receive the benefits set forth below:

Compensation Element	Payment
<b>Severance*</b>	A lump sum severance payment equal to a multiple of the sum of: (a) the participant’s annual base salary as in effect at any time within one year prior to the commencement of a change of control period or, if higher, immediately prior to a circumstance constituting good reason, plus (b) the participant’s annual incentive, calculated using the average annual target opportunity derived under the Annual Incentive Plan for the two calendar years immediately preceding the calendar year in which termination occurs.
<b>Performance Units</b>	Participants will forfeit outstanding performance units, and in lieu of any payment for any outstanding performance period, will receive a single-lump sum payment calculated by multiplying the target performance units for the most recent performance period preceding (but not including) the calendar year in which termination occurs by the closing price of Entergy’s common stock as of the later of the date of such termination or the date of the Change in Control.
<b>Equity Awards</b>	All unvested stock options, shares of restricted stock and restricted stock units will vest immediately upon a “double trigger” Qualifying Termination pursuant to the terms of the Equity Ownership Plan.
<b>Retirement Benefits</b>	Benefits already accrued under the System Executive Retirement Plan, Pension Equalization Plan and Cash Balance Equalization Plan, if any, will become fully vested.
<b>Welfare Benefits</b>	Participants who are not retirement-eligible would be eligible to receive Entergy-subsidized COBRA benefits for a period ranging from 12 to 18 months.

\* Cash severance payments are capped at 2.99 times the sum of (a) an executive’s annual base salary plus (b) the higher of his or her actual annual incentive payment under the Annual Incentive Plan or his or her annual incentive, calculated using the average annual target opportunity derived under the Annual Incentive Plan for the two calendar years immediately preceding the calendar year in which termination occurs. Any cash severance payments to be paid under the Continuity Plan in excess of this cap will be forfeited by the participant.

To protect shareholders and Entergy Corporation’s business model, executives are required to comply with non-compete, non-solicitation, confidentiality and non-denigration provisions. If an executive discloses non-public data or information concerning Entergy Corporation or any of its subsidiaries or violates his or her non-compete provision, he or she will be required to repay any benefits previously received under the Continuity Plan.

For purposes of the Continuity Plan the following events are generally defined as:

- **Change in Control:** (a) the purchase of 30% or more of either Entergy Corporation’s common stock or the combined voting power of Entergy Corporation’s voting securities; (b) the merger or consolidation of Entergy Corporation (unless its Board members constitute at least a majority of the board members of the surviving entity); (c) the liquidation, dissolution or sale of all or substantially all of Entergy Corporation’s assets; or (d) a change in the composition of Entergy Corporation’s Board such that, during any two-year period, the individuals serving at the beginning of the period no longer constitute a majority of Entergy Corporation’s Board at the end of the period.
- **Potential Change in Control:** (a) Entergy Corporation or an affiliate enters into an agreement the consummation of which would constitute a Change in Control; (b) the Entergy Corporation Board adopts resolutions determining that, for purposes of the Continuity Plan, a potential Change in Control has occurred; (c) a System Company or other person or entity publicly announces an intention to take actions that would constitute a Change in Control; or (d) any person or entity becomes the beneficial owner (directly or indirectly) of Entergy Corporation’s outstanding shares of common stock constituting 20% or more of the voting power or value of the Entergy Corporation’s outstanding common stock.



- **Cause:** The participant’s (a) willful and continuous failure to perform substantially his or her duties after written demand for performance; (b) engagement in conduct that is materially injurious to Entergy Corporation or any of its subsidiaries; (c) conviction or guilty or nolo contendere plea to a felony or other crime that materially and adversely affects either his or her ability to perform his or her duties or Entergy Corporation’s reputation; (d) material violation of any agreement with Entergy Corporation or any of its subsidiaries; or (e) disclosure of any of Entergy Corporation’s confidential information without authorization.
- **Good Reason:** The participant’s (a) nature or status of duties and responsibilities is substantially altered or reduced; (b) salary is reduced by 5% or more; (c) primary work location is relocated outside the continental United States; (d) compensation plans are discontinued without an equitable replacement; (e) benefits or number of vacation days are substantially reduced; or (f) employment is terminated by an Entergy employer for reasons other than in accordance with the Continuity Plan.

**Other Termination Events**

For termination events, other than in connection with a Change in Control, the executive officers, including the Named Executive Officers, generally will receive the benefits set forth below:

Termination Event	Compensation Element				
	Severance	Annual Incentive	Stock Options	Restricted Stock	Performance Units
<b>Voluntary Resignation</b>	None	Forfeited*	Unvested options are forfeited. Vested options expire on the earlier of (i) 90 days from the last day of active employment and (ii) the option’s normal expiration date.	Forfeited	Forfeited**
<b>Termination for Cause</b>	None	Forfeited	Forfeited	Forfeited	Forfeited
<b>Retirement</b>	None	Pro-rated based on number of days employed during the performance period	Unvested stock options vest on the retirement date and expire on the earlier of (i) five years from the Retirement date and (ii) the option’s normal expiration date.	Forfeited	Officers with a minimum of 12 months of participation are eligible for a pro-rated award based on actual performance and full months of service during the performance period
<b>Death/Disability</b>	None	Pro-rated based on number of days employed during the performance period	Unvested stock options vest on the termination date and expire on the earlier of (i) five years from the termination date and (ii) the option’s normal expiration date	Fully Vest	Officers are eligible for pro-rated award based on actual performance and full months of service during the performance period

\* If an officer resigns after the completion of an annual incentive plan, he or she may receive, at the Company’s discretion, an annual incentive payment.

\*\* If an officer resigns after the completion of a Long-Term Performance Unit Program performance period, he or she may receive a payout under the Long-Term Performance Unit Program based on the outcome of the performance period.

*Mr. Denault's 2006 Retention Agreement*

In 2006, Entergy Corporation entered into a retention agreement with Mr. Denault that provides benefits to him in addition to, or in lieu of, the benefits described above. Specifically, in the event of a Termination Event (as defined in his agreement): 1) Mr. Denault is entitled to a Target LTIP Award calculated by using the average annual number of performance units with respect to the two most recent performance periods preceding the calendar year in which his employment termination occurs, assuming all performance goals were achieved at target; and 2) all of Mr. Denault's unvested stock options and shares of restricted stock will immediately vest.

In the event of death or disability, Mr. Denault would receive the greater of the Target LTIP Award calculated as described above or the pro-rated number of performance units for all open performance periods, based on the number of months of his participation in each open performance period.

Under the terms of his 2006 retention agreement, Mr. Denault's employment may be terminated for cause upon Mr. Denault's: (a) continuing failure to substantially perform his duties (other than because of physical or mental illness or after he has given notice of termination for good reason) that remains uncured for 30 days after receiving a written notice from the Personnel Committee; (b) willfully engaging in conduct that is demonstrably and materially injurious to Entergy; (c) conviction of or entrance of a plea of guilty or nolo contendere to a felony or other crime that has or may have a material adverse effect on his ability to carry out his duties or upon Entergy's reputation; (d) material violation of any agreement that he has entered into with Entergy; or (e) unauthorized disclosure of Entergy's confidential information.

Mr. Denault may terminate his employment for good reason upon: (a) the substantial reduction in the nature or status of his duties or responsibilities from those in effect immediately prior to the date of the retention agreement, other than de minimis acts that are remedied after notice from Mr. Denault; (b) a reduction of 5% or more in his base salary as in effect on the date of the retention agreement; (c) the relocation of his principal place of employment to a location other than the corporate headquarters; (d) the failure to continue to allow him to participate in programs or plans providing opportunities for equity awards, incentive compensation and other plans on a basis not materially less favorable than enjoyed at the time of the retention agreement (other than changes similarly affecting all senior executives); (e) the failure to continue to allow him to participate in programs or plans with opportunities for benefits not materially less favorable than those enjoyed by him under any of the pension, savings, life insurance, medical, health and accident, disability or vacation plans or policies at the time of the retention agreement (other than changes similarly affecting all senior executives); or (f) any purported termination of his employment not taken in accordance with his retention agreement.

***Aggregate Termination Payments***

The tables below reflect the amount of compensation each of the Named Executive Officers would have received if his or her employment had been terminated as of December 31, 2019 under the various scenarios described above. For purposes of these tables, a stock price of \$119.80 was used, which was the closing market price on December 31, 2019, the last trading day of the year.

Benefits and Payments Upon Termination	Voluntary Resignation	For Cause	Termination for Good Reason or Not for Cause	Retirement	Disability	Death	Termination Related to a Change in Control
<b>A. Christopher Bakken, III<sup>(1)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$3,335,798
Performance Units <sup>(3)</sup>	—	—	—	—	\$1,013,149	\$1,013,149	\$1,964,720
Stock Options	—	—	—	—	\$2,858,837	\$2,858,837	\$2,858,837
Restricted Stock	—	—	—	—	\$1,113,669	\$1,113,669	\$1,113,669
Welfare Benefits <sup>(5)</sup>	—	—	—	—	—	—	\$22,248
Unvested Restricted Stock Units <sup>(7)</sup>	—	—	—	—	—	—	\$2,369,000
<b>Marcus V. Brown<sup>(2)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$3,397,875
Performance Units <sup>(3)</sup>	—	—	—	\$1,005,721	\$1,005,721	\$1,005,721	\$1,964,720
Stock Options	—	—	—	\$2,942,442	\$2,942,442	\$2,942,442	\$2,942,442
Restricted Stock	—	—	—	—	\$1,145,708	\$1,145,708	\$1,145,708
Welfare Benefits <sup>(6)</sup>	—	—	—	—	—	—	—
<b>Leo P. Denault<sup>(2)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$9,870,588
Performance Units <sup>(3)(4)</sup>	—	—	\$4,480,520	\$5,028,006	\$5,028,006	\$5,028,006	\$9,991,320
Stock Options	—	—	\$12,314,200	\$12,314,200	\$12,314,200	\$12,314,200	\$12,314,200
Restricted Stock	—	—	\$4,015,803	—	\$4,015,803	\$4,015,803	\$4,015,803
Welfare Benefits <sup>(6)</sup>	—	—	—	—	—	—	—
<b>David D. Ellis<sup>(1)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$376,065
Performance Units <sup>(3)</sup>	—	—	—	—	\$145,916	\$145,916	\$431,280
Stock Options	—	—	—	—	\$143,867	\$143,867	\$143,867
Restricted Stock	—	—	—	—	\$62,022	\$62,022	\$62,022
Welfare Benefits <sup>(5)</sup>	—	—	—	—	—	—	\$19,908
<b>Haley R. Fisackerly<sup>(1)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$526,432
Performance Units <sup>(3)</sup>	—	—	—	—	\$189,763	\$189,763	\$431,280
Stock Options	—	—	—	—	\$498,200	\$498,200	\$498,200
Restricted Stock	—	—	—	—	\$182,045	\$182,045	\$182,045
Welfare Benefits <sup>(5)</sup>	—	—	—	—	—	—	\$19,908
<b>Laura R. Landreaux<sup>(1)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$419,322
Performance Units <sup>(3)(4)</sup>	—	—	—	—	\$167,840	\$167,840	\$431,280
Stock Options	—	—	—	—	\$156,111	\$156,111	\$156,111
Restricted Stock	—	—	—	—	\$233,335	\$233,335	\$233,335
Welfare Benefits <sup>(5)</sup>	—	—	—	—	—	—	\$19,908

Benefits and Payments Upon Termination	Voluntary Resignation	For Cause	Termination for Good Reason or Not for Cause	Retirement	Disability	Death	Termination Related to a Change in Control
<b>Andrew S. Marsh<sup>(1)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$3,315,000
Performance Units <sup>(3)</sup>	—	—	—	—	\$1,105,035	\$1,105,035	\$1,964,720
Stock Options	—	—	—	—	\$3,468,531	\$3,468,531	\$3,468,531
Restricted Stock	—	—	—	—	\$1,279,045	\$1,279,045	\$1,279,045
Welfare Benefits <sup>(5)</sup>	—	—	—	—	—	—	\$29,862
Unvested Restricted Stock Units <sup>(8)</sup>	—	—	—	—	\$2,527,780	\$2,527,780	\$2,527,780
<b>Phillip R. May, Jr.<sup>(2)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$1,254,536
Performance Units <sup>(3)</sup>	—	—	—	\$289,557	\$289,557	\$289,557	\$646,920
Stock Options	—	—	—	\$732,470	\$732,470	\$732,470	\$732,470
Restricted Stock	—	—	—	—	\$247,721	\$247,721	\$247,721
Welfare Benefits <sup>(6)</sup>	—	—	—	—	—	—	—
<b>Sallie T. Rainer<sup>(2)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$486,390
Performance Units <sup>(3)</sup>	—	—	—	\$189,763	\$189,763	\$189,763	\$431,280
Stock Options	—	—	—	\$501,452	\$501,452	\$501,452	\$501,452
Restricted Stock	—	—	—	—	\$184,210	\$184,210	\$184,210
Welfare Benefits <sup>(6)</sup>	—	—	—	—	—	—	—
<b>Roderick K. West<sup>(1)</sup></b>							
Severance Payment	—	—	—	—	—	—	\$3,641,466
Performance Units <sup>(3)</sup>	—	—	—	—	\$1,033,275	\$1,033,275	\$1,964,720
Stock Options	—	—	—	—	\$2,835,460	\$2,835,460	\$2,835,460
Restricted Stock	—	—	—	—	\$1,064,329	\$1,064,329	\$1,064,329
Welfare Benefits <sup>(5)</sup>	—	—	—	—	—	—	\$29,862

- 1) See “2019 Pension Benefits” for a description of the pension benefits Mr. Bakken, Mr. Ellis, Mr. Fisackerly, Ms. Landreaux, Mr. Marsh, and Mr. West may receive upon the occurrence of certain termination events.
- 2) As of December 31, 2019, Mr. Brown, Mr. Denault, Mr. May, and Ms. Rainer are retirement eligible and would retire rather than voluntarily resign, and in addition to the payments and benefits in the table, Mr. Brown, Mr. Denault, Mr. May, and Ms. Rainer also would be entitled to receive their vested pension benefits under the Entergy Retirement Plan. For a description of these benefits, see “2019 Pension Benefits.”
- 3) For purposes of the table, the value of Mr. Denault’s payments was calculated by multiplying the target performance units for the 2016-2018 Performance Unit Program (41,700) by the closing price of Entergy stock on December 31, 2019 (\$119.80), which would equal a payment of \$4,995,660 for the forfeited performance units for each performance period. The value of Mr. Bakken’s, Mr. Brown’s, Mr. Marsh’s, and Mr. West’s payments was calculated by multiplying the target performance units for the 2016-2018 Performance Unit Program (8,200) by the closing price of Entergy stock on December 31, 2019 (\$119.80), which would equal a payment of \$982,360 for the forfeited performance units for each performance period. The value of Mr. May’s payment was calculated by multiplying the target performance units for the 2016-2018 Performance Unit Program (2,700) by the closing price of Entergy stock on December 31, 2019 (\$119.80), which would equal a payment of \$323,460 for the forfeited performance units for each performance period. The value of the payments for the other Named Executives Officers was calculated by multiplying the target performance units for the 2016-2018 Performance Unit Program (1,800) by

the closing price of Entergy stock on December 31, 2019 (\$119.80), which would equal a payment of \$215,640 for the forfeited performance units for each performance period.

For purposes of the table, the values of the awards payable in the event of retirement in the case of Mr. Brown, Mr. Denault, Mr. May, or Ms. Rainer or upon death or disability, other than Mr. Denault, for each Named Executive Officer were calculated as follows:

Mr. Denault's:

2018-2020 Performance Period: 28,467 ( $24/36 \times 42,700$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 13,503 ( $12/36 \times 40,508$ ) performance units at target, assuming a stock price of \$119.80

Mr. Bakken's:

2018-2020 Performance Period: 5,267 ( $24/36 \times 7,900$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 3,190 ( $12/36 \times 9,568$ ) performance units at target, assuming a stock price of \$119.80

Mr. Brown's:

2018-2020 Performance Period: 5,267 ( $24/36 \times 7,900$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 3,128 ( $12/36 \times 9,383$ ) performance units at target, assuming a stock price of \$119.80

Mr. Marsh's:

2018-2020 Performance Period: 5,267 ( $24/36 \times 7,900$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 3,957 ( $12/36 \times 11,869$ ) performance units at target, assuming a stock price of \$119.80

Mr. West's:

2018-2020 Performance Period: 5,267 ( $24/36 \times 7,900$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 3,358 ( $12/36 \times 10,073$ ) performance units at target, assuming a stock price of \$119.80

Mr. May's:

2018-2020 Performance Period: 1,700 ( $24/36 \times 2,550$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 717 ( $12/36 \times 2,150$ ) performance units at target, assuming a stock price of \$119.80

Mr. Fisackerly's and Ms. Rainer's:

2018-2020 Performance Period: 1,100 ( $24/36 \times 1,650$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 484 ( $12/36 \times 1,450$ ) performance units at target, assuming a stock price of \$119.80

Ms. Landreaux's:

2018-2020 Performance Period: 917 ( $24/36 \times 1,375$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 484 ( $12/36 \times 1,450$ ) performance units at target, assuming a stock price of \$119.80

Mr. Ellis's:

2018-2020 Performance Period: 734 ( $24/36 \times 1,100$ ) performance units at target, assuming a stock price of \$119.80

2019-2021 Performance Period: 484 ( $12/36 \times 1,450$ ) performance units at target, assuming a stock price of \$119.80

- 4) For purposes of the table, the value of Mr. Denault's retention payment was calculated by taking an average of the target performance units from the 2015-2017 Performance Unit Program (33,100) and from the 2016-2018 Performance Unit Program (41,700). This average number of units (37,400) multiplied by the closing price of Entergy stock on December 31, 2019 (\$119.80) would equal a payment of \$4,480,520.
- 5) Pursuant to the System Executive Continuity Plan, in the event of a termination related to a change in control, Mr. Bakken, Mr. Marsh, and Mr. West would be eligible to receive Entergy-subsidized COBRA benefits for 18 months and Mr. Ellis, Mr. Fisackerly, and Ms. Landreaux would be eligible to receive Entergy-subsidized COBRA benefits for 12 months.
- 6) Upon retirement, Mr. Brown, Mr. Denault, Mr. May, and Ms. Rainer would be eligible for retiree medical and dental benefits, the same as all other retirees.
- 7) Mr. Bakken's 20,000 restricted stock units vest in two equal installments on April 6, 2022 and April 6, 2025. In the event of a change in control, the unvested restricted stock units will fully vest upon Mr. Bakken's Qualifying Termination during a change in control period. Pursuant to his restricted stock unit agreement, Mr. Bakken is subject to certain restrictions on his ability to compete with Entergy and its affiliates or solicit its employees or customers during and for 12 months after his employment with his Entergy employer. In addition, the restricted stock unit agreement limits Mr. Bakken's ability to disparage Entergy and its affiliates. In the event of a breach of these restrictions, other than following certain constructive terminations of his employment, Mr. Bakken will forfeit any restricted stock units that are not yet vested and paid, and must repay to Entergy any shares of Entergy stock paid to him in respect of the restricted stock units and any amounts he received upon the sale or transfer of any such shares.
- 8) Mr. Marsh's 21,100 restricted stock units vest 100% in 2020. Pursuant to his restricted stock unit agreement, any unvested restricted stock units will vest immediately in the event of his termination of employment due to Mr. Marsh's total disability or death or a Qualifying Termination during a change in control period. Pursuant to his restricted stock unit agreement, Mr. Marsh is subject to certain restrictions on his ability to compete with Entergy and its affiliates during and for 12 months after his employment with Entergy, or to solicit its employees or customers during and for 24 months after his employment with Entergy. In addition, the restricted stock unit agreement limits Mr. Marsh's ability to disparage Entergy and its affiliates. In the event of a breach of these restrictions, Mr. Marsh will forfeit any restricted stock units that are not yet vested and paid, and must repay to Entergy any shares of Entergy stock paid to him in respect of the restricted stock units and any amounts he received upon the sale or transfer of any such shares.

## Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the following disclosure is being provided about the relationship of the annual total compensation of the employees of each of the Utility operating companies to the annual total compensation of their respective Presidents and Chief Executive Officers. The pay ratio estimate for each of the Utility operating companies has been calculated in a manner consistent with Item 402(u) of Regulation S-K.

### *Identification of Median Employee*

For each of the Utility operating companies, October 4, 2019 was selected as the date on which to determine the median employee. This date is different from the date used in the prior year; however, the methodology used to determine

the date is consistent with that used in the prior year. Both dates correspond to the first day of the three month period prior to fiscal year-end for which information can be obtained about employees and all subsidiaries have the same number of pay cycles. To identify the median employee from each of the Utility operating companies' employee population base, all compensation included in Box 5 of Form W-2 was considered with all before-tax deductions added back to this compensation ("Box 5 Compensation"). For purposes of determining the median employee of each Utility operating company, Box 5 Compensation was selected as it is believed it is representative of the compensation received by the employees of each respective Utility operating company and is readily available. The calculation of annual total compensation of the median employee for each Utility operating company is the same calculation used to determine total compensation for purposes of the 2019 Summary Compensation Table with respect to each of the Named Executive Officers.

#### Entergy Arkansas Ratio

For 2019,

- The median of the annual total compensation of all of Entergy Arkansas's employees, other than Ms. Landreaux, was \$230,966.
- Ms. Landreaux's annual total compensation, as reported in the Total column of the 2019 Summary Compensation Table was \$1,064,459.
- Based on this information, the ratio of the annual total compensation of Mrs. Landreaux to the median of the annual total compensation of all employees is estimated to be 5:1.

#### Entergy Louisiana Ratio

For 2019,

- The median of the annual total compensation of all of Entergy Louisiana's employees, other than Mr. May, was \$173,745.
- Mr. May's annual total compensation, as reported in the Total column of the 2019 Summary Compensation Table, was \$2,073,894.
- Based on this information, the ratio of the annual total compensation of Mr. May to the median of the annual total compensation of all employees is estimated to be 12:1.

#### Entergy Mississippi Ratio

For 2019,

- The median of the annual total compensation of all of Entergy Mississippi's employees, other than Mr. Fisackerly, was \$254,843.
- Mr. Fisackerly's annual total compensation, as reported in the Total column of the 2019 Summary Compensation Table, was \$1,579,844.
- Based on this information, the ratio of the annual total compensation of Mr. Fisackerly to the median of the annual total compensation of all employees is estimated to be 6:1.

#### Entergy New Orleans Ratio

For 2019,

- The median of the annual total compensation of all of Entergy New Orleans's employees, other than Mr. Ellis, was \$145,217.
- Mr. Ellis's annual total compensation, as reported in the Total column of the 2019 Summary Compensation Table was \$732,040.
- Based on this information, the ratio of the annual total compensation of Mr. Ellis to the median of the annual total compensation of all employees is estimated to be 5:1.

## Entergy Texas Ratio

For 2019,

- The median of the annual total compensation of all of Entergy Texas's employees, other than Ms. Rainer, was \$233,988.
- Ms. Rainer's annual total compensation, as reported in the Total column of the 2019 Summary Compensation Table, was \$1,467,716.
- Based on this information, the ratio of the annual total compensation of Ms. Rainer to the median of the annual total compensation of all employees is estimated to be 6:1.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management**

Entergy Corporation owns 100% of the outstanding common stock of registrant Entergy Texas and indirectly 100% of the outstanding common membership interests of registrants Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The information with respect to persons known by Entergy Corporation to be beneficial owners of more than 5% of Entergy Corporation's outstanding common stock is included under the heading "Entergy Share Ownership - Beneficial Owners of More Than Five Percent of Entergy Common Stock" in the Entergy Corporation Proxy Statement, which information is incorporated herein by reference. The registrants know of no contractual arrangements that may, at a subsequent date, result in a change in control of any of the registrants.

The following table sets forth the beneficial ownership of common stock of Entergy Corporation and stock-based units as of January 31, 2020 for all directors and Named Executive Officers. Unless otherwise noted, each person had sole voting and investment power over the number of shares of common stock and stock-based units of Entergy Corporation set forth across from his or her name.



Name	Shares <sup>(1)(2)</sup>	Options Exercisable Within 60 Days	Stock Units <sup>(3)</sup>
<b>Entergy Corporation</b>			
A. Christopher Bakken, III**	38,397	38,174	—
Marcus V. Brown**	44,758	40,075	—
John R. Burbank*	2,417	—	—
Patrick J. Condon*	7,834	—	—
Leo P. Denault***	265,416	753,202	—
Kirkland H. Donald*	7,721	—	2,949
Philip L. Frederickson*	6,284	—	805
Alexis M. Herman*	14,506	—	—
M. Elise Hyland*	727	—	—
Stuart L. Levenick*	21,421	—	—
Blanche L. Lincoln*	14,879	—	—
Andrew S. Marsh**	86,740	241,726	—
Karen A. Puckett*	7,834	—	—
Roderick K. West**	64,999	97,249	—
All directors and executive officers as a group (19 persons)	656,574	1,273,794	3,754
<b>Entergy Arkansas</b>			
A. Christopher Bakken, III**	38,397	38,174	—
Marcus V. Brown**	44,758	40,075	—
Leo P. Denault**	265,416	753,202	—
Andrew S. Marsh***	86,740	241,726	—
Laura R. Landreaux***	5,866	1,700	—
Roderick K. West***	64,999	97,249	—
All directors and executive officers as a group (8 persons)	555,420	1,242,596	—
<b>Entergy Louisiana</b>			
A. Christopher Bakken, III**	38,397	38,174	—
Marcus V. Brown**	44,758	40,075	—
Leo P. Denault**	265,416	753,202	—
Andrew S. Marsh***	86,740	241,726	—
Phillip R. May, Jr.***	25,880	13,900	13
Roderick K. West***	64,999	97,249	—
All directors and executive officers as a group (8 persons)	575,434	1,254,796	13

Name	Shares <sup>(1)(2)</sup>	Options Exercisable Within 60 Days	Stock Units <sup>(3)</sup>
<b>Entergy Mississippi</b>			
Marcus V. Brown**	44,758	40,075	—
Leo P. Denault**	265,416	753,202	—
Haley R. Fisackerly***	9,847	6,800	—
Andrew S. Marsh***	86,740	241,726	—
Roderick K. West***	64,999	97,249	—
All directors and executive officers as a group (7 persons)	521,004	1,209,522	—
<b>Entergy New Orleans</b>			
Marcus V. Brown**	44,758	40,075	—
Leo P. Denault**	265,416	753,202	—
David D. Ellis***	1,812	1,566	—
Andrew S. Marsh***	86,740	241,726	—
Roderick K. West***	64,999	97,249	—
All directors and executive officers as a group (7 persons)	512,969	1,204,288	—
<b>Entergy Texas</b>			
Marcus V. Brown**	44,758	40,075	—
Leo P. Denault**	265,416	753,202	—
Andrew S. Marsh***	86,740	241,726	—
Sallie T. Rainer***	10,799	6,866	—
Roderick K. West***	64,999	97,249	—
All directors and executive officers as a group (7 persons)	521,956	1,209,588	—

- \* Director of the respective Company
- \*\* Named Executive Officer of the respective Company
- \*\*\* Director and Named Executive Officer of the respective Company

- (1) The number of shares of Entergy Corporation common stock owned by each individual and by all non-employee directors and executive officers as a group does not exceed one percent of the outstanding shares of Entergy Corporation common stock.
- (2) For the non-employee directors, the balances include phantom units that are issued under the Service Recognition Program. All non-employee directors are credited with phantom units for each year of service on the Entergy Corporation Board. These phantom units do not have voting rights or accrue dividends, and will be settled in shares of Entergy Corporation common stock following the non-employee director's separation from the Board.
- (3) Represents the balances of phantom units each executive holds under the defined contribution restoration plan and the deferral provisions of Entergy Corporation's equity ownership plans. These units will be paid out in either Entergy Corporation Common Stock or cash equivalent to the value of one share of Entergy Corporation common stock per unit on the date of payout, including accrued dividends. The deferral period is determined by the individual and is at least two years from the award of the bonus. Messrs. Donald and Frederickson have deferred receipt of some of their quarterly stock grants. The deferred shares will be settled in cash in an amount equal to the market value of Entergy Corporation common stock at the end of the deferral period.

### Equity Compensation Plan Information

The following table summarizes the equity compensation plan information as of December 31, 2019. Information is included for equity compensation plans approved by the shareholders. There are no shares authorized for issuance under equity compensation plans not approved by the shareholders.

Plan	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price (b) <sup>(2)</sup>	Number of Securities Remaining Available for Future Issuance (excluding securities reflected in column (a))(c)
Equity compensation plans approved by security holders <sup>(1)</sup>	2,448,913	\$78.48	7,266,822
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>2,448,913</b>	<b>\$78.48</b>	<b>7,266,822</b>

- (1) Includes the 2007 Equity Ownership Plan, the 2011 Equity Ownership Plan, the 2015 Equity Plan, and the 2019 Omnibus Incentive Plan. The 2007 Equity Ownership Plan was approved by Entergy Corporation shareholders on May 12, 2006, and only applied to awards granted between January 1, 2007 and May 5, 2011. The 2011 Equity Ownership Plan was approved by Entergy Corporation shareholders on May 6, 2011, and only applied to awards granted between May 6, 2011 and May 7, 2015. The 2015 Equity Plan was approved by Entergy Corporation shareholders on May 8, 2015, and only applied to awards granted between May 8, 2015 and May 3, 2019. The 2019 Omnibus Incentive Plan was approved by the Entergy Corporation shareholders on May 3, 2019, and 7,300,000 shares of Entergy Corporation common stock can be issued from the 2019 Omnibus Incentive Plan, with all shares available for equity-based incentive awards. The 2007 Equity Ownership Plan, the 2011 Equity Ownership Plan, the 2015 Equity Plan, and the 2019 Omnibus Incentive Plan (collectively, the “Plans”) are administered by the Personnel Committee of the Board of Directors (other than with respect to awards granted to non-employee directors, which awards are administered by the entire Board of Directors). Eligibility under the Plans is limited to the non-employee directors and to the officers and employees of an Entergy employer or an affiliate of Entergy Corporation. The Plans provide for the issuance of stock options, restricted stock, equity awards (units whose value is related to the value of shares of the common stock but do not represent actual shares of common stock), performance awards (performance shares or units valued by reference to shares of common stock or performance units valued by reference to financial measures or property other than common stock), restricted stock unit awards, and other stock-based awards.
- (2) The weighted average exercise price reported in this column does not include outstanding performance awards.

**Item 13. Certain Relationships and Related Party Transactions and Director Independence**

For information regarding certain relationship, related transactions and director independence of Entergy Corporation, see the Entergy Corporation Proxy Statement under the headings “Corporate Governance at Entergy - Director Independence” and “Corporate Governance - Corporate Governance Policies - Review and Approval of Related Party Transactions.”

Entergy Corporation’s Board of Directors has adopted a written Related Party Transaction Approval Policy that applies:

- To any transaction or series of transactions in which Entergy Corporation or a subsidiary is a participant;
- When the amount involved exceeds \$120,000; and
- When a Related Party (an Entergy Corporation director or executive officer, any nominee for director, any shareholder owning an excess of 5% of the total equity of Entergy Corporation and any immediate family member of any such person) has a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

The policy is administered by Entergy Corporation’s Corporate Governance Committee. The committee will consider relevant facts and circumstance in determining whether or not to approve or ratify such a transaction, and will approve or ratify only those transactions that are, in the Corporate Governance Committee’s judgment, appropriate or desirable under the circumstances. The Corporate Governance Committee has determined that certain types of transactions do not create or involve a direct or indirect material interest, including (i) compensation and related party transactions involving a director or an executive officer solely resulting from service as a director or employment with Entergy Corporation so long as the compensation is approved by the Entergy Corporation Board of Directors (or an appropriate committee); (ii) transactions involving public utility services at rates or charges fixed in conformity with law or governmental authority; or (iii) all business relationships between Entergy Corporation and a Related Party made in the ordinary course of business on terms and conditions generally available in the marketplace and in accordance with applicable law. To Entergy Corporation’s knowledge, since January 1, 2019, neither Entergy Corporation nor any of its affiliates has participated in any Related Party transaction.

**Item 14. Principal Accountant Fees and Services (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Aggregate fees billed to Entergy Corporation (consolidated), Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy for the years ended December 31, 2019 and 2018 by Deloitte & Touche LLP were as follows:

	<u>2019</u>	<u>2018</u>
<b>Entergy Corporation (consolidated)</b>		
Audit Fees	\$8,710,000	\$8,801,895
Audit-Related Fees (a)	775,000	1,067,119
Total audit and audit-related fees	<u>9,485,000</u>	<u>9,869,014</u>
Tax Fees	—	—
All Other Fees	31,835	—
Total Fees (b)	<u>\$9,516,835</u>	<u>\$9,869,014</u>
<b>Entergy Arkansas</b>		
Audit Fees	\$1,015,125	\$1,030,758
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	<u>1,015,125</u>	<u>1,030,758</u>
Tax Fees	—	—
All Other Fees	—	—
Total Fees (b)	<u>\$1,015,125</u>	<u>\$1,030,758</u>
<b>Entergy Louisiana</b>		
Audit Fees	\$1,871,918	\$1,916,517
Audit-Related Fees (a)	360,000	500,000
Total audit and audit-related fees	<u>2,231,918</u>	<u>2,416,517</u>
Tax Fees	—	—
All Other Fees	—	—
Total Fees (b)	<u>\$2,231,918</u>	<u>\$2,416,517</u>
<b>Entergy Mississippi</b>		
Audit Fees	\$1,005,125	\$910,758
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	<u>1,005,125</u>	<u>910,758</u>
Tax Fees	—	—
All Other Fees	—	—
Total Fees (b)	<u>\$1,005,125</u>	<u>\$910,758</u>

	<b>2019</b>	<b>2018</b>
<b>Entergy New Orleans</b>		
Audit Fees	\$950,125	\$965,758
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	950,125	965,758
Tax Fees	—	—
All Other Fees	—	—
Total Fees (b)	\$950,125	\$965,758
<b>Entergy Texas</b>		
Audit Fees	\$1,165,125	\$1,200,758
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	1,165,125	1,200,758
Tax Fees	—	—
All Other Fees	—	—
Total Fees (b)	\$1,165,125	\$1,200,758
<b>System Energy</b>		
Audit Fees	\$930,125	\$850,758
Audit-Related Fees (a)	—	—
Total audit and audit-related fees	930,125	850,758
Tax Fees	—	—
All Other Fees	—	—
Total Fees (b)	\$930,125	\$850,758

- (a) Includes fees for employee benefit plan audits, consultation on financial accounting and reporting, and other attestation services.  
(b) 100% of fees paid in 2019 and 2018 were pre-approved by the Entergy Corporation Audit Committee.

## **Entergy Audit Committee Guidelines for Pre-approval of Independent Auditor Services**

The Audit Committee has adopted the following guidelines regarding the engagement of Entergy's independent auditor to perform services for Entergy:

1. The independent auditor will provide the Audit Committee, for approval, an annual engagement letter outlining the scope of services proposed to be performed during the fiscal year, including audit services and other permissible non-audit services (e.g. audit-related services, tax services, and all other services).
2. For other permissible services not included in the engagement letter, Entergy management will submit a description of the proposed service, including a budget estimate, to the Audit Committee for pre-approval. Management and the independent auditor must agree that the requested service is consistent with the SEC's rules on auditor independence prior to submission to the Audit Committee. The Audit Committee, at its discretion, will pre-approve permissible services and has established the following additional guidelines for permissible non-audit services provided by the independent auditor:
  - Aggregate non-audit service fees are targeted at fifty percent or less of the approved audit service fee.
  - All other services should only be provided by the independent auditor if it is a highly qualified provider of that service or if the Audit Committee pre-approves the independent audit firm to provide the service.
3. The Audit Committee will be informed quarterly as to the status of pre-approved services actually provided by the independent auditor.
4. To ensure prompt handling of unexpected matters, the Audit Committee delegates to the Audit Committee Chair or its designee the authority to approve permissible services and fees. The Audit Committee Chair or designee will report action taken to the Audit Committee at the next scheduled Audit Committee meeting.
5. The Vice President and General Auditor will be responsible for tracking all independent auditor fees and will report quarterly to the Audit Committee.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

- (a)1. Financial Statements and Independent Auditors' Reports for Entergy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are listed in the Table of Contents.
- (a)2. Financial Statement Schedules  
Reports of Independent Registered Public Accounting Firm (see page 517)  
Financial Statement Schedules are listed in the Index to Financial Statement Schedules (see page S-1)
- (a)3. Exhibits  
Exhibits for Entergy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are listed in the Exhibit Index (see page 494 and are incorporated by reference herein). Each management contract or compensatory plan or arrangement required to be filed as an exhibit hereto is identified as such by footnote in the Exhibit Index.

**Item 16. Form 10-K Summary (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

None.



## EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have previously been filed with the SEC as the exhibits and in the file numbers indicated and are incorporated herein by reference. The exhibits marked with a (+) are management contracts or compensatory plans or arrangements required to be filed herewith and required to be identified as such by Item 15 of Form 10-K.

Some of the agreements included or incorporated by reference as exhibits to this Form 10-K contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of “materiality” that are different from the standard of “materiality” under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Entergy acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Form 10-K not misleading.

### **(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession**

#### Entergy Arkansas

- (a) 1 -- Plan of Merger of Entergy Arkansas, Inc. and Entergy Arkansas Power, LLC (2.1 to Form 8-K12B filed December 3, 2018 in 1-10764).

#### Entergy Louisiana

- (b) 1 -- Plan of Merger of Entergy Gulf States Power, LLC and Entergy Gulf States Louisiana, LLC (2.1 to Form 8-K12B filed October 1, 2015 in 1-32718).
- (b) 2 -- Plan of Merger of Entergy Louisiana, LLC and Entergy Louisiana Power, LLC (2.2 to Form 8-K12B filed October 1, 2015 in 1-32718).
- (b) 3 -- Plan of Merger of Entergy Gulf States Power, LLC and Entergy Louisiana Power, LLC (2.3 to Form 8-K12B filed October 1, 2015 in 1-32718).

#### Entergy Mississippi

- (c) 1 -- Plan of Merger of Entergy Mississippi, Inc. and Entergy Mississippi Power and Light, LLC (2.1 to Form 8-K12B filed December 3, 2018 in 1-31508).

#### Entergy New Orleans

- (d) 1 -- Plan of Merger of Entergy New Orleans, Inc. and Entergy New Orleans Power, LLC (2.1 to Form 8-K12B filed December 1, 2017 in 1-35747).

### **(3) Articles of Incorporation and Bylaws**

#### Entergy Corporation

- (a) 1 -- Restated Certificate of Incorporation of Entergy Corporation dated October 10, 2006 (3(a) to Form 10-Q for the quarter ended September 30, 2006 in 1-11299).
- (a) 2 -- Bylaws of Entergy Corporation as amended January 27, 2017, and as presently in effect (3.1 to Form 8-K filed January 30, 2017 in 1-11299).

System Energy

- (b) 1 -- Amended and Restated Articles of Incorporation of System Energy effective April 28, 1989 (3(b)1 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 2 -- By-Laws of System Energy effective July 6, 1998, and as presently in effect (3(f) to Form 10-Q for the quarter ended June 30, 1998 in 1-9067).

Entergy Arkansas

- (c) 1 -- Amended and Restated Certificate of Formation of Entergy Arkansas effective December 1, 2018 (3.3 to Form 8-K12B filed December 3, 2018 in 1-10764).
- (c) 2 -- Amended and Restated Company Agreement of Entergy Arkansas effective December 1, 2018 (3.4 to Form 8-K12B filed December 3, 2018 in 1-10764).

Entergy Louisiana

- (d) 1 -- Certificate of Formation of Entergy Louisiana Power, LLC (including Certificate of Amendment to Certificate of Formation to change the company name to Entergy Louisiana, LLC) effective July 7, 2015 (3.3 to Form 8-K12B filed October 1, 2015 in 1-32718).
- (d) 2 -- Company Agreement of Entergy Louisiana Power, LLC (including First Amendment to Company Agreement to change the company name to Entergy Louisiana, LLC) effective July 7, 2015 (3.4 to Form 8-K12B filed October 1, 2015 in 1-32718).

Entergy Mississippi

- (e) 1 -- Amended and Restated Certificate of Formation of Entergy Mississippi effective December 1, 2018 (3(e)1 to Form 10-K for the year ended December 31, 2018 in 1-31508).
- (e) 2 -- Amended and Restated Company Agreement of Entergy Mississippi effective December 1, 2018 (3.4 to Form 8-K12B filed December 3, 2018 in 1-31508).

Entergy New Orleans

- (f) 1 -- Composite Certificate of Formation of Entergy New Orleans effective December 1, 2017 (3.3 to Form 8-K12B filed December 1, 2017 in 1-35747).
- (f) 2 -- Composite Company Agreement of Entergy New Orleans effective December 1, 2017 (3.4 to Form 8-K12B filed December 1, 2017 in 1-35747).

Entergy Texas

- (g) 1 -- Amended and Restated Certificate of Formation of Entergy Texas effective August 21, 2019 (3.1 to Form 8-K filed August 21, 2019 in 1-34360), as amended by Statement of Resolution Establishing the 5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) of Entergy Texas (3.3 to Form 8-A filed September 4, 2019 in 1-34360).
- (g) 2 -- Amended and Restated Bylaws of Entergy Texas effective August 19, 2019 (3.2 to Form 8-K filed August 21, 2019 in 1-34360).

**(4) Instruments Defining Rights of Security Holders, Including Indentures**

Entergy Corporation

- (a) 1 -- See (4)(b) through (4)(g) below for instruments defining the rights of security holders of System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas.
- (a) 2 -- Indenture (For Unsecured Debt Securities), dated as of September 1, 2010, between Entergy Corporation and Wells Fargo Bank, National Association (4.01 to Form 8-K filed September 16, 2010 in 1-11299).
- (a) 3 -- Officer's Certificate for Entergy Corporation relating to 5.125% Senior Notes due September 15, 2020 (4.02(b) to Form 8-K filed September 16, 2010 in 1-11299).
- (a) 4 -- Officer's Certificate for Entergy Corporation relating to 4.0% Senior Notes due July 15, 2022 (4.02 to Form 8-K filed July 1, 2015 in 1-11299).
- (a) 5 -- Officer's Certificate for Entergy Corporation relating to 2.95% Senior Notes due September 1, 2026 (4.02 to Form 8-K filed August 19, 2016 in 1-11299).
- (a) 6 -- Officer's Certificate for Entergy Corporation relating to 4.50% Senior Note due December 16, 2028 (4(a)7 to Form 10-K for the year ended December 31, 2013 in 1-11299).
- (a) 7 -- Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Corporation, as Borrower, the banks and other financial institutions listed on the signatures pages thereof, as Lenders, Citibank, N.A., as Administrative Agent and LC Issuing Bank, MUFG Bank, Ltd., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4(g) to Form 10-Q for the quarter ended September 30, 2018 in 1-11299).
- (a) 8 -- Extension Agreement, dated September 13, 2019, to Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Corporation, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent and LC Issuing Bank, MUFG Bank, Ltd., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4(a) to Form 10-Q for the quarter ended September 30, 2019 in 1-11299).
- \*(a) 9 -- Description of Entergy Corporation's securities registered under Section 12 of the Securities Exchange Act of 1934.

System Energy

- (b) 1 -- Mortgage and Deed of Trust, dated as of June 15, 1977, as amended and restated by the following Supplemental Indenture: (4.42 to Form 8-K filed September 25, 2012 in 1-9067 (Twenty-fourth)).
- (b) 2 -- Fuel Lease, dated as of February 24, 1989, between River Fuel Funding Company #3, Inc. and System Energy (4(b)3 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 3 -- Loan Agreement, dated as of March 1, 2019, between System Energy and Mississippi Business Finance Corporation (4(b) to Form 8-K filed March 28, 2019 in 1-9067).

Entergy Arkansas

- (c) 1 -- Mortgage and Deed of Trust, dated as of October 1, 1944, as amended by the following Supplemental Indentures: (7(d) in 2-5463 (Mortgage); 7(b) in 2-7121 (First); 4(a)-7 in 2-10261 (Seventh); 2(b)-10 in 2-15767 (Tenth); 2(c) in 2-28869 (Sixteenth); 2(c) in 2-35107 (Eighteenth); 2(d) in 2-36646 (Nineteenth); 2(c) in 2-39253 (Twentieth); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Thirtieth); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Thirty-first); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Thirty-ninth); 4(c)1 to Form 10-K for the year ended December 31, 2017 in 1-10764 (Forty-first); 4(d)(2) in 33-54298 (Forty-sixth); C-2 to Form U5S for the year ended December 31, 1995 (Fifty-third); 4(c)1 to Form 10-K for the year ended December 31, 2008 in 1-10764 (Sixty-eighth); 4.06 to Form 8-K filed October 8, 2010 in 1-10764 (Sixty-ninth); 4.06 to Form 8-K filed November 12, 2010 in 1-10764 (Seventieth); 4.06 to Form 8-K filed December 13, 2012 in 1-10764 (Seventy-first); 4(e) to Form 8-K filed January 9, 2013 in 1-10764 (Seventy-second); 4.06 to Form 8-K filed May 30, 2013 in 1-10764 (Seventy-third); 4.06 to Form 8-K filed June 4, 2013 in 1-10764 (Seventy-fourth); 4.05 to Form 8-K filed March 14, 2014 in 1-10764 (Seventy-sixth); 4.05 to Form 8-K filed December 9, 2014 in 1-10764 (Seventy-seventh); 4.05 to Form 8-K filed January 8, 2016 in 1-10764 (Seventy-eighth); 4.05 to Form 8-K filed August 16, 2016 in 1-10764 (Seventy-ninth); 4(a) to Form 10-Q for the quarter ended September 30, 2018 (Eightieth); 4.1 to Form 8-K12B filed December 3, 2018 in 1-10764 (Eighty-first); and 4.39 to Form 8-K filed March 19, 2019 in 1-10764 (Eighty-second)).
- (c) 2 -- Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Arkansas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4(h) to Form 10-Q for the quarter ended September 30, 2018 in 1-10764).
- (c) 3 -- Borrower Assumption Agreement dated as of November 30, 2018 of Entergy Arkansas Power, LLC under the Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Arkansas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4.2 to Form 8-K12B filed December 3, 2018 in 1-10764).
- (c) 4 -- Extension Agreement, dated September 13, 2019, to Second Amended and Restated Credit Agreement dated as of September 14, 2018, as supplemented by the Borrower Assumption Agreement of Entergy Arkansas Power, LLC dated as of November 30, 2018, among Entergy Arkansas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4(b) to Form 10-Q for the quarter ended September 30, 2019 in 1-10764).
- (c) 5 -- Fuel Lease, dated as of December 22, 1988, between River Fuel Trust #1 and Entergy Arkansas (4(c)9 to Form 10-K for the year ended December 31, 2017 in 1-10764).
- (c) 6 -- Loan Agreement, dated as of January 1, 2013, between Independence County, Arkansas and Entergy Arkansas relating to Revenue Refunding Bonds (Entergy Arkansas, Inc. Project) Series 2013 (4(d) to Form 8-K filed January 9, 2013 in 1-10764).
- \*(c) 7 -- Description of Entergy Arkansas's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy Louisiana

- (d) 1 -- Mortgage and Deed of Trust, dated as of April 1, 1944, as amended by the following Supplemental Indentures: (7(d) in 2-5317 (Mortgage); 7(b) in 2-7408 (First); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Sixth); 2(c) in 2-34659 (Twelfth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Thirteenth); 2(b)-2 in 2-38378 (Fourteenth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Twenty-first); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Twenty-fifth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Twenty-ninth); 4(d)1 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Forty-second); A-2(a) to Rule 24 Certificate filed April 4, 1996 in 70-8487 (Fifty-first); B-4(i) to Rule 24 Certificate filed January 10, 2006 in 70-10324 (Sixty-third); B-4(ii) to Rule 24 Certificate filed January 10, 2006 in 70-10324 (Sixty-fourth); 4(a) to Form 10-Q for the quarter ended September 30, 2008 in 1-32718 (Sixty-fifth); 4(e)1 to Form 10-K for the year ended December 31, 2009 in 1-132718 (Sixty-sixth); 4.08 to Form 8-K filed September 24, 2010 in 1-32718 (Sixty-eighth); 4.08 to Form 8-K filed March 24, 2011 in 1-32718 (Seventy-first); 4(a) to Form 10-Q for the quarter ended June 30, 2011 in 1-32718 (Seventy-second); 4.08 to Form 8-K filed July 3, 2012 in 1-32718 (Seventy-fifth); 4.08 to Form 8-K filed December 4, 2012 in 1-32718 (Seventy-sixth); 4.08 to Form 8-K filed May 21, 2013 in 1-32718 (Seventy-seventh); 4.08 to Form 8-K filed August 23, 2013 in 1-32718 (Seventy-eighth); 4.08 to Form 8-K filed June 24, 2014 in 1-32718 (Seventy-ninth); 4.08 to Form 8-K filed July 1, 2014 in 1-32718 (Eightieth); 4.08 to Form 8-K filed November 21, 2014 (Eighty-first); 4.1 to Form 8-K12B filed October 1, 2015 (Eighty-second); 4(g) to Form 8-K filed March 18, 2016 in 1-32718 (Eighty-third); 4.33 to Form 8-K filed March 24, 2016 in 1-32718 (Eighty-fourth); 4.33 to Form 8-K filed August 17, 2016 in 1-32718 (Eighty-sixth); 4.43 to Form 8-K filed October 4, 2016 in 1-32718 (Eighty-seventh); 4.43 to Form 8-K filed May 23, 2017 in 1-32718 (Eighty-eighth); 4.43 to Form 8-K filed March 23, 2018 in 1-32718 (Eighty-ninth); 4.43 to Form 8-K filed August 14, 2018 in 1-32718 (Ninetieth); and 4.43 to Form 8-K filed March 12, 2019 in 1-32718 (Ninety-first)).
- (d) 2 -- Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Louisiana, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, Wells Fargo Bank, National Association and BNP Paribas, as LC Issuing Banks, and the other LC Issuing Banks from time to time parties thereto (4(i) to Form 10-Q for the quarter ended September 30, 2018 in 1-32718).
- (d) 3 -- Extension Agreement, dated September 13, 2019, to Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Louisiana, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, Wells Fargo Bank, National Association and BNP Paribas, as LC Issuing Banks, and the other LC Issuing Banks from time to time parties thereto (4(c) to Form 10-Q for the quarter ended September 30, 2019 in 1-32718).
- (d) 4 -- Fuel Lease, dated as of January 31, 1989, between River Fuel Company #2, Inc., and Entergy Louisiana (4(d)10 to Form 10-K for the year ended December 31, 2017 in 1-32718).
- (d) 5 -- Nuclear Fuel Lease Agreement between Entergy Gulf States, Inc. and River Bend Fuel Services, Inc. to lease the fuel for River Bend Unit 1, dated February 7, 1989 (4(d)11 to Form 10-K for the year ended December 31, 2017 in 1-32718).
- (d) 6 -- Exhibit A to Trust Indenture dated as of February 7, 1989 between River Bend Fuel Services, Inc. and U.S. Bank National Association (as successor Trustee) (4(d)12 to Form 10-K for the year ended December 31, 2017 in 1-32718).
- (d) 7 -- Loan Agreement, dated as of March 1, 2016, between the Louisiana Public Facilities Authority and Entergy Louisiana relating to Refunding Revenue Bonds (Entergy Louisiana, LLC Project) Series 2016A (4(b) to Form 8-K filed March 18, 2016 in 1-32718).
- (d) 8 -- Loan Agreement, dated as of March 1, 2016, between Louisiana Public Facilities Authority and Entergy Louisiana relating to Refunding Revenue Bonds (Entergy Louisiana, LLC Project) Series 2016B (4(d) to Form 8-K filed March 18, 2016 in 1-32718).

- (d) 9 -- Indenture of Mortgage, dated September 1, 1926, as amended by the following Supplemental Indentures: (7-A-9 in Registration No. 2-6893 (Seventh); 4(d)15 to Form 10-K for the year ended December 31, 2017 in 1-32718 (Eighteenth); 2-A-8 in Registration No. 2-66612 (Thirty-eighth); 4(b) to Form 10-Q for the quarter ended March 31, 1999 in 1-27031 (Fifty-eighth); 4(a) to Form 10-Q for the quarter ended September 30, 2009 in 0-20371 (Seventy-seventh); 4.07 to Form 8-K filed October 1, 2010 in 0-20371 (Seventy-eighth); 4.07 to Form 8-K filed July 1, 2014 in 0-20371 (Eighty-first); 4.2 to Form 8-K12B filed October 1, 2015 in 1-32718 (Eighty-second); 4.3 to Form 8-K12B filed October 1, 2015 in 1-32718 (Eighty-third); 4.42 to Form 8-K filed March 24, 2016 in 1-32718 (Eighty-fourth); 4.42 to Form 8-K filed May 19, 2016 in 1-32718 (Eighty-fifth); 4.42 to Form 8-K filed August 17, 2016 in 1-32718 (Eighty-sixth); 4.42 to Form 8-K filed October 4, 2016 in 1-32718 (Eighty-seventh); 4.42 to Form 8-K filed May 23, 2017 in 1-32718 (Eighty-eighth); 4.42 to Form 8-K filed March 23, 2018 in 1-32718 (Eighty-ninth); 4.42 to Form 8-K filed August 14, 2018 in 1-32718 (Ninetieth); and 4.42 to Form 8-K filed March 12, 2019 in 1-32718 (Ninety-first)).
- (d) 10 -- Agreement of Resignation, Appointment and Acceptance, dated as of October 3, 2007, among Entergy Gulf States, Inc., JPMorgan Chase Bank, National Association, as resigning trustee, and The Bank of New York, as successor trustee (4(a) to Form 10-Q for the quarter ended September 30, 2007 in 1-27031).
- (d) 11 -- Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015, as amended by the following Supplemental Indentures: (4.38 in Registration No. 333-190911-07 (Mortgage); 4(f) to Form 8-K filed March 18, 2016 in 1-32718 (First); 4.40 to Form 8-K filed March 24, 2016 in 1-32718 (Second); 4(h) to Form 10-Q for the quarter ended March 31, 2016 in 1-32718 (Fourth); 4.40 to Form 8-K filed May 19, 2016 in 1-32718 (Fifth); 4.40 to Form 8-K filed August 17, 2016 in 1-32718 (Sixth); 4.41 to Form 8-K filed October 4, 2016 in 1-32718 (Seventh); 4.41 to Form 8-K filed May 23, 2017 in 1-32718 (Eighth); 4.41 to Form 8-K filed March 23, 2018 in 1-32718 (Ninth); 4.41 to Form 8-K filed August 14, 2018 in 1-32718 (Tenth); and 4.41 to Form 8-K filed March 12, 2019 in 1-32718 (Eleventh)).
- (d) 12 -- Officer's Certificate No. 1-B-1, dated March 18, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4(e) to Form 8-K filed March 18, 2016 in 1-32718).
- (d) 13 -- Officer's Certificate No. 2-B-2, dated March 17, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.39 to Form 8-K filed March 24, 2016 in 1-32718).
- (d) 14 -- Officer's Certificate No. 4-B-4, dated May 16, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.39 to Form 8-K filed May 19, 2016 in 1-32718).
- (d) 15 -- Officer's Certificate No. 6-B-5, dated August 10, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.39 to Form 8-K filed August 17, 2016 in 1-32718).
- (d) 16 -- Officer's Certificate No. 7-B-6, dated September 28, 2016, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed October 4, 2016 in 1-32718).
- (d) 17 -- Officer's Certificate No. 8-B-7, dated May 17, 2017, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed May 23, 2017 in 1-32718).
- (d) 18 -- Officer's Certificate No. 10-B-8, dated March 20, 2018, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed March 23, 2018 in 1-32718).
- (d) 19 -- Officer's Certificate No. 12-B-9, dated August 8, 2018, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed August 14, 2018 in 1-32718).
- (d) 20 -- Officer's Certificate No. 14-B-10, dated March 6, 2019, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed March 12, 2019 in 1-32718).
- \* (d) 21 -- Description of Entergy Louisiana's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy Mississippi

- (e) 1 -- Mortgage and Deed of Trust, dated as of February 1, 1988, as amended by the following Supplemental Indentures: (4(e)1 to Form 10-K for the year ended December 31, 2017 in 1-31508 (Mortgage); 4(e)1 to Form 10-K for the year ended December 31, 2017 in 1-31508 (Sixth); A-2(c) to Rule 24 Certificate filed May 14, 1999 in 70-8719 (Thirteenth); 4(b) to Form 10-Q for the quarter ended June 30, 2009 in 1-31508 (Twenty-sixth); 4.38 to Form 8-K filed December 11, 2012 in 1-31508 (Thirtieth); 4.05 to Form 8-K filed March 21, 2014 in 1-31508 (Thirty-first); 4.05 to Form 8-K filed May 13, 2016 in 1-31508 (Thirty-second); 4.16 to Form 8-K filed September 15, 2016 in 1-31508 (Thirty-third); 4.16 to Form 8-K filed November 14, 2017 in 1-31508 (Thirty-fourth); 4.1 to Form 8-K filed November 21, 2018 in 1-31508 (Thirty-fifth); 4.1 to Form 8-K12B filed December 3, 2018 in 1-31508 (Thirty-sixth); 4(a) to Form 8-K filed December 12, 2018 in 1-31508 (Thirty-seventh); and 4.46 to Form 8-K filed June 5, 2019 in 1-31508 (Thirty-eighth)).
- \*(e) 2 -- Description of Entergy Mississippi's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy New Orleans

- (f) 1 -- Mortgage and Deed of Trust, dated as of May 1, 1987, as amended by the following Supplemental Indentures: (4(f)1 to Form 10-K for the year ended December 31, 2017 in 1-35747 (Mortgage); 4(f)1 to Form 10-K for the year ended December 31, 2017 in 1-35747 (Third); 4(b) to Form 10-Q for the quarter ended June 30, 1998 in 0-5807 (Seventh); 4.02 to Form 8-K filed November 23, 2010 in 0-5807 (Fifteenth); 4.02 to Form 8-K filed November 29, 2012 in 1-35747 (Sixteenth); 4.02 to Form 8-K filed June 21, 2013 in 1-35747 (Seventeenth); 4(m) to Form 10-Q for the quarter ended March 31, 2016 in 1-35747 (Eighteenth); 4.02 to Form 8-K filed March 22, 2016 in 1-35747 (Nineteenth); 4.02 to Form 8-K filed May 24, 2016 in 1-35747 (Twentieth); 4.1 to Form 8-K12B filed December 1, 2017 in 1-35747 (Twenty-first); and 4(a) to Form 8-K filed September 27, 2018 in 1-35747 (Twenty-second)).
- (f) 2 -- Second Amended and Restated Credit Agreement dated as of November 16, 2018, among Entergy New Orleans, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Bank of America, N.A., as Administrative Agent and LC Issuing Bank, and the other LC Issuing Banks from time to time parties thereto (4(f)2 to Form 10-K for the year ended December 31, 2018 in 1-35747).
- (f) 3 -- Term Loan Credit Agreement dated as of December 18, 2019, by and among Entergy New Orleans, the banks and other financial institutions listed on the signature pages thereof, as Lenders, and Bank of America, N.A., as Administrative Agent (4(a) to Form 8-K filed December 18, 2019 in 1-35747).
- \*(f) 4 -- Description of Entergy New Orleans's securities registered under Section 12 of the Securities Exchange Act of 1934.

Entergy Texas

- (g) 1 -- Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee, as amended by the following Supplemental Indenture: (4(h)2 to Form 10-K for the year ended December 31, 2008 in 0-53134 (Indenture) and 4.61 to Form 8-K filed September 20, 2019 in 1-34360 (First)).
- (g) 2 -- Officer's Certificate No. 5-B-4 dated September 7, 2011, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.40 to Form 8-K filed September 13, 2011 in 1-34360).
- (g) 3 -- Officer's Certificate No. 7-B-5 dated May 13, 2014, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4(g)4 to Form 10-K for the year ended December 31, 2017 in 1-34360).
- (g) 4 -- Officer's Certificate No. 8-B-6 dated May 18, 2015, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.40 to Form 8-K filed May 21, 2015 in 1-34360).

- (g) 5 -- Officer's Certificate No. 9-B-7 dated March 8, 2016, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.40 to Form 8-K filed March 11, 2016 in 1-34360).
- (g) 6 -- Officer's Certificate No. 10-B-8 dated November 14, 2017, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.48 to Form 8-K filed November 17, 2017 in 1-34360).
- (g) 7 -- Officer's Certificate No. 12-B-9 dated January 3, 2019, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.47(a) to Form 8-K filed January 8, 2019 in 1-34360).
- (g) 8 -- Officer's Certificate No. 12-B-10 dated January 3, 2019, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.47(b) to Form 8-K filed January 8, 2019 in 1-34360).
- (g) 9 -- Officer's Certificate No. 13-B-11 dated September 16, 2019, supplemental to Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, between Entergy Texas and The Bank of New York Mellon, as trustee (4.57 to Form 8-K filed September 20, 2019 in 1-34360).
- (g) 10 -- Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Texas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., BNP Paribas, Mizuho Bank, Ltd., and The Bank of Nova Scotia, as LC Issuing Banks, and the other LC Issuing Banks from time to time parties thereto (4(j) to Form 10-Q for the quarter ended September 30, 2018 in 1-34360).
- (g) 11 -- Extension Agreement, dated September 13, 2019, to Second Amended and Restated Credit Agreement dated as of September 14, 2018, among Entergy Texas, as Borrower, the banks and other financial institutions listed on the signature pages thereof, as Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., BNP Paribas, Mizuho Bank, Ltd., and The Bank of Nova Scotia, as LC Issuing Banks, and the other LC Issuing Banks from time to time parties thereto (4(d) to Form 10-Q for the quarter ended September 30, 2019 in 1-34360).
- (g) 12 -- Statement of Resolution Establishing the 5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share) of Entergy Texas (3.3 to Form 8-A filed September 4, 2019 in 1-34360).
- \*(g) 13 -- Description of Entergy Texas's securities registered under Section 12 of the Securities Exchange Act of 1934.

## **(10) Material Contracts**

### Entergy Corporation

- +(a) 1 -- 2007 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries (Effective for Grants and Elections On or After January 1, 2007) (Appendix B to Entergy Corporation's Definitive Proxy Statement filed on March 24, 2006 in 1-11299).
- +(a) 2 -- First Amendment of the 2007 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries effective October 26, 2006 (10(a)50 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 3 -- Second Amendment of the 2007 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries effective January 1, 2009 (10(a)51 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- +(a) 4 -- Third Amendment of the 2007 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries effective December 30, 2010 (10(a)52 to Form 10-K for the year ended December 31, 2010 in 1-11299).



- + (a) 5 -- 2011 Equity Ownership and Long Term Cash Incentive Plan of Entergy Corporation and Subsidiaries (Annex A to Entergy Corporation's Definitive Proxy Statement filed on March 24, 2011 in 1-11299).
- + (a) 6 -- 2015 Equity Ownership Plan of Entergy Corporation and Subsidiaries (Appendix C to 2015 Entergy Corporation's Definitive Proxy Statement filed on March 20, 2015 in 1-11299).
- + (a) 7 -- Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)57 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 8 -- First Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)58 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 9 -- Second Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)57 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- + (a) 10 -- Third Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective July 25, 2013 (10(b) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- + (a) 11 -- Fourth Amendment of the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014 (10(c) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- + (a) 12 -- Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)59 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 13 -- First Amendment of the Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)60 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 14 -- Second Amendment of the Defined Contribution Restoration Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)60 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- + (a) 15 -- Executive Disability Plan of Entergy Corporation and Subsidiaries (10(a)74 to Form 10-K for the year ended December 31, 2001 in 1-11299).
- + (a) 16 -- Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)62 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 17 -- First Amendment of the Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)63 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 18 -- Second Amendment of the Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)64 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- + (a) 19 -- System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective January 1, 2009 (10(a)77 to Form 10-K for the year ended December 31, 2009 in 1-11299).
- + (a) 20 -- First Amendment of the System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective January 1, 2010 (10(a)78 to Form 10-K for the year ended December 31, 2009 in 1-11299).
- + (a) 21 -- Second Amendment of the System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)69 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 22 -- Third Amendment of the System Executive Continuity Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)71 to Form 10-K for the year ended December 31, 2011 in 1-11299).



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- + (a) 23 -- Post-Retirement Plan of Entergy Corporation and Subsidiaries, as amended effective January 1, 2000 (10(a)80 to Form 10-K for the year ended December 31, 2001 in 1-11299).
- + (a) 24 -- First Amendment of the Post-Retirement Plan of Entergy Corporation and Subsidiaries effective December 28, 2001 (10(a)81 to Form 10-K for the year ended December 31, 2001 in 1-11299).
- + (a) 25 -- Pension Equalization Plan of Entergy Corporation and Subsidiaries, as amended and restated effective January 1, 2009 (10(a)74 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 26 -- First Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)75 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 27 -- Second Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)76 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- + (a) 28 -- Third Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective June 19, 2013 (10(b) to Form 10-Q for the quarter ended June 30, 2013 in 1-11299).
- + (a) 29 -- Fourth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective July 25, 2013 (10(c) to Form 10-Q for the quarter ended June 30, 2013 in 1-11299).
- + (a) 30 -- Fifth Amendment of the Pension Equalization Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014 (10(a) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- \*+ (a) 31 -- Cash Balance Equalization Plan of Entergy Corporation effective July 1, 2014.
- + (a) 32 -- System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective January 1, 2009 (10(a)78 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 33 -- First Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective December 30, 2010 (10(a)79 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 34 -- Second Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective January 27, 2011 (10(a)81 to Form 10-K for the year ended December 31, 2011 in 1-11299).
- + (a) 35 -- Third Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective January 1, 2009 (10(a)81 to Form 10-K for the year ended December 31, 2013 in 1-11299).
- + (a) 36 -- Fourth Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective July 25, 2013 (10(d) to Form 10-Q for the quarter ended June 30, 2013 in 1-11299).
- + (a) 37 -- Fifth Amendment of the System Executive Retirement Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014 (10(d) to Form 10-Q for the quarter ended September 30, 2014 in 1-11299).
- + (a) 38 -- Retention Agreement effective August 3, 2006 between Leo P. Denault and Entergy Corporation (10(b) to Form 10-Q for the quarter ended June 30, 2006 in 1-11299).
- + (a) 39 -- Amendment to Retention Agreement effective January 1, 2009 between Leo P. Denault and Entergy Corporation (10(a)93 to Form 10-K for the year ended December 31, 2010 in 1-11299).
- + (a) 40 -- Amendment to Retention Agreement effective January 1, 2010 between Leo P. Denault and Entergy Corporation (10(a)101 to Form 10-K for the year ended December 31, 2009 in 1-11299).

+(a) 41 -- Amendment to Retention Agreement effective December 30, 2010 between Leo P. Denault and Entergy Corporation (10(a)95 to Form 10-K for the year ended December 31, 2010 in 1-11299).

- + (a) 42 -- Shareholder Approval of Future Severance Agreements Policy, effective March 8, 2004 (10(f) to Form 10-Q for the quarter ended March 31, 2004 in 1-11299).
- + (a) 43 -- Entergy Nuclear Retention Plan, as amended and restated effective January 1, 2007 (10(a)107 to Form 10-K for the year ended December 31, 2007 in 1-11299).
- + (a) 44 -- 2019 Entergy Corporation Omnibus Incentive Plan (Appendix B to 2019 Proxy Statement, dated March 22, 2019 in 1-11299).
- \*+(a) 45 -- Form of Stock Option Grant Agreement.
- \*+(a) 46 -- Form of Long Term Incentive Program Performance Unit Agreement.
- \*+(a) 47 -- Form of Restricted Stock Grant Agreement.
- \*+(a) 48 -- Form of Restricted Stock Units Grant Agreement.
- + (a) 49 -- Restricted Stock Unit Agreement between Andrew Marsh and Entergy Corporation effective August 3, 2015 (10(a)102 to Form 10-K for the year ended December 31, 2015 in 1-11299).
- + (a) 50 -- Restricted Stock Units Agreement by and between A. Christopher Bakken, III and Entergy Corporation effective April 6, 2016 (10(a)54 to Form 10-K for the year ended December 31, 2016 in 1-11299).
- + (a) 51 -- The 2019 Entergy Corporation Non-Employee Director Stock Program (10(b) to Form 10-Q for the quarter ended June 30, 2019 in 1-11299).
- + (a) 52 -- 2019 Entergy Corporation Non-Employee Director Service Recognition Program (10(c) to Form 10-Q for the quarter ended June 30, 2019 in 1-11299).

#### System Energy

- (b) 1 -- Availability Agreement, dated June 21, 1974, among System Energy and certain other System companies (10(b)1 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 2 -- First Amendment to Availability Agreement, dated as of June 30, 1977 (10(b)2 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 3 -- Second Amendment to Availability Agreement, dated as of June 15, 1981 (10(b)3 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 4 -- Third Amendment to Availability Agreement, dated as of June 28, 1984 (10(b)4 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 5 -- Fourth Amendment to Availability Agreement, dated as of June 1, 1989 (10(b)5 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 6 -- Thirty-seventh Assignment of Availability Agreement, Consent and Agreement, dated as of September 1, 2012, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and The Bank of New York Mellon, as successor trustee (10(a)15 to Form 10-K for the year ended December 31, 2012 in 1-11299).
- (b) 7 -- Amendment to the Thirty-seventh Assignment of Availability Agreement, Consent and Agreement, dated as of September 18, 2015, among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and The Bank of New York Mellon, as successor trustee (4.25 to Form S-3 filed October 2, 2015).

- (b) 8 -- Facility Lease No. 1, dated as of December 1, 1988, between Meridian Trust Company and Stephen M. Carta (Stephen J. Kaba, successor), as Owner Trustees, and System Energy (10(b)11 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 9 -- Lease Supplement No. 4, dated as of January 15, 2014, to Facility Lease No. 1 (10(b)12 to Form 10-K for the year ended December 31, 2016 in 1-11299).
- (b) 10 -- Facility Lease No. 2, dated as of December 1, 1988 between Meridian Trust Company and Stephen M. Carta (Stephen J. Kaba, successor), as Owner Trustees, and System Energy (10(b)13 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 11 -- Lease Supplement No. 4, dated as of May 28, 2014, to Facility Lease No. 2 (10(b)14 to Form 10-K for the year ended December 31, 2016 in 1-11299).
- (b) 12 -- Reallocation Agreement, dated as of July 28, 1981, among System Energy and certain other System companies (10(b)15 to Form 10-K for the year ended December 31, 2017 in 1-9067).
- (b) 13 -- Unit Power Sales Agreement among System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans dated as of June 10, 1982, as amended and revised (10(b)16 to Form 10-K for the year ended December 31, 2018 in 1-9067).

Entergy Louisiana

- (c) 1 -- Amendment, effective as of May 26, 2017, to the Fourth Amended and Restated Limited Liability Company Agreement of Entergy Holdings Company LLC effective as of September 19, 2015 (10(c)1 to Form 10-K for the year ended December 31, 2017 in 1-32718).

**(14) Code of Ethics**

Entergy Corporation

- (a) Entergy Corporation Code of Business Conduct and Ethics (14 to Form 10-Q for the quarter ended September 30, 2018 in 1-11299).

**\*(21) Subsidiaries of the Registrants**

**(23) Consents of Experts and Counsel**

- \*(a) The consent of Deloitte & Touche LLP is contained herein at page 516.

**\*(24) Powers of Attorney**

**(31) Rule 13a-14(a)/15d-14(a) Certifications**

- \*(a) Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- \*(b) Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- \*(c) Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- \*(d) Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- \*(e) Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.

- \*[\(f\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy Louisiana.](#)
- \*[\(g\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy Mississippi.](#)
- \*[\(h\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy Mississippi.](#)
- \*[\(i\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy New Orleans.](#)
- \*[\(j\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy New Orleans.](#)
- \*[\(k\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy Texas.](#)
- \*[\(l\) Rule 13a-14\(a\)/15d-14\(a\) Certification for Entergy Texas.](#)
- \*[\(m\) Rule 13a-14\(a\)/15d-14\(a\) Certification for System Energy.](#)
- \*[\(n\) Rule 13a-14\(a\)/15d-14\(a\) Certification for System Energy.](#)

**(32) Section 1350 Certifications**

- \*\*[\(a\) Section 1350 Certification for Entergy Corporation.](#)
- \*\*[\(b\) Section 1350 Certification for Entergy Corporation.](#)
- \*\*[\(c\) Section 1350 Certification for Entergy Arkansas.](#)
- \*\*[\(d\) Section 1350 Certification for Entergy Arkansas.](#)
- \*\*[\(e\) Section 1350 Certification for Entergy Louisiana.](#)
- \*\*[\(f\) Section 1350 Certification for Entergy Louisiana.](#)
- \*\*[\(g\) Section 1350 Certification for Entergy Mississippi.](#)
- \*\*[\(h\) Section 1350 Certification for Entergy Mississippi.](#)
- \*\*[\(i\) Section 1350 Certification for Entergy New Orleans.](#)
- \*\*[\(j\) Section 1350 Certification for Entergy New Orleans.](#)
- \*\*[\(k\) Section 1350 Certification for Entergy Texas.](#)
- \*\*[\(l\) Section 1350 Certification for Entergy Texas.](#)
- \*\*[\(m\) Section 1350 Certification for System Energy.](#)
- \*\*[\(n\) Section 1350 Certification for System Energy.](#)

**(101) Interactive Data File**

- \*INS - Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
  
- \*SCH - Inline XBRL Schema Document.
  
- \*CAL - Inline XBRL Calculation Linkbase Document.
  
- \*DEF - Inline XBRL Definition Linkbase Document.
  
- \*LAB - Inline XBRL Label Linkbase Document.
  
- \*PRE - Inline XBRL Presentation Linkbase Document.

**\*(104) Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibits 101)**

- 
- \* Filed herewith.
  - \*\* Furnished, not filed, herewith.
  - + Management contracts or compensatory plans or arrangements.



**ENTERGY CORPORATION**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**ENTERGY CORPORATION**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

Leo P. Denault (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President and Chief Financial Officer; Principal Financial Officer); John R. Burbank, Patrick J. Condon, Kirkland H. Donald, Philip L. Frederickson, Alexis M. Herman, M. Elise Hyland, Stuart L. Levenick, Blanche L. Lincoln, and Karen A. Puckett (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**ENTERGY ARKANSAS, LLC**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**ENTERGY ARKANSAS, LLC**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

Laura R. Landreaux (Chair of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**ENERGY LOUISIANA, LLC**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**ENERGY LOUISIANA, LLC**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

Phillip R. May, Jr. (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**ENTERGY MISSISSIPPI, LLC**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**ENTERGY MISSISSIPPI, LLC**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

Haley R. Fisackerly (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**ENTERGY NEW ORLEANS, LLC**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**ENTERGY NEW ORLEANS, LLC**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

David D. Ellis (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**ENERGY TEXAS, INC.**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**ENERGY TEXAS, INC.**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

Sallie T. Rainer (Chair of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Paul D. Hinnenkamp and Roderick K. West (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**SYSTEM ENERGY RESOURCES, INC.**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

**SYSTEM ENERGY RESOURCES, INC.**

By /s/ Kimberly A. Fontan  
Kimberly A. Fontan  
Senior Vice President and Chief Accounting Officer  
Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Kimberly A. Fontan</u> Kimberly A. Fontan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020

Roderick K. West (Chairman of the Board, President, Chief Executive Officer, and Director; Principal Executive Officer); Andrew S. Marsh (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); A. Christopher Bakken, III and Steven C. McNeal (Directors).

By: /s/ Kimberly A. Fontan February 21, 2020  
(Kimberly A. Fontan, Attorney-in-fact)

**CONSENTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-233403 on Form S-3 and in Registration Statements Nos. 333-140183, 333-174148, 333-204546, 333-206556, 333-227150 and 333-231800 on Form S-8 of our reports dated February 21, 2020, relating to the financial statements and financial statement schedule of Entergy Corporation and Subsidiaries, and the effectiveness of Entergy Corporation and Subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Entergy Corporation for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 333-233403-05 on Form S-3 of our reports dated February 21, 2020, relating to the financial statements and financial statement schedule of Entergy Arkansas, LLC and Subsidiaries appearing in this Annual Report on Form 10-K of Entergy Arkansas, LLC for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 233403-04 on Form S-3 of our reports dated February 21, 2020, relating to the financial statements and financial statement schedule of Entergy Louisiana, LLC and Subsidiaries appearing in this Annual Report on Form 10-K of Entergy Louisiana, LLC for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 233403-03 on Form S-3 of our reports dated February 21, 2020, relating to the financial statements and financial statement schedule of Entergy Mississippi, LLC appearing in this Annual Report on Form 10-K of Entergy Mississippi, LLC for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 233403-02 on Form S-3 of our reports dated February 21, 2020, relating to the financial statements and financial statement schedule of Entergy Texas, Inc. and Subsidiaries appearing in this Annual Report on Form 10-K of Entergy Texas, Inc. for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 233403-01 on Form S-3 of our report dated February 21, 2020, relating to the financial statements of System Energy Resources, Inc. appearing in this Annual Report on Form 10-K of System Energy Resources, Inc. for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and Board of Directors of  
Entergy Corporation and Subsidiaries

**Opinion on the Financial Statement Schedule**

We have audited the consolidated financial statements of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and the Corporation’s internal control over financial reporting as of December 31, 2019, and have issued our reports thereon dated February 21, 2020. Our audits also included the consolidated financial statement schedule of the Corporation listed in Item 15. This consolidated financial statement schedule is the responsibility of the Corporation’s management. Our responsibility is to express an opinion on the Corporation’s consolidated financial statement schedule based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and Board of Directors of  
Entergy Texas, Inc. and Subsidiaries

To the member and Board of Directors of  
Entergy Arkansas, LLC and Subsidiaries  
Entergy Louisiana, LLC and Subsidiaries  
Entergy Mississippi, LLC  
Entergy New Orleans, LLC and Subsidiaries

**Opinion on the Financial Statement Schedules**

We have audited the consolidated financial statements of Entergy Arkansas, LLC and Subsidiaries, Entergy Louisiana, LLC and Subsidiaries, Entergy New Orleans, LLC and Subsidiaries, and Entergy Texas, Inc. and Subsidiaries, and we have also audited the financial statements of Entergy Mississippi, LLC (collectively the “Companies”) as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our reports thereon dated February 21, 2020. Our audits also included the financial statement schedules of the respective Companies listed in Item 15. These financial statement schedules are the responsibility of the respective Companies’ management. Our responsibility is to express an opinion on the Companies’ financial statement schedules based on our audits. In our opinion, such financial statement schedules, when considered in relation to the financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana  
February 21, 2020

## INDEX TO FINANCIAL STATEMENT SCHEDULES

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Schedules other than those listed above are omitted because they are not required, not applicable, or the required information is shown in the financial statements or notes thereto.

Columns have been omitted from schedules filed because the information is not applicable.

**ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions (1)	Balance at End of Period
Allowance for doubtful accounts				
2019	\$7,322	\$2,806	\$2,724	\$7,404
2018	\$13,587	\$3,936	\$10,201	\$7,322
2017	\$11,924	\$4,211	\$2,548	\$13,587

Notes:

(1) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

**ENTERGY ARKANSAS, LLC AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions (1)	Balance at End of Period
Allowance for doubtful accounts				
2019	\$1,264	\$1,000	\$1,095	\$1,169
2018	\$1,063	\$810	\$609	\$1,264
2017	\$1,211	\$503	\$651	\$1,063

Notes:

(1) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions (1)	Balance at End of Period
Allowance for doubtful accounts				
2019	\$1,813	\$762	\$673	\$1,902
2018	\$8,430	\$2,395	\$9,012	\$1,813
2017	\$6,277	\$3,108	\$955	\$8,430

Notes:

(1) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

**ENTERGY MISSISSIPPI, LLC**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions (1)	Balance at End of Period
Allowance for doubtful accounts				
2019	\$563	\$406	\$333	\$636
2018	\$574	\$265	\$276	\$563
2017	\$549	\$255	\$230	\$574

Notes:

(1) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

**ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions (1)	Balance at End of Period
Allowance for doubtful accounts				
2019	\$3,222	\$316	\$312	\$3,226
2018	\$3,057	\$187	\$22	\$3,222
2017	\$3,059	\$152	\$154	\$3,057

Notes:

(1) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.



**ENTERGY TEXAS, INC. AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018, and 2017**  
**(In Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Other Changes Deductions (1)	Balance at End of Period
Allowance for doubtful accounts				
2019	\$461	\$321	\$311	\$471
2018	\$463	\$279	\$281	\$461
2017	\$828	\$192	\$557	\$463

Notes:

(1) Deductions represent write-offs of accounts receivable balances and are reduced by recoveries of amounts previously written off.

**DESCRIPTION OF ENTERGY CORPORATION'S SECURITIES**  
**REGISTERED PURSUANT TO SECTION 12**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

*References in this exhibit to “we,” “us,” or “our” are to Entergy Corporation, and does not include our subsidiaries.*

As of February 21, 2020, the only security registered by us under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is our common stock, par value \$0.01.

The following descriptions of our common stock and the relevant provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to our certificate of incorporation and bylaws that are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. The following also summarizes certain applicable provisions of the General Corporation Law of the State of Delaware (the “DGCL”) and that summary is qualified by reference to the DGCL.

***General***

Our authorized capital stock consists of 500,000,000 shares of common stock, par value \$0.01 per share.

***Dividend Rights***

We will pay dividends on our common stock as determined by our board of directors out of legally available funds. Our ability to pay dividends depends primarily upon the ability of our subsidiaries to pay dividends or distributions or otherwise transfer funds to us. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends or distributions, loans or advances.

***Voting Rights***

Holders of common stock are entitled to one vote for each share held by them on all matters submitted to our shareholders. Holders of our common stock do not have cumulative voting rights in the election of directors. Unless otherwise required by law, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the shares represented at a shareholder meeting and entitled to vote on the subject matter shall be the act of the shareholders. At a meeting for the election of directors at which a quorum is present, directors are elected by a majority of votes cast with respect to such director; provided, however, that, if the number of nominees is greater than the number of directors who will be elected, the nominees receiving a plurality of the votes cast will be elected as directors.

***Liquidation Rights***

In the event of any liquidation, dissolution or winding up of our affairs, voluntarily or involuntarily, the holders of our common stock will be entitled to receive the remainder, if any, of our assets after the payment of all our debts and liabilities.

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### ***Preemptive Rights***

The holders of our common stock do not have a preemptive right to purchase shares of our common stock or securities convertible into such shares nor are they liable for future capital calls or to assessments by us.

### ***Listing***

Our common stock is listed under the “ETR” symbol on both the New York Stock Exchange and the NYSE Chicago.

### ***Transfer Agent and Registrar***

The transfer agent and registrar for our common stock is Equiniti Trust Company, doing business as EQ Shareowner Services.

### ***Certain Anti-Takeover Effects***

*General.* Certain provisions of our certificate of incorporation, bylaws and the DGCL could have the effect of delaying, deferring or preventing an acquisition of control of us by means of a tender offer, a proxy fight, open market purchases or otherwise in a transaction not approved by our board of directors. The provisions described below may reduce our vulnerability to an unsolicited proposal for the restructuring or sale of all or substantially all of our assets or an unsolicited takeover attempt which is unfair to our shareholders.

Our board of directors has no present intention to introduce additional measures that might have an anti-takeover effect; however, our board of directors expressly reserves the right to introduce these measures in the future.

*Business Combinations.* Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the time the stockholder became an interested stockholder, subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the stockholder becoming an interested stockholder. “Business combinations” include mergers, asset sales and other transactions resulting in a financial benefit to the “interested stockholder.” Subject to various exceptions, an “interested stockholder” is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation’s outstanding voting stock. The restrictions on business combinations with interested stockholders contained in Section 203 do not apply to a corporation whose certificate of incorporation or bylaws contains a provision expressly electing not to be governed by the statute; however, neither our certificate of incorporation nor our bylaws contain a provision electing to “opt-out” of Section 203.

*Special Meetings.* Pursuant to the DGCL, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or bylaws. Our certificate of incorporation and bylaws provide that special meetings of stockholders may only be called by: our board of directors; the Chairman of our board of directors; a majority of the members of the entire Executive Committee of the board of directors; the Chief Executive Officer; or the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting.

*Advance Notice Requirements for Shareholder Nominations and Proposals.* Our bylaws establish advance notice procedures with respect to stockholder proposals for annual meetings and the nomination

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of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of the board of directors. A stockholder who wishes to bring a matter before a meeting must comply with our advance notice requirements and provide us with certain information. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the directors then in office, even in the case that such directors may represent less than a quorum.

**DESCRIPTION OF ENTERGY ARKANSAS, LLC'S SECURITIES**  
**REGISTERED PURSUANT TO SECTION 12**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

*References in this exhibit to “we,” “us,” or “our” are to Entergy Arkansas, LLC.*

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of October 1, 1944, with Deutsche Bank Trust Company Americas, successor corporate trustee, and, as to property in Missouri, The Bank of New York Mellon Trust Company, N.A., successor co-trustee, and together referred to in this exhibit as “trustees.” This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this exhibit as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the Bonds (as defined below), are referred to herein as “first mortgage bonds.”

As of February 21, 2020, we have three series of first mortgage bonds outstanding that are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

- our First Mortgage Bonds, 4.90% Series due December 1, 2052, issued in an aggregate principal amount of \$200,000,000 under the Seventy-First Supplemental Indenture, dated as of December 1, 2012, to the mortgage and traded on the New York Stock Exchange (the “NYSE”) under the ticker EAB (the “2052 Bonds”);
- our First Mortgage Bonds, 4.75% Series due June 1, 2063, issued in an aggregate principal amount of \$125,000,000 under the Seventy-Fourth Supplemental Indenture, dated as of June 1, 2013, to the mortgage and traded on the NYSE under the ticker EAE (the “2063 Bonds”); and
- our First Mortgage Bonds, 4.875% Series due September 1, 2066, issued in an aggregate principal amount of \$410,000,000 under the Seventy-Ninth Supplemental Indenture, dated as of August 1, 2016, to the mortgage and traded on the NYSE under the ticker EAI (the “2066 Bonds,” and collectively with the 2052 Bonds and the 2063 Bonds, the “Bonds”).

The full aggregate principal amount of each series of the Bonds is currently outstanding.

The mortgage, including the applicable supplemental indentures relating to the Bonds, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indentures relating to each series of Bonds, or the outstanding first mortgage bonds, including the Bonds. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to each series of Bonds. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

***General***

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The mortgage permits us to issue first mortgage bonds from time to time subject to limitations described below under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with the previously issued first mortgage bonds of that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

### ***Payment***

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the corporate trustee in the Borough of Manhattan, City and State of New York.

Interest on the 2052 Bonds accrues at the rate of 4.90% per year. Interest on the 2063 Bonds accrues at the rate of 4.75% per year. Interest on the 2066 Bonds accrues at the rate of 4.875% per year. In each case, interest started to accrue from the date that the respective series of Bonds was issued. Interest payments on the Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the Bonds are registered in the name of The Depository Trust Company (“**DTC**”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the corporate trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the Bonds at a rate of 6% per year to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of a Bond falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

### ***Redemption***

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, (i) in the case of the 2052 Bonds and the 2063 Bonds, at any time; and (ii) in the case of the 2066 Bonds, at any time on or after September 1, 2021; in each case, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date. Unless the Bonds are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply

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(see “Book-Entry Only Securities”), if less than all of the Bonds of any series are to be redeemed, the corporate trustee will select the Bonds to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon surrender of any Bond for redemption. If only part of a Bond is redeemed, the corporate trustee will deliver to the holder of the Bond a new Bond of the same series for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the corporate trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the corporate trustee has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds.

### ***Form and Exchange***

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. Each series of the Bonds is represented by a global certificate without coupons registered in the name of a nominee of DTC.

The Bonds are exchangeable for other Bonds of the same series in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any Bond:

1. during the 10 days before an interest payment date,
2. during the 10 days before any designation of such Bond to be redeemed, or
3. selected for redemption.

### ***Security***

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on substantially all of our property (the “mortgaged property”) subject to bankruptcy law and to:

1. leases of minor portions of our mortgaged property to others for uses which do not interfere with our business;
2. leases of certain of our mortgaged property not used in our business; and
3. excepted encumbrances (as defined below).

There is excepted from the lien certain of our property, including:

1. cash and securities;
2. certain equipment, materials and supplies;
3. automobiles and other vehicles and aircraft, timber, minerals, mineral rights and royalties;
4. receivables, contracts, leases and operating agreements; and
5. certain unimproved lands sold or to be sold.

The “excepted encumbrances” mean the following:

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- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days' notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days' notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public obligations; rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

The mortgage contains provisions that impose the lien of the mortgage on property that we acquire after the date of the mortgage, other than excepted property, subject to pre-existing liens. However, if we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to, a successor, the lien created by the mortgage will generally not cover the property of the successor, other than the mortgaged property it acquires from us and improvements, replacements and additions to such property.

The mortgage also provides that the trustees shall have a lien upon the mortgaged property to ensure the payment of their reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the Bonds.

The mortgage also contains restrictions on the issuance of debt secured by a prior lien on the mortgaged property ("qualified lien bonds").

#### ***Issuance of Additional First Mortgage Bonds***

The maximum principal amount of first mortgage bonds that may be issued under the mortgage is limited to \$100 billion at any time outstanding under the mortgage, subject to property additions and other limitations of the mortgage. First mortgage bonds of any series may be issued from time to time on the basis of:

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1. 60% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds or qualified lien bonds; or
3. deposit of cash with the corporate trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after June 30, 1944. Securities, automobiles or other vehicles or aircraft, or property used principally for the production or gathering of natural gas, are not included as property additions.

We have the right to amend the mortgage at any time without the consent or other action of the holders of any first mortgage bonds, including the Bonds, to permit the issuance of first mortgage bonds on the basis of 80% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements.

We have the right to amend the mortgage at any time without any consent or other action of the holders of any first mortgage bonds, including the Bonds, to make any form of space satellites including solar power satellites, space stations and other analogous facilities available as property additions.

As of December 31, 2019, we had approximately \$3,206 million principal amount of first mortgage bonds outstanding. Also as of December 31, 2019, we had approximately \$598 million of available property additions, entitling us to issue approximately \$359 million principal amount of additional first mortgage bonds on the basis of property additions, and we could have issued approximately \$1,152 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds. The 2052 Bonds were issued on the basis of retired first mortgage bonds; the 2063 Bonds were issued on the basis of property additions; and the 2066 Bonds were issued on the basis of property additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

#### ***Release and Substitution of Property***

We may release property from the lien of the mortgage on the bases of:

1. the deposit of cash or, to a limited extent, purchase money mortgages;
2. property additions, after adjustments in certain cases to offset retirements and after making adjustments for qualified lien bonds, if any, outstanding against property additions; and
3. (i) the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired qualified lien bonds; or (ii) 10/6ths of the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired first bonds; in each case with the entitlement being waived by operation of the release.

We can withdraw cash upon the bases stated in clause (2) and/or (3) above. Should we amend the mortgage as described under "Issuance of Additional First Mortgage Bonds" above to permit the issuance of first mortgage bonds on the basis of an increased percentage of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements, the ratio specified in clause (3)(ii) above would change to the reciprocal of such increased percentage.

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The mortgage also contains special provisions with respect to qualified lien bonds pledged and the disposition of moneys received on pledged prior lien bonds. We may also release unfunded property if after such release at least one dollar in unfunded property remains subject to the lien of the mortgage. We have the right to amend the mortgage at any time without the consent or other action of the holders of any first mortgage bonds, including the Bonds, to modify the definition of “Funded Property” in the mortgage to mean property specified by us with a fair value determined by an independent expert not less than 10/8ths of the sum of the amount of the outstanding first mortgage bonds and retired first mortgage bonds.

We may, without any release or consent by the corporate trustee,

- grant, free from the lien of the mortgage, easements, ground leases or rights-of-way in, upon, over and/or across our property for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines and similar purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment, but only if such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by us, and
- cancel or make changes or alterations in or substitutions for any and all easements, servitudes and similar rights and/or interests.

## ***Modification***

### *Modification Without Consent*

Without the consent of any holder of first mortgage bonds, we and the trustees may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series of first mortgage bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
- to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;
- to provide for the procedures required for use of a noncertificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

### *Modification Requiring Consent*

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Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- extend the maturity of the principal of, or interest on, any first mortgage bond, or reduce the principal amount of any first mortgage bond or its rate of interest or modify the terms of payment of such principal or interest;
- create any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or deprive any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to excepted encumbrances); or
- reduce the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any entity of which we own 25% or more of the outstanding voting stock shall not be deemed outstanding for the purpose of certain votes, consents or quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the corporate trustee its right to vote or give consents with respect to such first mortgage bonds and such pledgee is not us or an entity of which we own 25% or more of the outstanding voting stock.

Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

### ***Defaults***

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond when due and payable;
  2. failure to pay interest on any first mortgage bond or any installments of any fund required to be applied to the purchase or redemption of any first mortgage bond for a period of 60 days after the same shall have become due and payable;
  3. failure to pay interest upon or principal of any qualified lien bonds beyond any applicable grace period;
  4. certain events of bankruptcy, insolvency or reorganization; and
  5. the expiration of 90 days after the mailing by the corporate trustee to us of a written demand, or by holders of 15% in principal amount of the first mortgage bonds at the time outstanding under the mortgage to us and to the corporate trustee of a written demand, that we perform a specified covenant or agreement contained in the mortgage, which specified covenant or agreement we have failed to perform prior to such mailing, unless during such period we shall have performed such specified covenant or agreement. The corporate trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds then outstanding, shall, make such demand.
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The trustees may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if they in good faith determine it is in the interests of the holders of the first mortgage bonds.

## ***Remedies***

### *Acceleration of Maturity*

If a default under the mortgage occurs, then the corporate trustee, by written notice to us, or the holders of at least 25% in principal amount of the outstanding first mortgage bonds, by written notice to us and the corporate trustee, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

### *Annulment of Acceleration*

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first mortgage bonds may annul such declaration of acceleration, by written notice to the trustees and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the corporate trustee a sum sufficient to pay:

- (1) all overdue interest on all outstanding first mortgage bonds;
- (2) the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
- (3) interest on overdue interest, if any, to the extent lawful, at the rate of 6% per year; and
- (4) all amounts due to the trustees under the mortgage.

### *Trustees' Powers*

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustees shall be entitled to the appointment of a receiver for the mortgaged property and are entitled to all other remedies available under applicable law.

### *Control by Holders*

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustees or exercising any trust or power conferred on the trustees. The trustees are not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the corporate trustee determines in good faith would involve the trustees in personal liability, would be unjustifiably prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient. The trustees are not required to risk their funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured.

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### *Limitation on Holders' Right to Institute Proceedings*

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustees written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustees and have offered the trustees reasonable opportunity and indemnity satisfactory to the trustees to institute proceedings; and
- the trustees have failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

We have reserved the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds created on or after May 1, 2018, to revise the limitations described in the first sentence of the immediately preceding paragraph to apply to any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds.

### *Evidence to be Furnished to the Trustee*

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the corporate trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

### *Satisfaction and Discharge of Mortgage*

The mortgage may be satisfied and discharged if and when we provide for the payment of all of the first mortgage bonds and all other sums due under the mortgage.

### *Consolidation, Merger and Conveyance of Assets*

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the electric, gas, steam or hot water business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
  - such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustees and the holders of first mortgage bonds;
  - the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage; and
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- in the case of a lease, such lease is made expressly subject to termination by us or by the trustees and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.

In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the mortgage and on the first mortgage bonds then outstanding unless we elect to waive such release and discharge.

The mortgage does not prevent or restrict any conveyance or other transfer, or lease, of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

The mortgage provides that a statutory merger in which our assets and liabilities may be allocated among one or more entities shall not be considered to be a merger, consolidation or conveyance of mortgaged property subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all or substantially all of the mortgaged property is allocated to one or more other entities.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created after on or after May 1, 2018, to provide as follows:

- (1) that any conveyance, transfer or lease of any of our properties where we retain mortgaged property with a fair value in excess of 167% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a purchase money lien that ranks equally with, or senior to, the first mortgage bonds with respect to the mortgaged property, shall not be deemed to be a conveyance, transfer or lease of all or substantially all of our mortgaged property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us; and
- (2) that, in the case of a consolidation or merger after the consummation of which we would be the surviving or resulting entity, unless we otherwise provide in a supplemental indenture to the mortgage, the lien of the mortgage will generally not cover any of the properties acquired by us in or as a result of such transaction or any improvements, extensions or additions to those properties.

### ***Information about the Corporate Trustee***

The corporate trustee is Deutsche Bank Trust Company Americas. In addition to acting as corporate trustee, Deutsche Bank Trust Company Americas and its affiliate, Deutsche Bank AG New York Branch, also act, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain credit and liquidity facilities and conduct other banking transactions with the corporate trustee and its affiliates in the ordinary course of our respective businesses.

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We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created on or after May 1, 2018, to provide that so long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustees a board resolution appointing a successor for any trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the applicable trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

### ***Information about the Co-Trustee***

The co-trustee is The Bank of New York Mellon Trust Company, N.A. In addition to acting as co-trustee, The Bank of New York Mellon Trust Company, N.A. and its affiliate, The Bank of New York Mellon, also act, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the co-trustee and its affiliates in the ordinary course of our respective businesses.

### ***Book-Entry Only Securities***

The Bonds trade through DTC. Each series of Bonds is represented by a separate global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificates were deposited with the corporate trustee as custodian for DTC. Ownership of beneficial interests in the global certificates is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds of a series, except if use of the book-entry system for the Bonds of that series is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the

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name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of Bonds of such series held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to a series of Bonds has occurred and is continuing, certificates for the Bonds of such series will be printed and delivered. If certificates for such series of Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
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- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds of the same series, having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

**DESCRIPTION OF ENTERGY LOUISIANA, LLC'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12  
OF THE SECURITIES EXCHANGE ACT OF 1934**

*References in this exhibit to the “we,” “us,” or “our” are to Entergy Louisiana, LLC, a limited liability company organized under the laws of the State of Texas and, as of October 1, 2015, the successor by merger to the regulated utility operations of the Texas limited liability companies Entergy Gulf States Louisiana, LLC (“EGSL”) and Entergy Louisiana, LLC (“Old Entergy Louisiana”), each formerly a public utility company providing services to customers in the State of Louisiana.*

As of February 21, 2020, we have three series of bonds outstanding that are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

- our First Mortgage Bonds, 5.25% Series due July 1, 2052, issued in an aggregate principal amount of \$200,000,000 under the Seventy-Fifth Supplemental Indenture, dated as of July 1, 2012, to our Mortgage and Deed of Trust dated as of April 1, 1944, as it has heretofore been and may be amended or supplemented from time to time, with The Bank of New York Mellon, as successor trustee, and traded on the New York Stock Exchange (the “NYSE”) under the ticker ELJ (the “2052 Bonds”);
- our First Mortgage Bonds, 4.70% Series due June 1, 2063, issued in an aggregate principal amount of \$100,000,000 under the Seventy-Seventh Supplemental Indenture, dated as of May 1, 2013, to our Mortgage and Deed of Trust dated as of April 1, 1944, as it has heretofore been and may be amended or supplemented from time to time, with The Bank of New York Mellon, as successor trustee, and traded on the NYSE under the ticker ELU (the “2063 Bonds,” and together with the 2052 Bonds, the “FMBs”); and
- our Collateral Trust Mortgage Bonds, 4.875% Series due September 1, 2066, issued in an aggregate principal amount of \$270,000,000 with their terms established by Officer’s Certificate 6-B-5, dated August 10, 2016, pursuant to our Mortgage and Deed of Trust dated as of November 1, 2015, as it may be amended or supplemented from time to time, with The Bank of New York Mellon, as trustee, and traded on the NYSE under the ticker ELC (the “2066 Bonds”).

The full aggregate principal amount of each series of FMBs and of the 2066 Bonds is currently outstanding.

**Description of the FMBs**

*All terms defined within this section “Description of the FMBs” are defined as such only for purposes of this section.*

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of April 1, 1944, with The Bank of New York Mellon, as successor trustee (the “trustee”). This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this section as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the FMBs, are referred to herein as “first mortgage bonds.”

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The mortgage, including the applicable supplemental indentures relating to the FMBs, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indentures relating to each series of FMBs, or the outstanding first mortgage bonds, including the FMBs. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the FMBs, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to each series of FMBs. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the FMBs.

### ***General***

The mortgage permits us to issue first mortgage bonds from time to time subject to the limitations described under “-Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the FMBs, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with the previously issued first mortgage bonds of that series. For more information, see the discussion below under “-Issuance of Additional First Mortgage Bonds.”

### ***Payment***

The principal amount of the FMBs and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the trustee in the Borough of Manhattan, City and State of New York.

Interest on the 2052 Bonds accrues at the rate of 5.25% per year. Interest on the 2063 Bonds accrues at the rate of 4.70% per year. In both cases, interest started to accrue from the date that the respective series of FMBs was issued. Interest payments on the 2052 Bonds are made on January 1, April 1, July 1 and October 1 of each year. Interest payments on the 2063 Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the FMBs are registered in the name of The Depository Trust Company (“DTC”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the FMBs at a rate of 6% per year to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the FMBs is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of a FMB falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

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As long as the FMBs are registered in the name of DTC or its nominee, we will pay principal and interest due on the FMBs to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the FMBs as described under the heading “-Book-Entry Only Securities.”

## ***Redemption and Retirement***

### ***General***

We may redeem the FMBs prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, at any time, at a redemption price equal to 100% of the principal amount of the FMBs being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date. Unless the FMBs are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply (see “-Book-Entry Only Securities”), if less than all of the FMBs of either series are to be redeemed, the trustee will select the FMBs to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the FMBs subject to such notice of redemption will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon surrender of any FMBs for redemption. If only part of an FMB is redeemed, the trustee will deliver to the holder of the FMB a new FMB of the same series for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the trustee has not received the money by the date fixed for redemption, we will not be required to redeem the FMBs.

### ***Special Retirement Provisions***

If, during any 12-month period, we dispose of mortgaged property (as defined under “-Security”, below) by order of or to any governmental authority, resulting in the receipt of \$5,000,000 or more as proceeds, we, subject to certain conditions, must apply such proceeds, less certain deductions, to the retirement of outstanding first mortgage bonds. If this occurs, we may redeem the outstanding first mortgage bonds of any series that are redeemable before maturity by the application of cash deposited for this purpose at the redemption prices applicable to those first mortgage bonds.

### ***Form and Exchange***

The FMBs are fully-registered first mortgage bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. Each series of the FMBs is represented by a global certificate without coupons registered in the name of a nominee of DTC.

The FMBs are exchangeable for other FMBs of the same series in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the FMBs. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any FMB:

1. during the 10 days before an interest payment date,
  2. during the 10 days before any designation of such FMB to be redeemed, or
  3. selected for redemption.
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## *Security*

The FMBs, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage, which constitutes a first mortgage lien on substantially all of our property that was owned by Old Entergy Louisiana just before the effectiveness of the business combination of Old Entergy Louisiana and EGSL on October 1, 2015, together with replacements, additions and extensions of or to such property that we acquire on or after October 1, 2015 (the “mortgaged property”), which lien is subject to bankruptcy law and to:

1. leases of minor portions of our mortgaged property to others for uses which do not interfere with our business;
2. leases of certain of our mortgaged property not used in our business; and
3. excepted encumbrances.

There is excepted from the lien certain of our property, including:

1. cash and securities;
2. certain equipment, materials and supplies;
3. automobiles and other vehicles and aircraft, timber, minerals, mineral rights and royalties; and
4. receivables, contracts, leases and operating agreements.

The FMBs are not secured by (1) the property and franchises that were owned by EGSL just before the effectiveness of the business combination on October 1, 2015, or (2) any property acquired by us on or after October 1, 2015, other than replacements, additions or extensions of or to the mortgaged property that was owned by Old Entergy Louisiana just before the effectiveness of the business combination on October 1, 2015.

On September 30, 2015, the day before the effectiveness of the business combination of Old Entergy Louisiana and EGSL, the mortgaged property owned by Old Entergy Louisiana was primarily its utility plant, which had a net book value of approximately \$6.5 billion shown on its balance sheet as of September 30, 2015.

We have other secured debt outstanding, and may issue additional secured debt, that is secured by the first lien of our Indenture of Mortgage dated September 1, 1926 (as restated, amended and supplemented, the “EGSL Mortgage”) on substantially all of the property and franchises that were owned by EGSL just before the effectiveness of the business combination on October 1, 2015, together with certain substitutions, replacements, additions, betterments, developments, extensions or enlargements of or to such property acquired by us on or after October 1, 2015. We also plan to issue other secured debt in the form of collateral trust mortgage bonds under our Mortgage and Deed of Trust dated as of November 1, 2015, as amended and supplemented, that may be secured (1) by first mortgage bonds issued under the mortgage or bonds issued under the EGSL Mortgage as the basis for the issuance of such collateral trust mortgage bonds, or (2) by a first lien on any of our property not subject to the lien of the mortgage or the EGSL Mortgage subject to liens permitted by such mortgage, and (3) by a second lien on substantially all of the mortgaged property and the property subject to the EGSL Mortgage subject to liens permitted by such mortgage.

The mortgage contains provisions that impose the lien of the mortgage on certain property that we acquire on or after October 1, 2015, specifically the property that we acquired from Old Entergy Louisiana on October 1, 2015, together with replacements, additions or extensions of or to such property, in each case, other than excepted property and property that we release from the lien of the mortgage. If

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we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to a successor, the lien created by the mortgage will generally not cover the property of the successor, other than the mortgaged property it acquires from us and replacements, additions or extensions of or to such property.

The mortgage also provides that the trustee has a lien on the mortgaged property to ensure the payment of its reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the FMBs.

The mortgage also contains restrictions on the issuance of debt secured by a prior lien on the mortgaged property (“qualified lien bonds”).

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created on or after June 30, 2014, to revise the definition of “excepted encumbrances” to mean the following:

- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notice;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public obligations; rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

### ***Issuance of Additional First Mortgage Bonds***

The maximum principal amount of first mortgage bonds that may be issued under the mortgage is limited to \$100 billion at any time outstanding under the mortgage, subject to property additions and other

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limitations of the mortgage. First mortgage bonds of any series may be issued from time to time on the basis of:

1. 80% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds or qualified lien bonds; or
3. deposit of cash with the trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after December 31, 1943. Securities, automobiles or other vehicles or aircraft, or property used principally for the production or gathering of natural gas, are not included as property additions.

We have right to amend the mortgage at any time without any consent or other action by holders of any first mortgage bonds, including the FMBs, to include nuclear fuel, and similar or analogous devices or substances, as property additions. We also have the right to amend the mortgage at any time without any consent or other action of the holders of any first mortgage bonds, including the FMBs, to make any form of space satellites including solar power satellites, space stations and other analogous facilities available as property additions.

No first mortgage bonds may be issued on the basis of property additions subject to qualified liens if the qualified lien bonds secured thereby exceed 50% of such property additions, or if the qualified lien bonds and first mortgage bonds then outstanding which have been issued against property additions subject to continuing qualified liens and certain other items would in the aggregate exceed 15% of the first mortgage bonds and qualified lien bonds outstanding.

As of December 31, 2019, we had approximately \$4,649 million principal amount of first mortgage bonds outstanding under the mortgage. Also as of December 31, 2019, we could have issued approximately \$1,674 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds, and we had approximately \$720 million of unfunded property additions, entitling us to issue approximately \$576 million principal amount of first mortgage bonds on the basis of unfunded property additions. The FMBs were issued on the basis of retired bond credits.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

### ***Release and Substitution of Property***

We may release property from the lien of the mortgage on the basis of:

1. the deposit of cash or purchase money mortgages;
  2. property additions, after adjustments in certain cases to offset retirements and after making adjustments for qualified lien bonds, if any, outstanding against property additions; and
  3. (i) the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired qualified lien bonds; or (ii) 10/6ths of the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired first mortgage bonds that were issued prior to June 9, 2010; or (iii) 10/8ths of the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of retired first mortgage bonds that were issued after June 9, 2010; in each case with the entitlement being waived by operation of the release.
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We can withdraw cash upon the bases stated in clauses (2) and/or (3) above.

If unfunded property is released, the property additions used to effect the release may become available again as credits under the mortgage and the waiver of the right to issue first mortgage bonds on the basis of retired first mortgage bonds to effect the release may cease to be effective as such a waiver. Similar provisions are in effect as to cash proceeds of such property. The mortgage also contains special provisions with respect to qualified lien bonds pledged and the disposition of moneys received on pledged prior lien bonds.

We may also release unfunded property if after such release at least one dollar in unfunded property remains subject to the lien of the mortgage.

We have reserved the right to amend the mortgage without any consent or other action by any holders of first mortgage bonds created on or after June 30, 2014, to allow us, without any release or consent by the trustee, to

- grant, free from the lien of the mortgage, easements, ground leases or rights-of-way in, upon, over and/or across the mortgaged property for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines and similar purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment, but only if such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by us, and
- cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests.

## ***Modification***

### *Modification Without Consent*

Without the consent of any holder of first mortgage bonds, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
  - to add one or more covenants or other provisions for the benefit of the holders of all or any series of first mortgage bonds, or to surrender any right or power conferred upon us;
  - to add additional events of default under the mortgage for all or any series of first mortgage bonds;
  - to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
  - to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
  - to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;
  - to provide for the procedures required for use of a non-certificated system of registration for the first mortgage bonds of all or any series;
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- to change any place where principal, premium, if any, and interest shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

### *Modification Requiring Consent*

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- extend the maturity of the principal of, or interest on, any first mortgage bond, or reduce the principal amount of any first mortgage bond or its rate of interest or modify the terms of payment of such principal or interest;
- create any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or deprive any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to excepted encumbrances); or
- reduce the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any entity of which we own 25% or more of the outstanding voting stock shall not be deemed outstanding for the purpose of certain votes, consents or quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee its right to vote or give consents with respect to such first mortgage bonds and such pledgee is not us or an entity of which we own 25% or more of the outstanding voting stock.

Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

### *Defaults*

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond when due and payable;
  2. failure to pay interest on any first mortgage bond or any installments of any fund required to be applied to the purchase or redemption of any first mortgage bond for a period of 60 days after the same shall have become due and payable;
  3. failure to pay interest upon or principal of any qualified lien bonds beyond any applicable grace period;
  4. certain events of bankruptcy, insolvency or reorganization; and
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5. the expiration of 90 days after the mailing by the trustee to us of a written demand, or by holders of 15% in principal amount of the first mortgage bonds at the time outstanding under the mortgage to us and to the trustee of a written demand, that we perform a specified covenant or agreement contained in the mortgage, which specified covenant or agreement we have failed to perform prior to such mailing, unless during such period we shall have performed such specified covenant or agreement. The trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds then outstanding, shall, make such demand.

The trustee may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if it in good faith determines it is in the interests of the holders of the first mortgage bonds.

## ***Remedies***

### *Acceleration of Maturity*

If a default under the mortgage occurs, then the trustee, by written notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to the trustee and us, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

### *Annulment of Acceleration*

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first mortgage bonds may annul such declaration of acceleration, upon written notice to the trustee and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the trustee a sum sufficient to pay:

- (1) all overdue interest on all outstanding first mortgage bonds;
- (2) the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
- (3) interest on overdue interest, if any, to the extent lawful, at the rate of 6% per year; and
- (4) all amounts due to the trustee under the mortgage.

### *Trustee Powers*

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustee shall be entitled to the appointment of a receiver for the mortgaged property and is entitled to all other remedies available under applicable law.

### *Control by Holders*

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee. The trustee is not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the trustee determines in good faith would involve the

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trustee in personal liability, would be unjustifiably prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient.

#### *Limitation on Holders' Right to Institute Proceedings*

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustee written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustee and have offered the trustee reasonable opportunity and indemnity satisfactory to the trustee to institute proceedings; and
- the trustee has failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

#### *Evidence to be Furnished to the Trustee*

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

#### *Satisfaction and Discharge of Mortgage*

The mortgage may be satisfied and discharged if and when we provide for the payment of all the first mortgage bonds and all other sums due under the mortgage.

#### *Consolidation, Merger and Conveyance of Assets*

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the electric, gas, steam or hot water business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
  - such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustee and the holders of first mortgage bonds;
  - the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage; and
  - in the case of a lease, such lease is made expressly subject to termination by us or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.
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In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the mortgage and on the first mortgage bonds then outstanding unless we elect to waive such release and discharge.

The mortgage does not prevent or restrict any conveyance or other transfer, or lease, of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

The mortgage provides that a statutory merger in which our assets and liabilities may be allocated among one or more entities shall not be considered to be a merger, consolidation or conveyance of mortgaged property subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all or substantially all of the mortgaged property is allocated to one or more other entities.

### ***Information about the Trustee***

The trustee is The Bank of New York Mellon. In addition to acting as the trustee, The Bank of New York Mellon also acts, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the trustee and its affiliates in the ordinary course of our respective businesses.

### ***Book-Entry Only Securities***

The FMBs trade through DTC. Each series of FMBs is represented by a separate global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificates were deposited with the trustee as custodian for DTC. Ownership of beneficial interests in the global certificates is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

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Purchases of the FMBs within the DTC system must be made through participants, who will receive a credit for the FMBs on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased FMBs. Transfers of ownership in the FMBs are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their FMBs of a given series, except if use of the book-entry system for the FMBs of that series is discontinued.

To facilitate subsequent transfers, all FMBs deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the FMBs with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the FMBs. DTC's records reflect only the identity of the participants to whose accounts such FMBs are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of FMBs may wish to take certain steps to augment transmission to them of notices of significant events with respect to the FMBs, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the FMBs may wish to ascertain that the nominee holding the FMBs has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the FMBs. If less than all of the FMBs of a series are being redeemed, DTC's practice is to determine by lot the amount of FMBs of such series held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to FMBs, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the FMBs are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the FMBs.

Payments of redemption proceeds, principal of, and interest on the FMBs are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the FMBs. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the FMBs.

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DTC may discontinue providing its services as securities depository with respect to the FMBs at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the FMBs will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the FMBs. In that event or if an event of default with respect to a series of FMBs has occurred and is continuing, certificates for the FMBs of such series will be printed and delivered. If certificates for such series of FMBs are printed and delivered,

- those FMBs will be issued in fully registered form without coupons;
- a holder of certificated FMBs would be able to exchange those FMBs, without charge, for an equal aggregate principal amount of FMBs of the same series, having the same issue date and with identical terms and provisions; and
- a holder of certificated FMBs would be able to transfer those FMBs without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

### **Description of the 2066 Bonds**

*All terms defined within this section "Description of the 2066 Bonds" are defined as such only for purposes of this section.*

We have issued, and may from time to time issue, bonds in one or more series, under a Mortgage and Deed of Trust dated as of November 1, 2015, as it may be amended or supplemented from time to time (the "Mortgage"), between us and The Bank of New York Mellon, as trustee (the "Trustee"). All bonds issued or to be issued under the Mortgage, including the 2066 Bonds, are referred to herein as "Collateral Trust Mortgage Bonds." As summarized below, the Collateral Trust Mortgage Bonds have and will have the benefit of the lien of two mortgage indentures (the "Class A Mortgages") to the extent of the aggregate principal amount of first mortgage bonds (the "Class A Bonds") issued under the Class A Mortgages held by the Trustee and the lien of the Mortgage on our Mortgaged Property (as described below).

The Mortgage, including Officer's Certificate 6-B-5, dated August 10, 2016, which established the terms of the 2066 Bonds (the "Officer's Certificate"), and the Class A Mortgages contain the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the Mortgage, the Class A Mortgages, the supplemental indentures relating to the 2066 Bonds and the related Class A Bonds, the Officer's Certificate, the outstanding Collateral Trust Mortgage Bonds, including the 2066 Bonds, or the Class A Bonds, including those issued in connection with the 2066 Bonds. The Mortgage, the Officer's Certificate, the Class A Mortgages, and the officer's certificates and the supplemental indentures that relate to the outstanding Collateral Trust Mortgage Bonds and bonds under the Class A Mortgages, including the 2066 Bonds and the related Class A Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read these documents for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the Mortgage and the Class A Mortgages, including the definitions of some of the terms used in the Mortgage and the Class A Mortgages, and to the particular terms of the Officer's Certificate. We also include references in parentheses to some of the sections of the Mortgage. The Mortgage and the Class A Mortgages have been qualified under the Trust Indenture Act of 1939, and

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you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the 2066 Bonds.

### ***General***

The Mortgage permits us to issue Collateral Trust Mortgage Bonds from time to time subject to the limitations described under “-Issuance of Additional Collateral Trust Mortgage Bonds.” All Collateral Trust Mortgage Bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional Collateral Trust Mortgage Bonds of that series. This means that we may from time to time, without the consent of the existing holders of the Collateral Trust Mortgage Bonds of any series, including the 2066 Bonds, create and issue additional Collateral Trust Mortgage Bonds of a series having the same terms and conditions as the previously issued Collateral Trust Mortgage Bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional Collateral Trust Mortgage Bonds. Additional Collateral Trust Mortgage Bonds issued in this manner will be consolidated with, and will form a single series with, the previously issued Collateral Trust Mortgage Bonds of that series. For more information, see the discussion below under “-Issuance of Additional Collateral Trust Mortgage Bonds.”

Other than the security afforded by the lien of the Mortgage and restrictions on the issuance of additional Collateral Trust Mortgage Bonds described above, there are no provisions of the Mortgage that grant the holders of the Collateral Trust Mortgage Bonds protection in the event of a highly leveraged transaction involving us.

### ***Redemption***

At any time on or after September 1, 2021, we may redeem the 2066 Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the 2066 Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date. Unless the 2066 Bonds are held in book-entry only form through the facilities of The Depository Trust Company (“DTC”), in which case DTC’s procedures for selection shall apply (see “-Book-Entry Only Securities”), if less than all of the 2066 Bonds are to be redeemed, the Trustee will select the 2066 Bonds to be redeemed. (Mortgage, Section 503.)

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the 2066 Bonds subject to such notice of redemption will cease to bear interest on the redemption date. (Mortgage, Section 505.) We will pay the redemption price and any accrued interest to the redemption date upon surrender of any 2066 Bond for redemption. (Mortgage, Section 505.) If only part of a 2066 Bond is redeemed, the Trustee will deliver to the holder of the 2066 Bond a new 2066 Bond for the remaining portion at our expense. (Mortgage, Section 506.)

We may make any redemption at our option conditional upon the receipt by the paying agent, on or prior to the date fixed for such redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the paying agent has not received the money by the date fixed for redemption, we will not be required to redeem the 2066 Bonds. (Mortgage, Section 504.)

### ***Payment and Paying Agents***

Interest on the 2066 Bonds accrues at the rate of 4.875% per year. Interest started to accrue from the date that the 2066 Bonds were issued. Interest payments on the 2066 Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the 2066 Bonds are registered in the name of DTC or its nominee, the record date for interest payable on any interest payment date shall be the close

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of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the Trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the 2066 Bonds at a rate of 4.875% per year, to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the 2066 Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of the 2066 Bonds falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day and without any interest or other payment in respect of such delay.

If there has been a default in the payment of interest on the 2066 Bonds, the defaulted interest may be paid to the holders as of the close of business on a date between 10 and 15 days before the date proposed by us for payment of the defaulted interest (and not less than 10 days after the Trustee receives notice of our proposal) or in any other manner permitted by any securities exchange on which the 2066 Bonds may be listed, if the Trustee finds it practicable. (Mortgage, Section 307.)

The principal amount of the 2066 Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of The Bank of New York Mellon in the Borough of Manhattan, City and State of New York, as our paying agent. However, we may choose to make payment of interest by check mailed to the address of the persons entitled to payment as they may appear or have appeared in the security register for the 2066 Bonds. We may change the place of payment on the 2066 Bonds, appoint one or more additional paying agents (including us) and remove any paying agent, all at our discretion. (Mortgage, Section 702.)

As long as the 2066 Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the 2066 Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the 2066 Bonds as described under the heading “-Book-Entry Only Securities.”

### ***Form and Exchange***

The 2066 Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The 2066 Bonds are represented by a global certificate without coupons registered in the name of a nominee of DTC.

The transfer of 2066 Bonds may be registered, and 2066 Bonds may be exchanged for other 2066 Bonds of authorized denominations and with the same terms and principal amount, at the corporate trust office of the Trustee in The City of New York. (Mortgage, Section 305.) We may, upon prompt written notice to the Trustee and the holders of the 2066 Bonds, designate one or more additional places, or change the place or places previously designated, for registration of transfer and exchange of the 2066 Bonds. (Mortgage, Section 702.) No service charge will be made for any registration of transfer or exchange of the 2066 Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange of the 2066 Bonds. We will not be required to execute or to provide for the registration of transfer or exchange of any 2066 Bond:

- during the 15 days before an interest payment date;
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- during the 15 days before giving any notice of redemption; or
- selected for redemption except the unredeemed portion of any 2066 Bond being redeemed in part. (Mortgage, Section 305.)

### ***Security***

The Mortgage imposes a lien on all of our tangible electric and gas utility property located in Louisiana, whether real, personal or mixed, together with our franchises, permits and licenses that are transferable and necessary for the operation of such property and our recorded easements and rights of way and our electric utility properties located in Union County, Arkansas and certain related properties, in each case, other than Excepted Property (as defined below) and subject to Permitted Liens (as defined below). These properties are sometimes referred to as our “Mortgaged Property.”

The 2066 Bonds, together with all other Collateral Trust Mortgage Bonds now or in the future outstanding under the Mortgage, have and will have the equal and ratable benefit of: (1) the first mortgage lien of each Class A Mortgage on the part of the Mortgaged Property covered thereby, as described below, to the extent of the aggregate principal amount of Class A Bonds issued under such Class A Mortgage held by the Trustee, subject to liens permitted under such Class A Mortgage, and (2) the first mortgage lien of the Mortgage on any of our Mortgaged Property that is not subject to the lien of any Class A Mortgage, subject to Permitted Liens. In addition, the 2066 Bonds, together with all other Collateral Trust Mortgage Bonds now or in the future outstanding under the Mortgage, have and will have the equal and ratable benefit of a second mortgage lien on all of our Mortgaged Property that is subject to the lien of a Class A Mortgage, subject to Permitted Liens. To the extent that any Class A Bonds do not bear interest, which is permissible under the Mortgage, holders of the Collateral Trust Mortgage Bonds do not have the benefit of the lien of the related Class A Mortgage in respect of an amount equal to the accrued interest, if any, on the related Collateral Trust Mortgage Bonds (but would have the benefit of the first mortgage lien of the related Class A Mortgage in respect of an amount equal to the principal of the related Collateral Trust Mortgage Bonds and the benefit of the second mortgage lien of the Mortgage in respect of an amount equal to the principal of, and any accrued interest or premium on, the related Collateral Trust Mortgage Bonds).

### ***Class A Bonds***

Class A Bonds are first mortgage bonds issued and outstanding under either of our Class A Mortgages. We currently have two Class A Mortgages: our Indenture of Mortgage dated September 1, 1926 (as restated, amended and supplemented, the “EGSL Mortgage”) and our Mortgage and Deed of Trust dated as of April 1, 1944 (as amended and supplemented, the “ELL Mortgage”). The Class A Bonds issued under the ELL Mortgage are and will be secured by a first mortgage lien (subject to liens permitted by the ELL Mortgage) on substantially all of our Mortgaged Property that was owned by us just before the merger of Entergy Gulf States Power, LLC (“EGSP LLC”) into us on October 1, 2015, together with replacements, additions and extensions of or to such property acquired by us. The Class A Bonds issued under the EGSL Mortgage are and will be secured by a first mortgage lien (subject to liens permitted by the EGSL Mortgage) on substantially all of our Mortgaged Property that was owned by EGSP LLC just before its merger into us, together with substitutions, replacements, additions and extensions of or to such property acquired by us. Neither Class A Mortgage will cover additional property acquired by us after the date of the aforesaid merger except property that constitutes a replacement, addition or extension of the property covered by such Class A Mortgage. If we merge or consolidate with an entity that has a first mortgage indenture on its property, we may designate that mortgage indenture as an additional Class A Mortgage.

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If the Trustee holds all of the Class A Bonds outstanding under a particular Class A Mortgage, we may discharge that Class A Mortgage, and the lien of the Mortgage will become a first mortgage lien on the Mortgaged Property that was subject to that Class A Mortgage, subject only to Permitted Liens. As of December 31, 2019, we had approximately \$4,649 million principal amount of Class A Bonds outstanding under the ELL Mortgage and approximately \$2,148 million principal amount of Class A Bonds outstanding under the EGSL Mortgage.

### ***Permitted Liens***

The lien of the Mortgage is subject to permitted liens described in the Mortgage (the “Permitted Liens”). These Permitted Liens include, among others,

- liens existing at November 1, 2015 (the “Execution Date”), that have not been discharged, including the liens of the Class A Mortgages;
- as to property acquired by us after the Execution Date, liens existing or placed on such property at the time we acquire such property, including the liens of any Class A Mortgages and any purchase money liens;
- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of Governmental Authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations;
- rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

(Mortgage, Granting Clauses and Section 101.)

The Mortgage provides that the Trustee has a lien, prior to the lien on the Mortgaged Property securing the 2066 Bonds, for the payment of its reasonable compensation and expenses and for indemnity

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against specified liabilities. (Mortgage, Section 1007.) This lien would be a Permitted Lien under the Mortgage.

The first mortgage liens of the Class A Mortgages are subject to similar, although not identical, permitted liens.

***Excepted Property***

The lien of the Mortgage does not cover, among other things, the following types of property:

- all cash, deposit accounts, securities and all policies of insurance on the lives of our officers not paid or delivered to or deposited with or held by the Trustee or required so to be;
  - all contracts, leases, operating agreements and other agreements of all kinds and rights thereunder (other than our franchises, permits and licenses that are transferable and necessary for the operation of the Mortgaged Property), bills, notes and other instruments, revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, rights created by statute or governmental action to bill and collect revenues or other amounts from customers or others, credits, claims, demands and judgments;
  - all governmental and other licenses, permits, franchises, consents and allowances (other than our franchises, permits and licenses that are transferable and necessary for the operation of Mortgaged Property);
  - all unrecorded easements and rights of way;
  - all intellectual property rights and other general intangibles;
  - all vehicles, movable equipment, aircraft and vessels and all parts, accessories and supplies used in connection with any of the foregoing;
  - all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code in effect where we are organized;
  - all merchandise and appliances acquired for the purpose of resale in the ordinary course and conduct of our business, any nuclear fuel and all fuel, materials and supplies held for consumption in use or operation of any of our properties or held in advance of use thereof for fixed capital purposes;
  - all electric energy and capacity, gas, steam and other materials and products generated, manufactured, produced or purchased by us for sale, distribution or use in the ordinary course and conduct of our business;
  - all property that is the subject of a lease agreement designating us as lessee, and all our right, title and interest in and to the property and in, to and under the lease agreement, whether or not the lease agreement is intended as security; and the last day of the term of any lease or leasehold which may become subject to the lien of the Mortgage;
  - all property, real, personal and mixed, that has been released from the lien of any Class A Mortgage, whether before or after the Execution Date, and any improvements, extensions and additions to such property and renewals, replacements, substitutions of or for any parts thereof;
  - all timber, minerals, mineral rights and royalties;
  - all natural gas wells, natural gas leases, natural gas lines or other property used in the production of natural gas or in the transmission of natural gas up to the point of connection with any gas distribution system owned by us (other than any transmission system or systems used for the transmission of natural gas between any gas distribution systems owned by us); and
  - all property, real, personal and mixed, that, after the Execution Date, has been released from the lien of the Mortgage, and any improvements, extensions and additions to such property and renewals, replacements, substitutions of or for any parts thereof.
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We sometimes refer to property of ours not covered by the lien of the Mortgage as “Excepted Property.” (Mortgage, Granting Clauses.)

The Class A Mortgages have similar, although not identical, exceptions to the property subject thereto.

### ***Funded Property***

The Mortgaged Property that is owned by us at any particular time is sometimes referred to as “Property Additions.” Property Additions will be or become Funded Property:

- when designated by us to be funded in connection with the discharge of a Class A Mortgage; or
- when used under the Mortgage for the issuance of Collateral Trust Mortgage Bonds, the release or retirement of Funded Property, or the withdrawal of funded cash deposited with the Trustee.  
(Mortgage, Section 102.)

### ***Issuance of Additional Bonds***

#### *Issuance of Additional Collateral Trust Mortgage Bonds*

Collateral Trust Mortgage Bonds of any series may be issued from time to time, subject to the limitation that the aggregate principal amount of Collateral Trust Mortgage Bonds issued under the Mortgage at any one time outstanding shall not exceed \$200 billion, on the basis of:

- the aggregate principal amount of Class A Bonds (which need not bear interest) issued to the Trustee;
- 70% of the cost or fair value to us (whichever is less) of Property Additions that do not constitute Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of Retired Securities, as defined below; or
- an amount of cash deposited with the Trustee.  
(Mortgage, Sections 102, 1601, 1602, 1603, 1604 and 1605.)

“Retired Securities” means any Collateral Trust Mortgage Bonds authenticated and delivered under the Mortgage which:

- no longer remain outstanding;
- have not been made the basis of the authentication and delivery of Collateral Trust Mortgage Bonds, the release of Mortgaged Property or the withdrawal of funded cash; and
- have not been paid, redeemed, purchased or otherwise retired by the application thereto of funded cash.  
(Mortgage, Section 101.)

#### *Issuance of Additional Class A Bonds*

The maximum principal amount of bonds that may be issued under the ELL Mortgage is limited to \$100 billion at any time outstanding under the ELL Mortgage, subject to property additions and other limitations of the ELL Mortgage. Class A Bonds may be issued from time to time under the ELL Mortgage on the basis of:

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- 80% of the cost or fair value, whichever is less, of unfunded property additions after adjustments to offset retirements;
- retirements of bonds issued under the ELL Mortgage or qualified lien bonds; or
- deposit of cash with the trustee under the ELL Mortgage.

Property additions under the ELL Mortgage generally include the Mortgaged Property that was acquired by us after December 31, 1943 and was owned by us just before the merger of EGSP LLC into us, together with replacements, additions and extensions of or to such property acquired by us. Unfunded property additions are generally those that have not been used under the ELL Mortgage to issue bonds, release property, withdraw cash or replace retired property that has been used for such purposes.

Class A Bonds may be issued from time to time under the EGSL Mortgage, subject to the limitation that the aggregate principal amount of bonds issued under the EGSL Mortgage at any one time outstanding shall not exceed \$100 billion, on the basis of:

- an amount not exceeding 60% of available net additions;
- available debt retirements of bonds and/or refundable indebtedness under the EGSL Mortgage; or
- the deposit of cash with the trustee under the EGSL Mortgage.

Net additions under the EGSL Mortgage generally include the Mortgaged Property that was owned by EGSP LLC just before its merger into us, together with substitutions, replacements, additions and extensions of or to such property acquired by us. Available net additions are generally net additions that have not been used under the EGSL Mortgage to issue bonds, release property, withdraw cash or replace retired property that has been used for such purposes.

As a condition to the authentication and delivery of bonds under the EGSL Mortgage on the basis of property additions and (with certain exceptions) on the basis of retired bonds, qualified lien bonds and/or refundable indebtedness, the Company's net earnings (as defined in the EGSL Mortgage) for a recent period of twelve consecutive calendar months must have been at least twice the annual interest requirements on all bonds outstanding under the EGSL Mortgage including the new bonds.

As of December 31, 2019, we could have issued approximately \$1,674 million principal amount of additional Class A Bonds under the ELL Mortgage on the basis of retired bonds, and we had approximately \$720 million of unfunded property additions, entitling us to issue approximately \$576 million principal amount of additional Class A Bonds under the ELL Mortgage on the basis of property additions. As of December 31, 2019, we could have issued approximately \$1,964 million principal amount of additional Class A Bonds under the EGSL Mortgage on the basis of available debt retirements, and we had approximately \$2,255 million of available net additions, entitling us to issue approximately \$1,353 million principal amount of additional Class A Bonds under the EGSL Mortgage on the basis of available net additions (in each case, assuming such additional Class A Bonds do not bear interest). As of December 31, 2019, we could have issued approximately \$5,567 million principal amount of additional Collateral Trust Mortgage Bonds on the basis of Class A Bonds. As of December 31, 2019, the Company had approximately \$4,649 million principal amount of Class A Bonds outstanding under the ELL Mortgage and approximately \$2,148 million principal amount of Class A Bonds outstanding under the EGSL Mortgage.

As of December 31, 2019, we had approximately \$3,949 million aggregate principal amount of Collateral Trust Mortgage Bonds outstanding. As of December 31, 2019, we had approximately \$410 million of unfunded property additions under the Mortgage, entitling us to issue approximately \$287 million principal amount of Collateral Trust Mortgage Bonds on the basis of property additions. As of

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December 31, 2019, we were not entitled to issue any Collateral Trust Mortgage Bonds on the basis of retired Collateral Trust Mortgage Bonds. Class A Bonds, property additions and cash used as a basis for the issuance of Collateral Trust Mortgage Bonds under the Mortgage from time to time will be for the benefit of the holders of all Collateral Trust Mortgage Bonds outstanding under the Mortgage from time to time, including the holders of the 2066 Bonds.

We have reserved the right to amend the EGSL Mortgage without any consent or other action by the holders of any bonds issued under the EGSL Mortgage created on or after July 1, 2014, to remove the earnings coverage test contained therein. In addition, each holder or future holder of Class A Bonds issued under the EGSL Mortgage created on or after July 1, 2014 (including the Trustee under the Mortgage), by its acquisition of an interest in such Class A Bonds, irrevocably (a) consented or will consent to the amendment to the EGSL Mortgage to remove the net earnings test without any further action and (b) designated or will designate the trustee under the EGSL Mortgage as its proxy with irrevocable instructions to vote in favor of such amendment or to deliver a written consent thereto.

### ***Release of Property***

#### *Special Release Provision - While Class A Mortgage is in Effect*

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any Mortgaged Property that is subject to a Class A Mortgage by obtaining the release of that property from the applicable Class A Mortgage. (Mortgage, Section 1808.)

#### *Release of Property from Class A Mortgages*

Properties subject to the lien of the ELL Mortgage may be released on the basis of:

- the deposit of cash or purchase money mortgages;
- property additions, after adjustments in certain cases to offset retirements and after making adjustments for qualified lien bonds, if any, outstanding against property additions; and
- the aggregate principal amount of bonds that we would be entitled to issue under the ELL Mortgage on the basis of retired qualified lien bonds; or (ii) 10/6ths of the aggregate principal amount of bonds that we would be entitled to issue under the ELL Mortgage on the basis of retired bonds that were issued prior to June 9, 2010; or (iii) 10/8ths of the aggregate principal amount of bonds that we would be entitled to issue under the ELL Mortgage on the basis of retired bonds that were issued after June 9, 2010; in each case with the entitlement being waived by operation of the release.

Properties subject to the lien of the EGSL Mortgage may be released on the basis of:

- the deposit of cash or, within certain limits, purchase money obligations and, in certain cases, governmental or municipal obligations;
- the deposit of the proceeds of such properties with the holder of a prior lien;
- available net additions; and
- available debt retirements of bonds or refundable indebtedness under the EGSL Mortgage.

#### *General Release Provisions*

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any Mortgaged Property, except for funded cash, upon delivery to

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the Trustee of an amount in cash equal to the amount, if any, as calculated by us, by which the lower of the cost or fair value of the property to be released exceeds the aggregate of:

- an amount equal to the aggregate principal amount of any obligations secured by purchase money liens upon the property to be released and delivered to the Trustee;
- an amount equal to the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the release);
- 10/7ths of the aggregate principal amount of Collateral Trust Mortgage Bonds that we would be entitled to issue on the basis of Retired Securities or Class A Bonds (with such entitlement being waived by operation of the release);
- any amount in cash and/or an amount equal to the aggregate principal amount of any obligations secured by purchase money liens delivered to a holder of a prior lien on Mortgaged Property in consideration for the release of such Mortgaged Property from such prior lien; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

(Mortgage, Section 1803.)

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any part of the Mortgaged Property or any interest therein, which does not constitute Funded Property or funded cash held by the Trustee, without depositing any cash or property with the Trustee as long as (a) the aggregate amount of cost or fair value to us (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released) after specified deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the cost or fair value (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to us (whichever is less) of Property Additions acquired, made or constructed within the 90-day period preceding the release. (Mortgage, Section 1804.)

The Mortgage provides simplified procedures for the release of Mortgaged Property with an aggregate cost or fair value (whichever is less) of up to the greater of \$10 million or 3% of the sum of outstanding Collateral Trust Mortgage Bonds and Class A Bonds (other than Class A Bonds held by the Trustee) during a calendar year and for the release of Mortgaged Property taken or sold in connection with the power of eminent domain; the Mortgage also provides for dispositions of certain obsolete or unnecessary Mortgaged Property and for grants or surrender of certain easements, leases or rights of way without any release or consent by the Trustee. (Mortgage, Sections 1802, 1805 and 1807.)

If we retain any interest in any property released from the lien of the Mortgage, the Mortgage will not become a lien on that property or the interest in that property or any improvements, extensions or additions to, or any renewals, replacements or substitutions of or for, any part or parts of that property unless we subject that property to the lien of the Mortgage. (Mortgage, Section 1810.)

The Mortgage also provides that we may terminate, abandon, surrender, cancel, release, modify or dispose of any of our franchises, permits or licenses that are Mortgaged Property without any consent of the Trustee or the holders of outstanding Collateral Trust Mortgage Bonds, provided that such action is, in our opinion, necessary, desirable or advisable in the conduct of our business. In addition, the Mortgage provides that, if any of our franchises, permits or licenses that are Mortgaged Property because they are necessary for the operation of other Mortgaged Property cease to be necessary, in our opinion, for the

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operation of the Mortgaged Property, such franchises, permits or licenses shall automatically cease to be Mortgaged Property without any release or consent, or report to, the Trustee. (Mortgage, Section 1802.)

### ***Withdrawal of Cash***

Unless an event of default under the Mortgage has occurred and is continuing, and subject to specified limitations, cash held by the Trustee may generally, (1) be withdrawn by us (a) to the extent of the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property, after specified deductions and additions, primarily including adjustments to offset retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of Collateral Trust Mortgage Bonds that we would be entitled to issue on the basis of Retired Securities or Class A Bonds (with the entitlement to the issuance being waived by operation of the withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding Collateral Trust Mortgage Bonds delivered to the Trustee (with the Collateral Trust Mortgage Bonds being cancelled by the Trustee), or (2) upon our request, be applied to (a) the purchase of Collateral Trust Mortgage Bonds or (b) the payment (or provision for payment) at stated maturity of any Collateral Trust Mortgage Bonds or the redemption (or provision for payment) prior to stated maturity of any Collateral Trust Mortgage Bonds which are redeemable. (Mortgage, Section 1806.)

### ***Satisfaction and Discharge of 2066 Bonds***

Subject to certain conditions, the 2066 Bonds, or any portion of the 2066 Bonds, will be deemed paid and no longer outstanding under the Mortgage and we can be discharged from our obligations on such 2066 Bonds, or such portion of the 2066 Bonds, if we irrevocably deposit with the Trustee or any paying agent, other than us, sufficient cash or government securities to pay the principal, any interest and any other sums when due on such 2066 Bonds, or such portion of such 2066 Bonds, on the stated maturity date or a redemption date of the 2066 Bonds, or such portion of the 2066 Bonds. (Mortgage, Section 801.)

### ***Consolidation, Merger and Conveyance of Assets***

Under the terms of the Mortgage, we may not consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the Mortgaged Property, unless:

- the surviving or successor entity, or an entity that acquires by conveyance or transfer or that leases our Mortgaged Property as, or substantially as, an entirety, is organized and validly existing under the laws of any domestic jurisdiction, and it expressly assumes our obligations on all Collateral Trust Mortgage Bonds then outstanding and under the Mortgage and confirms the lien of the Mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction becomes effective), including subjecting to the lien of the Mortgage all property thereafter acquired by the successor entity that constitutes an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, but only to the extent that such improvement, extension or addition is so affixed or attached to real property as to be regarded a part of such real property or is an improvement, extension or addition to personal property that is made to maintain, renew, repair or improve the function of such personal property and is physically installed in or affixed to such personal property;
  - in the case of a lease, such lease is made expressly subject to termination by us or by the Trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of an event of default under the Mortgage;
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- we shall have delivered to the Trustee an officer's certificate and an opinion of counsel as provided in the Mortgage; and
- immediately after giving effect to such transaction (and treating any debt that becomes an obligation of the successor entity as a result of such transaction as having been incurred by the successor entity at the time of such transaction), no event of default under the Mortgage, or event that, after notice or lapse of time or both, would become an event of default under the Mortgage, shall have occurred and be continuing.

(Mortgage, Section 1201.) In the case of the conveyance or other transfer of the Mortgaged Property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the Mortgage and on the Collateral Trust Mortgage Bonds then outstanding unless we elect to waive such release and discharge. (Mortgage, Section 1204.)

The Mortgage does not prevent or restrict:

- any conveyance or other transfer, or lease, of any part of the Mortgaged Property that does not constitute the entirety, or substantially the entirety, of the Mortgaged Property; or (Mortgage, Section 1205.)
- any conveyance, transfer or lease of any of our properties where we retain Mortgaged Property with a fair value in excess of 143% of the aggregate principal amount of all outstanding Collateral Trust Mortgage Bonds, and any other outstanding debt secured by a Class A Mortgage or a purchase money lien that ranks equally with, or senior to, the Collateral Trust Mortgage Bonds with respect to the Mortgaged Property (other than Class A Bonds held by the Trustee). This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us. (Mortgage, Section 1206.)

Although the successor entity may, in its sole discretion, subject to the lien of the Mortgage property then owned or thereafter acquired by the successor entity, the lien of the Mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the Mortgage, as described above. (Mortgage, Section 1203.)

The terms of the Mortgage do not restrict mergers in which we are the surviving entity. (Mortgage, Section 1205.) A statutory merger pursuant to which our assets and liabilities are allocated to one or more entities shall not be considered to be a merger subject to the provisions of the Mortgage described above unless all of our assets and liabilities are allocated to an entity other than us and we do not survive such statutory merger. In all other cases of a statutory merger pursuant to which any Mortgaged Property is allocated to one or more entities other than us, each allocation of any Mortgaged Property to an entity other than us shall be deemed, for purposes of the Mortgage, to be a transfer of such Mortgaged Property to such entity and not a merger. (Mortgage, Section 1207.)

### ***Events of Default***

#### *Events of Default under the Mortgage*

“Event of default,” when used in the Mortgage with respect to Collateral Trust Mortgage Bonds, means any of the following:

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- failure to pay interest on any Collateral Trust Mortgage Bond for 30 days after it is due unless we have made a valid extension of the interest payment period with respect to such Collateral Trust Mortgage Bond as provided in the Mortgage;
- failure to pay the principal of or any premium on any Collateral Trust Mortgage Bond when due unless we have made a valid extension of the maturity of such Collateral Trust Mortgage Bond as provided in the Mortgage;
- failure to perform or breach of any other covenant or warranty in the Mortgage that continues for 90 days after we receive written notice from the Trustee, or we and the Trustee receive written notice from the holders of at least 33% in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds, unless the Trustee, or the Trustee and the holders of a principal amount of Collateral Trust Mortgage Bonds not less than the principal amount of Collateral Trust Mortgage Bonds the holders of which gave such notice, as the case may be, agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Collateral Trust Mortgage Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by us within such period and is being diligently pursued;
- events of our bankruptcy, insolvency or reorganization as specified in the Mortgage;
- so long as the Trustee holds any Class A Bonds under the Mortgage corresponding to outstanding Collateral Trust Mortgage Bonds, any matured event of default under the applicable Class A Mortgage resulting in acceleration of such Class A Bonds; provided that any cure or waiver of such event of default and any rescission or annulment of such acceleration under the applicable Class A Mortgage shall constitute a cure, waiver, rescission or annulment under the Mortgage; or
- any other event of default included in any supplemental indenture, board resolution or officer's certificate establishing a series of Collateral Trust Mortgage Bonds.

(Mortgage, Sections 301, 901 and 1301.)

The Trustee is required to give notice of any default under the Mortgage known to the Trustee in the manner and to the extent required to do so by the Trust Indenture Act of 1939, unless such default shall have been cured or waived. However, in the case of any default of the character specified in the third bullet in the preceding paragraph, no such notice to holders of the Collateral Trust Mortgage Bonds shall be given until at least 60 days after the occurrence thereof. The Trustee shall give to the trustee under each Class A Mortgage a copy of each notice of default given to the holders of Collateral Trust Mortgage Bonds. In addition, the Trustee shall give to the holders of Collateral Trust Mortgage Bonds copies of each notice of default under any Class A Mortgage given to the Trustee in its capacity as owner and holder of Class A Bonds under that Class A Mortgage. (Mortgage, Section 1002.)

So long as the Trustee holds any Class A Bonds under the Mortgage corresponding to outstanding Collateral Trust Mortgage Bonds, such Class A Bonds shall be redeemed by us, in whole at any time, or in part from time to time, at a redemption price equal to the principal amount thereof, upon receipt by the trustee under the related Class A Mortgage of a written notice from the Trustee to us and such trustee stating that an Event of Default under the Mortgage has occurred and is continuing and that, as a result, there is due and payable a specified amount with respect to such Collateral Trust Mortgage Bonds, for the payment of which the Trustee has not received funds and specifying the principal amount of such Class A Bonds to be redeemed.

#### *Events of Default under the Class A Mortgages*

Events of default under the existing Class A Mortgages include default in payment of principal or premium, if any, when due; default, for 60 days under the ELL Mortgage and 30 days under the EGSL

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Mortgage, in the payment of interest; certain events of bankruptcy, insolvency or reorganization; and default in other covenants for 90 days after notice by the trustee or the holders of a specified percentage of bonds outstanding under the applicable Class A Mortgage.

## ***Remedies***

### *Acceleration of Maturity*

If an event of default under the Mortgage occurs and is continuing, then the Trustee, by written notice to us, or the holders of at least 33% in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds, by written notice the Trustee and us, may declare the principal amount of all of the Collateral Trust Mortgage Bonds to be due and payable immediately, and upon our receipt of such notice, such principal amount, together with premium, if any, and accrued and unpaid interest will become immediately due and payable. (Mortgage, Section 902.)

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

### *Rescission of Acceleration*

At any time after such a declaration of acceleration has been made but before any sale of the Mortgaged Property and before a judgment or decree for payment of the money due has been obtained by the Trustee, the event of default under the Mortgage giving rise to such declaration of acceleration will be considered cured, and such declaration and its consequences will be considered rescinded and annulled, if:

- we have paid or deposited with the Trustee a sum sufficient to pay:
  - (1) all overdue interest on all outstanding Collateral Trust Mortgage Bonds;
  - (2) the principal of and premium, if any, on the outstanding Collateral Trust Mortgage Bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
  - (3) interest on overdue interest, if any, to the extent lawful; and
  - (4) all amounts due to the Trustee under the Mortgage; and
- any other event of default under the Mortgage with respect to the Collateral Trust Mortgage Bonds has been cured or waived as provided in the Mortgage.

(Mortgage, Section 902.)

### *Trustee Powers*

Subject to the Mortgage, under specified circumstances and to the extent permitted by law, if an event of default under the Mortgage occurs and is continuing, the Trustee is entitled to the appointment of a receiver for the Mortgaged Property and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law. (Mortgage, Section 916.) In addition, the Trustee may exercise any right or remedy available to the Trustee as a holder of Class A Bonds which arises as a result of a default or event of default under any Class A Mortgage. (Mortgage, Section 917.)

### *Control by Holders*

Other than its duties in the case of an event of default under the Mortgage, the Trustee is not obligated to exercise any of its rights or powers under the Mortgage at the request, order or direction of

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any of the holders, unless the holders offer the Trustee an indemnity satisfactory to it. (Mortgage, Section 1003.) If an event of default under the Mortgage has occurred and is continuing and they provide this indemnity, the holders of a majority in principal amount of the outstanding Collateral Trust Mortgage Bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee. The Trustee is not obligated to comply with directions that conflict with law or other provisions of the Mortgage or that could involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate. (Mortgage, Section 912.)

#### *Limitation on Holders' Right to Institute Proceedings*

No holder of Collateral Trust Mortgage Bonds will have any right to institute any proceeding under the Mortgage, or any remedy under the Mortgage, unless:

- the holder has previously given to the Trustee written notice of a continuing event of default under the Mortgage;
- the holders of a majority in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds of all series have made a written request to the Trustee and have offered indemnity satisfactory to the Trustee to institute proceedings; and
- the Trustee has failed to institute any proceeding for 60 days after notice and has not received during that period any direction from the holders of a majority in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds inconsistent with the written request of holders referred to above;

provided that no holder or holders of Collateral Trust Mortgage Bonds shall have any right in any manner to affect or prejudice the rights of other holders of Collateral Trust Mortgage Bonds or to obtain priority over such other holders. (Mortgage, Section 907.) However, these limitations do not apply to the absolute and unconditional right of a holder of a Collateral Trust Mortgage Bond to institute suit for payment of the principal, premium, if any, or interest on the Collateral Trust Mortgage Bond on or after the applicable due date. (Mortgage, Section 908.)

We have the right to amend the Mortgage at any time without any consent or other action of the holders of any of the 2066 Bonds to revise the limitations described in the first sentence of the immediately preceding paragraph above to apply to any proceeding or remedy under or with respect to the Mortgage or the Collateral Trust Mortgage Bonds.

#### *Evidence to be Furnished to the Trustee*

Compliance with the Mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the Trustee an annual certificate as to whether or not we have fulfilled our obligations under the Mortgage throughout the preceding year. (Mortgage, Section 705.)

#### *Modification and Waiver*

##### *Modification Without Consent*

Without the consent of any holder of Collateral Trust Mortgage Bonds, we and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

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- to evidence the assumption by any permitted successor of our covenants in the Mortgage and in the Collateral Trust Mortgage Bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of Collateral Trust Mortgage Bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the Mortgage for all or any series of Collateral Trust Mortgage Bonds;
- to change, eliminate or add any provision to the Mortgage; provided, however, if the change, elimination or addition will adversely affect the interests of the holders of Collateral Trust Mortgage Bonds of any series in any material respect, the change, elimination or addition will become effective only:
  - (1) when the consent of the holders of Collateral Trust Mortgage Bonds of such series has been obtained in accordance with the Mortgage; or
  - (2) when no Collateral Trust Mortgage Bonds of the affected series remain outstanding under the Mortgage;
- to provide additional security for any Collateral Trust Mortgage Bonds;
- to establish the form or terms of Collateral Trust Mortgage Bonds of any other series as permitted by the Mortgage;
- to provide for the authentication and delivery of bearer securities with or without coupons;
- to evidence and provide for the acceptance of appointment by a separate or successor Trustee or co-trustee;
- to provide for the procedures required for us to use a noncertificated system of registration for the Collateral Trust Mortgage Bonds of all or any series;
- to change any place where principal, premium, if any, and interest shall be payable, Collateral Trust Mortgage Bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served;
- to amend and restate the Mortgage as originally executed and as amended from time to time, with additions, deletions and other changes that do not adversely affect the interests of the holders of Collateral Trust Mortgage Bonds of any series in any material respect;
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the Mortgage if such changes or additions will not adversely affect the interests of the holders of Collateral Trust Mortgage Bonds of any series in any material respect; or
- to increase or decrease the maximum amount of Collateral Trust Mortgage Bonds that may be outstanding at any one time under the Mortgage to an amount that is not less than the aggregate principal amount of Collateral Trust Mortgage Bonds then outstanding.

(Mortgage, Section 1301.)

*Modification and Waiver Requiring Consent*

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding Collateral Trust Mortgage Bonds, considered as one class, is required for all other amendments or modifications to the Mortgage. However, if less than all of the series of Collateral Trust Mortgage Bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding Collateral Trust Mortgage Bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected Collateral Trust Mortgage Bond then outstanding to:

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- change the stated maturity of the principal of, or any installment of principal of or interest on, any Collateral Trust Mortgage Bond, or reduce the principal amount of any Collateral Trust Mortgage Bond or its rate of interest or change the method of calculating that interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any Collateral Trust Mortgage Bond;
- create any lien ranking prior to or on a parity with the lien of the Mortgage with respect to the Mortgaged Property, terminate the lien of the Mortgage on the Mortgaged Property or deprive any holder of a Collateral Trust Mortgage Bond of the benefits of the security of the lien of the Mortgage;
- reduce the percentage in principal amount of the outstanding Collateral Trust Mortgage Bonds of any series the consent of the holders of which is required for any amendment or modification or any waiver of compliance with a provision of the Mortgage or of any default thereunder and its consequences, or reduce the requirements thereunder for a quorum or voting; or
- modify certain provisions of the Mortgage relating to supplemental indentures, waivers of some covenants and waivers of past defaults with respect to the Collateral Trust Mortgage Bonds of any series.

A supplemental indenture that changes the Mortgage solely for the benefit of one or more particular series of Collateral Trust Mortgage Bonds, or modifies the rights of the holders of Collateral Trust Mortgage Bonds of one or more series, will not affect the rights under the Mortgage of the holders of the Collateral Trust Mortgage Bonds of any other series. (Mortgage, Section 1302.)

The holders of a majority in aggregate principal amount of then outstanding Collateral Trust Mortgage Bonds, considered as one class, may waive compliance by us with some restrictive provisions of the Mortgage. (Mortgage, Section 706.) The holders of a majority in principal amount of then outstanding Collateral Trust Mortgage Bonds may waive any past default under the Mortgage, except a default in the payment of principal, premium, if any, or interest on any outstanding Collateral Trust Mortgage Bonds and certain covenants and provisions of the Mortgage that cannot be modified or amended without the consent of the holder of each outstanding Collateral Trust Mortgage Bond of any affected series. (Mortgage, Section 913.)

The Mortgage provides that Collateral Trust Mortgage Bonds owned by us or anyone else required to make payment on the Collateral Trust Mortgage Bonds shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent. (Mortgage, Section 101.)

We may fix in advance a record date to determine the holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or similar act of the holders, but we have no obligation to do so. If we fix a record date, that request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after that record date, but only the holders of record at the close of business on that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding Collateral Trust Mortgage Bonds have authorized or agreed or consented to the request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding Collateral Trust Mortgage Bonds will be computed as of the record date.

Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder of any Collateral Trust Mortgage Bond will bind every future holder of that Collateral Trust Mortgage Bond and the holder of every Collateral Trust Mortgage Bond issued upon the registration of

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transfer of or in exchange for that Collateral Trust Mortgage Bond. A transferee will also be bound by acts of the Trustee or us in reliance thereon, whether or not notation of that action is made upon the Collateral Trust Mortgage Bond. (Mortgage, Section 106.)

### ***Voting of Class A Bonds***

The Mortgage provides that the Trustee will, as holder of Class A Bonds delivered as the basis for the issuance of Collateral Trust Mortgage Bonds, attend meetings of holders of bonds under the related Class A Mortgage, or deliver its proxy in connection with those meetings, that relate to matters with respect to which it, as a holder, is entitled to vote or consent. The Mortgage provides that, so long as no event of default under the Mortgage has occurred and is continuing and except for the rights and remedies of the Trustee in case of a default or matured event of default under a Class A Mortgage, the Trustee will, as holder of the Class A Bonds, vote or consent (without any consent or other action by the holders of the Collateral Trust Mortgage Bonds, except as described in the proviso of clause (2) below) in favor of any amendments or modifications to the applicable Class A Mortgage as follows:

- (1) to conform any provision of a Class A Mortgage in all material respects to the correlative provision of the Mortgage, to add to a Class A Mortgage any provision not otherwise contained therein which conforms in all material respects to a provision contained in the Mortgage, to delete from a Class A Mortgage any provision to which the Mortgage contains no correlative provision and any combination of the foregoing and/or, without limiting the generality of the foregoing, to effect certain amendments included in supplemental indentures to the ELL Mortgage and the EGSL Mortgage; and/or;
- (2) with respect to any amendments or modifications to any Class A Mortgage other than those amendments or modifications referred to in clause (1) above, vote all the Class A Bonds delivered under such Class A Mortgage, or consent with respect thereto, proportionately with the vote or consent of holders of all other Class A Bonds outstanding under such Class A Mortgage the holders of which are eligible to vote or consent, as evidenced by a certificate delivered by the trustee under such Class A Mortgage; provided, however, that the Trustee will not vote in favor of, or consent to, any amendment or modification of a Class A Mortgage which, if it were an amendment or modification of the Mortgage, would require the consent of holders of Collateral Trust Mortgage Bonds as described under “-Modification and Waiver,” without the prior consent of holders of Collateral Trust Mortgage Bonds which would be required for an amendment or modification of the Mortgage.

(Mortgage, Section 1705.)

We may make amendments to, or eliminate some of the covenants in, the ELL Mortgage with the consent of the holders of a majority of the bonds outstanding under the ELL Mortgage considered as one class, provided that, if less than all series of such bonds are affected, only the consent of holders of a majority of such bonds of each series affected, considered as one class, is required for such modification, but no such modification shall, without the consent of the holder of any such bond affected by such modification, permit:

- the extension of the maturity or reduction of the principal of or interest on such bond or other modification in the terms of payment of such principal or interest;
  - the creation of a lien that is prior or equal to the lien of the ELL Mortgage with respect to the mortgaged property under the ELL Mortgage or the deprivation of any non-assenting holder of such bonds of the benefit of a lien on the mortgaged property under the ELL Mortgage (subject only to excepted encumbrances as defined in the ELL Mortgage); or
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- the reduction of the percentage required for modification of the ELL Mortgage.

We may make amendments to, or eliminate some of the covenants in, the EGSL Mortgage with the consent of the holders of not less than 75% in aggregate principal amount of the bonds outstanding under the EGSL Mortgage, including not less than 60% of each series affected, but no such modification shall:

- extend the maturity of any such bonds or reduce the rate or extend the time of payment of interest on any such bonds or reduce the amount of principal of any such bonds, or reduce any premium payable on the redemption of any such bonds, without the consent of the holder of such affected bond;
- permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the EGSL Mortgage, without the consent of the holders of all the bonds then outstanding under the EGSL Mortgage; or
- reduce the above-described percentage of holders of bonds under the EGSL Mortgage required to approve any such modification, without the consent of the holders of all such bonds then outstanding.

If we amend a Class A Mortgage to eliminate one or more covenants as described above, a holder of Collateral Trust Mortgage Bonds would no longer benefit from such covenants.

### ***Resignation of a Trustee; Removal***

The Trustee may resign at any time by giving written notice to us or may be removed at any time by an act of the holders of a majority in principal amount of Collateral Trust Mortgage Bonds then outstanding delivered to the Trustee and us at least 31 days prior to such removal. No resignation or removal of the Trustee and no appointment of a successor Trustee will be effective until the acceptance of appointment by a successor Trustee. So long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a Trustee appointed by act of the holders, if we have delivered to the Trustee a board resolution appointing a successor Trustee and the successor has accepted the appointment in accordance with the terms of the Mortgage, the Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as Trustee in accordance with the Mortgage. (Mortgage, Section 1010.)

### ***Notices***

Notices to holders of 2066 Bonds are given by mail in writing to the addresses of such holders as they may appear in the security register for the 2066 Bonds. (Mortgage, Section 108.)

### ***Title***

We, the Trustee, and any of our or the Trustee's agents, may treat the person in whose name 2066 Bonds are registered as the absolute owner thereof, whether or not the 2066 Bonds may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary. (Mortgage, Section 308.)

### ***Governing Law***

The Mortgage and the 2066 Bonds are governed by, and construed in accordance with, the laws of the State of New York, without giving effect to its conflicts of laws principles, except where otherwise

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required by law, including with respect to the creation, perfection, priority or enforcement of the lien of the Mortgage. (Mortgage, Section 114.)

### ***Information about the Trustee***

The Trustee is The Bank of New York Mellon. In addition to acting as Trustee, The Bank of New York Mellon also acts, and may act, as trustee under the ELL Mortgage, the EGSL Mortgage, and various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the Trustee and its affiliates in the ordinary course of our respective businesses.

### ***Book-Entry Only Securities***

The 2066 Bonds trade through DTC. The 2066 Bonds are represented by a global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificate was deposited with the Trustee as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the 2066 Bonds within the DTC system must be made through participants, who will receive a credit for the 2066 Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased 2066 Bonds. Transfers of ownership in the 2066 Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their 2066 Bonds, except if use of the book-entry system for the 2066 Bonds is discontinued.

To facilitate subsequent transfers, all 2066 Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the 2066 Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the 2066 Bonds. DTC's records reflect only the identity of the participants to whose accounts such 2066 Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

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Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of 2066 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2066 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Mortgage. Beneficial owners of the 2066 Bonds may wish to ascertain that the nominee holding the 2066 Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the 2066 Bonds. If less than all of the 2066 Bonds are being redeemed, DTC's practice is to determine by lot the amount of 2066 Bonds held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to 2066 Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the 2066 Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the 2066 Bonds.

Payments of redemption proceeds, principal of, and interest on the 2066 Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the Trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the 2066 Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the 2066 Bonds.

DTC may discontinue providing its services as securities depository with respect to the 2066 Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the 2066 Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the 2066 Bonds. In that event or if an event of default with respect the 2066 Bonds has occurred and is continuing, certificates for the 2066 Bonds will be printed and delivered. If certificates for the 2066 Bonds are printed and delivered,

- the 2066 Bonds will be issued in fully registered form without coupons;
  - a holder of certificated 2066 Bonds would be able to exchange those 2066 Bonds, without charge, for an equal aggregate principal amount of 2066 Bonds having the same issue date and with identical terms and provisions; and
  - a holder of certificated 2066 Bonds would be able to transfer those 2066 Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.
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The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

**DESCRIPTION OF ENTERGY MISSISSIPPI, LLC'S SECURITIES**  
**REGISTERED PURSUANT TO SECTION 12**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

*References in this exhibit to “we,” “us,” or “our” are to Entergy Mississippi, LLC.*

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of February 1, 1988, with The Bank of New York Mellon, successor trustee (the “trustee”). This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this exhibit as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the Bonds (as defined below), are referred to herein as “first mortgage bonds.”

As of February 21, 2020, we have one series of first mortgage bonds outstanding that is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our First Mortgage Bonds, 4.90% Series due October 1, 2066, issued in an aggregate principal amount of \$260,000,000 under the Thirty-Third Supplemental Indenture, dated as of September 1, 2016, to the mortgage and traded on the New York Stock Exchange under the ticker EMP (the “Bonds”).

The full aggregate principal amount of the Bonds is currently outstanding.

The mortgage, including the applicable supplemental indenture relating to the Bonds, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indenture relating to the Bonds, or the outstanding first mortgage bonds, including the Bonds. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to the Bonds. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

***General***

The mortgage permits us to issue first mortgage bonds from time to time in an unlimited aggregate amount subject to the limitations described below under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with, the previously issued first mortgage bonds of that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

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## ***Payment***

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the trustee in the Borough of Manhattan, City and State of New York. Interest on the Bonds accrues at the rate of 4.90% per year and started to accrue from the date that the Bonds were issued. Interest payments on the Bonds are made on March 1, June 1, September 1 and December 1 of each year. As long as the Bonds are registered in the name of The Depository Trust Company (“DTC”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the Bonds at a rate of 5.90% per year to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of the Bonds falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

## ***Redemption and Retirement***

At any time on or after October 1, 2021, we may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date.

Unless the Bonds are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply (see “Book-Entry Only Securities”), if less than all of the Bonds are to be redeemed, the trustee will select the Bonds to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon presentation and surrender of any Bond for redemption. If only part of a Bond is redeemed, the trustee will deliver to the holder of the Bond a new Bond for the remaining portion without charge.

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We may make any redemption at our option conditional upon the receipt by the trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the trustee has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds.

### ***Form and Exchange***

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Bonds are represented by a global certificate without coupons registered in the name of a nominee of DTC.

The Bonds are exchangeable for other Bonds in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any Bond:

1. during the 15 days before an interest payment date (unless such Bond has a record date for the payment of interest),
2. during the 15 days before any designation of such Bond to be redeemed, or
3. selected for redemption.

### ***Security***

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on substantially all of our property (the “mortgaged property”) subject to bankruptcy law and:

1. minor defects and encumbrances customarily found in similar properties that do not materially impair the use of the mortgaged property in the conduct of our business;
2. other liens, defects and encumbrances, if any, existing or created at the time of our acquisition of the mortgaged property; and
3. excepted encumbrances.

The mortgage does not create a lien on the following “excepted property”:

1. cash and securities;
2. all merchandise, equipment, apparatus, materials or supplies held for sale or other disposition in the usual course of business or consumable during use;
3. automobiles, vehicles and aircraft, timber, minerals, mineral rights and royalties; and
4. accounts receivable, contracts, leases and operating agreements.

The mortgage contains provisions that impose the lien of the mortgage on property we acquire after the date of the mortgage, other than excepted property, subject to pre-existing liens. However, if we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to, another entity, unless the successor entity elects otherwise in its sole discretion, the lien created by the mortgage will generally not cover the property of the successor company, other than the mortgaged property it acquires from us and improvements, replacements and additions to such property.

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The mortgage also provides that the trustee has a lien on the mortgaged property to ensure the payment of its reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the Bonds.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created after April 30, 2016, including the Bonds, to revise the definition of “excepted encumbrances” to mean the following:

- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations;
- rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

### ***Issuance of Additional First Mortgage Bonds***

Subject to the issuance restrictions described below, the aggregate principal amount of first mortgage bonds that we can issue under the mortgage is unlimited. First mortgage bonds of any series may be issued from time to time on the basis of:

1. 70% of property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds; or
3. deposit of cash with the trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after December 31, 1987. Securities, automobiles, vehicles or aircraft, or property used

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principally for the production or gathering of natural gas, are not included as property additions. Deposited cash may be withdrawn upon the bases stated in clause (1) or (2) above.

The mortgage contains restrictions on the issuance of first mortgage bonds against property subject to liens.

As of December 31, 2019, we had approximately \$1,625 million principal amount of first mortgage bonds outstanding. As of December 31, 2019, we could have issued approximately \$1,134 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds, and we had approximately \$711 million of unfunded property additions, entitling us to issue approximately \$498 million principal amount of additional first mortgage bonds on the basis of property additions. The Bonds were issued on the basis of property additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

### ***Release and Substitution of Property***

Property may be released from the lien of the mortgage on the basis of:

1. the deposit with the trustee of cash or purchase money mortgages;
2. the lower of cost or fair value to us of unfunded property additions designated by us, after adjustments in certain cases to offset retirements and after making adjustments for certain prior lien bonds, if any, outstanding against property additions; or
3. an amount equal to the principal amount of the retired first mortgage bonds that we elect to use as the basis for such release times the reciprocal of the bonding ratio in effect at the time such retired first mortgage bonds were originally issued.

Property owned by us on December 31, 1987, may be released from the lien of the mortgage at its depreciated book value on December 31, 1987; all other property may be released at its cost, as defined in the mortgage. Unfunded property may also be released without complying with clauses (1), (2) or (3) above if, after its release, we would have at least one dollar of unfunded property that remains subject to the lien of the mortgage.

We can withdraw cash upon the bases stated in clauses (2) and/or (3) above.

Generally, “Funded Property” under the mortgage means all mortgaged property owned by us on December 31, 1987, and all property additions used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee. We may at any time, without further consent of any holders of first mortgage bonds, change the definition of “Funded Property” to mean any mortgaged property specified by us with a fair value, to be determined by an independent expert, of not less than 10/7ths of the sum of the amount of the outstanding first mortgage bonds and retired bond credits, together with all property additions thereafter used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee.

We may, without any release or consent by the trustee, cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests.

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## ***Modification***

### *Modification Without Consent*

Without the consent of any holder of first mortgage bonds, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon us;
- to cure any ambiguity in the mortgage or any supplemental indenture; or
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;

provided that any such modification does not adversely affect any first mortgage bonds then outstanding.

We have the right to amend the mortgage at any time without any consent or other action of the holders of any first mortgage bonds, including the Bonds, to permit us to amend the mortgage without the consent of the holders of the first mortgage bonds for any of the following additional purposes:

- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
- to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
- to provide for the procedures required for use of a non-certificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; and
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

### *Modification Requiring Consent*

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- impair or affect the right of such holder to receive payment of the principal of (and premium, if any) and interest on such first mortgage bond, on or after the respective due dates expressed in
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- such first mortgage bond, or to institute suit for the enforcement of any such payment on or after such respective dates;
- permit the creation of any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or permit the deprivation of any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to certain tax, assessment and governmental liens and certain prior liens); or
- permit the reduction of the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any affiliate of ours shall not be deemed outstanding for the purpose of certain votes, consents or quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee its right to vote such first mortgage bonds and such pledgee is not our affiliate.

Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

### ***Defaults and Notices Thereof***

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond after it is due and payable;
2. failure to pay interest upon any first mortgage bond for a period of 30 days after it is due and payable;
3. certain events of bankruptcy, insolvency or reorganization;
4. defaults under a supplemental indenture; and
5. the expiration of a period of 90 days after the mailing by the trustee to us of a written demand, or by the holders of 15% in principal amount of the first mortgage bonds at the time outstanding to the trustee and us of a written demand, that we perform a specified covenant or agreement in the mortgage or a first mortgage bond, which specified covenant or agreement we shall have failed to perform prior to such mailing, unless during such period we shall have performed such covenant or agreement or shall have in good faith commenced efforts to perform the same. The trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds outstanding, shall, make such demand.

The trustee may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if the trustee in good faith determines it is in the interests of the holders of first mortgage bonds.

### ***Remedies***

#### ***Acceleration of Maturity***

If a default under the mortgage occurs and is continuing, then the trustee, by written notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to the trustee and us, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

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There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

#### *Annulment of Acceleration*

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first mortgage bonds may annul such declaration of acceleration, by written notice to the trustee and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the trustee a sum sufficient to pay:

- (1) all overdue interest on all outstanding first mortgage bonds;
- (2) the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
- (3) interest on overdue interest, if any, to the extent lawful, at the rate borne by the first mortgage bonds for which interest is overdue plus 1% per year; and
- (4) all amounts due to the trustee under the mortgage.

#### *Trustee Powers*

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustee shall be entitled to the appointment of a receiver for the mortgaged property and is entitled to all other remedies available under applicable law.

#### *Control by Holders*

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee. The trustee is not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the trustee determines in good faith would involve the trustee in personal liability, would be unjustifiably prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient. The trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured.

#### *Limitation on Holders' Right to Institute Proceedings*

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustee written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustee and have offered the trustee reasonable opportunity and indemnity satisfactory to the trustee to institute proceedings; and
- the trustee has failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

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We have reserved the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds created after October 31, 2017, to revise the limitations described in the first sentence of the immediately preceding paragraph to apply to any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds.

***Evidence to be Furnished to the Trustee***

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

***Satisfaction and Discharge of Mortgage***

After we provide for the payment of all of the first mortgage bonds (including the Bonds) and after paying all other sums due under the mortgage, the mortgage may be satisfied and discharged. The first mortgage bonds will be deemed to have been paid when money or Eligible Obligations (as defined below) sufficient to pay the first mortgage bonds (in the opinion of an independent accountant in the case of Eligible Obligations) at maturity or upon redemption have been irrevocably set apart or deposited with the trustee; provided that the trustee shall have received an opinion of counsel to the effect that the setting apart or deposit does not require registration under the Investment Company Act of 1940, does not violate any applicable laws and does not result in a taxable event with respect to the holders of the first mortgage bonds prior to the time of their right to receive payment. "Eligible Obligations" means obligations of the United States of America that do not permit the redemption thereof at the issuer's option.

***Consolidation, Merger and Conveyance of Assets***

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the energy, fuel, water or steam business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
  - such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustee and the holders of first mortgage bonds;
  - the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage;
  - immediately after giving effect to such transaction, no default under the mortgage shall have occurred and be continuing; and
  - in the case of a lease, such lease is made expressly subject to termination by us or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.
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In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, the successor entity would be substituted for us under the mortgage, but we would not be released and discharged from our obligations on the first mortgage bonds then outstanding.

We have the right to amend the mortgage at any time without any consent or other action of the holders of any first mortgage bonds, including the Bonds, to provide that, if we transfer as an entirety all or substantially all of our mortgaged property to a successor, the successor will assume all of our obligations under the mortgage and we may be released from all such obligations.

The mortgage does not prevent or restrict any conveyance or other transfer or lease of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

The mortgage provides:

- (1) that a statutory merger pursuant to which our assets and liabilities are allocated to one or more entities shall not be considered to be a merger subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all of our assets and liabilities are allocated to an entity other than us and we do not survive such statutory merger; in all other cases of a statutory merger pursuant to which any mortgaged property is allocated to one or more entities other than us, each allocation of any mortgaged property to an entity other than us shall be deemed, for purposes of the mortgage, to be a transfer of such mortgaged property to such entity and not a merger;
- (2) that any conveyance, transfer or lease of any of our properties where we retain mortgaged property with a fair value in excess of 143% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a purchase money lien that ranks equally with, or senior to, the first mortgage bonds with respect to the mortgaged property, shall not be deemed to be a conveyance, transfer or lease of all or substantially all of our mortgaged property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us; and
- (3) that, in the case of a consolidation or merger after the consummation of which we would be the surviving or resulting entity, unless we otherwise provide in a supplemental indenture to the mortgage, the lien of the mortgage will generally not cover any of the properties acquired by us in or as a result of such transaction or any improvements, extensions or additions to those properties.

***Release of Obligations under the Bonds upon Transfer of All or Substantially All Mortgaged Property***

If we transfer as an entirety all or substantially all of our mortgaged property to a successor, the successor will assume all of our obligations under the Bonds and we may be released of all such obligations.

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### ***Consent to Amendments***

Each holder or future holder of the Bonds, by its acquisition of an interest in such Bonds, irrevocably (a) consented or will consent to the amendments to the mortgage described herein under “- Security,” “- Modification - Modification Without Consent,” and “- Consolidation, Merger and Conveyance of Assets,” without any other or further action by any holder of such Bonds, and (b) designated or will designate the trustee, and its successors, as its proxy with irrevocable instructions to vote and deliver written consents on behalf of such holder in favor of such amendments at any meeting of bondholders, in lieu of any meeting of bondholders, in response to any consent solicitation or otherwise.

### ***Information about the Trustee***

The trustee is The Bank of New York Mellon. In addition to acting as trustee, The Bank of New York Mellon also acts, and may act, as trustee under various other of our and our affiliates’ indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the trustee and its affiliates in the ordinary course of our respective businesses.

So long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

### ***Book-Entry Only Securities***

The Bonds trade through DTC. The Bonds are represented by a global certificate and registered in the name of Cede & Co., DTC’s nominee. The global certificate was deposited with the trustee as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants’ accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC’s records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant’s records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the

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books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of Bonds held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to the Bonds has occurred and is continuing,

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certificates for the Bonds will be printed and delivered. If certificates for the Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds, having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.



**DESCRIPTION OF ENTERGY NEW ORLEANS, LLC'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12  
OF THE SECURITIES EXCHANGE ACT OF 1934**

*References in this exhibit to “we,” “us,” or “our” are to Entergy New Orleans, LLC.*

We have issued, and may from time to time issue, bonds in one or more series under one or more separate supplemental indentures to the Mortgage and Deed of Trust dated as of May 1, 1987 with The Bank of New York Mellon, successor trustee (the “trustee”). This Mortgage and Deed of Trust, as it has heretofore been and may be amended or supplemented from time to time, is referred to in this exhibit as the “mortgage.” All first mortgage bonds issued or to be issued under the mortgage, including the Bonds (as defined below), are referred to herein as “first mortgage bonds.”

As of February 21, 2020, we have two series of first mortgage bonds outstanding that are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

- our First Mortgage Bonds, 5.0% Series due December 1, 2052, issued in an aggregate principal amount of \$30,000,000 under the Sixteenth Supplemental Indenture, dated as of November 1, 2012, to the mortgage and traded on the New York Stock Exchange (the “NYSE”) under the ticker ENJ (the “2052 Bonds”); and
- our First Mortgage Bonds, 5.50% Series due April 1, 2066, issued in an aggregate principal amount of \$110,000,000 under the Nineteenth Supplemental Indenture, dated as of March 15, 2016, to the mortgage and traded on the NYSE under the ticker EAE (the “2066 Bonds,” and together with the 2052 Bonds, the “Bonds”).

The full aggregate principal amount of each series of the Bonds is currently outstanding.

The mortgage, including the applicable supplemental indentures relating to the Bonds, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indentures relating to each series of Bonds, or the outstanding first mortgage bonds, including the Bonds. The mortgage and the supplemental indentures that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and to the particular terms of the supplemental indenture that relates to each series of Bonds. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

***General***

The mortgage permits us to issue first mortgage bonds from time to time subject to limitations described under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first

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mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with the previously issued first mortgage bonds of that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

### ***Payment***

The principal amount of the Bonds and interest thereon is and will be paid in any coin or currency of the United States of America that at the time of payment is legal tender at the corporate trust office of the trustee in the Borough of Manhattan, City and State of New York.

Interest on the 2052 Bonds accrues at the rate of 5.0% per year. Interest on the 2066 Bonds accrues at the rate of 5.50% per year. In each case, interest started to accrue from the date that the respective series of Bonds was issued. Interest payments on the 2052 Bonds are made on March 1, June 1, September 1 and December 1 of each year, and on the 2066 Bonds are made on January 1, April 1, July 1 and October 1 of each year. As long as the Bonds are registered in the name of The Depository Trust Company (“DTC”) or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest, in the case of the 2052 Bonds at a rate of 6.0% per year, and in the case of the 2066 Bonds at a rate of 6.50% per year, to the holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of a Bond falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day, and without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

### ***Redemption and Purchase***

#### ***Optional Redemption***

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice to holders by mail, (i) in the case of the 2052 Bonds, at any time, and (ii) in the case of the 2066 Bonds, at any time on or after April 1, 2021; in each case, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date.

Unless the Bonds are held in book-entry only form through the facilities of DTC, in which case DTC’s procedures for selection shall apply (see “Book-Entry Only Securities”), if less than all of the Bonds of any securities are to be redeemed, the trustee will select the Bonds to be redeemed.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to

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bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon presentation and surrender of any Bond for redemption. If only part of a Bond is redeemed, the trustee will deliver to the holder of the Bond a new Bond of the same series for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the trustee, prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the trustee has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds.

#### *Redemption of Bonds at Option of Holders*

The terms of the franchise ordinances pursuant to which we provide electric and gas service to the City of New Orleans state that the City has a continuing option to purchase our electric and gas properties. If all or substantially all of our property subject to the mortgage is taken or acquired by the City of New Orleans or any instrumentality or designee thereof, upon the consummation of this taking or acquisition, we have agreed to direct the trustee to send a written notice to each registered holder of bonds then outstanding stating that each such holder has the right to require us to redeem its bonds, in whole or in part, at the special redemption price of 101% of the principal amount of the bonds being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date.

Upon the mailing of notice by the trustee, each holder will have 45 days to deliver written notice to the trustee of such holder's intent to have its bonds redeemed by us in accordance with the preceding paragraph on the 60th day following the date of the notice upon delivery and surrender of such bond.

#### *Exchange or Redemption of Bonds upon Merger or Consolidation*

Although we do not currently have any plans to merge or consolidate with Entergy Louisiana, LLC, one of our affiliates, the mortgage provides that, in the event of such a merger or consolidation, we would have the right to offer to exchange all outstanding Bonds for a like principal amount of the new merged or consolidated company's first mortgage bonds with the same interest rates, interest payment dates, maturity dates and redemption provisions. Unless we waive this right, the holders of outstanding Bonds must either accept such first mortgage bonds in exchange for all or a portion of their Bonds or tender to us for redemption any Bonds not so exchanged. The redemption price applicable for these purposes to the Bonds will be 100% of the principal amount plus accrued interest thereon to, but not including, the redemption date.

#### ***Form and Exchange***

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. Each series of the Bonds is represented by a global certificate without coupons registered in the name of a nominee of DTC.

The Bonds are exchangeable for other Bonds of the same series in equal aggregate principal amounts. No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to provide for the transfer or exchange of any Bond:

- during the 15 days before an interest payment date (unless such series has a record date for the payment of interest),
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- during the 15 days before any designation of such Bond to be redeemed, or
- selected for redemption.

### ***Security***

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on substantially all of our property (the “mortgaged property”) subject to bankruptcy law and:

1. minor defects and encumbrances customarily found in similar properties that do not materially impair the use of the mortgaged property in the conduct of our business;
2. other liens, defects and encumbrances, if any, existing or created at the time of our acquisition of the mortgaged property; and
3. excepted encumbrances.

The mortgage does not create a lien on the following “excepted property”:

- cash and securities;
- all merchandise, equipment, apparatus, materials or supplies held for sale or other disposition in the usual course of business or consumable during use;
- automobiles, vehicles and aircraft, timber, minerals, mineral rights and royalties; and
- accounts receivable, contracts, leases and operating agreements.

The mortgage contains provisions that impose the lien of the mortgage on property we acquire after the date of the mortgage, other than excepted property, subject to pre-existing liens. However, if we consolidate or merge with, or convey or transfer all or substantially all of our mortgaged property to, another entity, unless the successor entity elects otherwise in its sole discretion, the lien created by the mortgage will generally not cover the property of the successor company, other than the mortgaged property it acquires from us and improvements, replacements and additions to such property.

The mortgage also provides that the trustee has a lien on the mortgaged property to ensure the payment of its reasonable compensation, expenses and disbursements and for indemnity against certain liabilities. This lien takes priority over the lien securing the first mortgage bonds, including the Bonds.

We have reserved the right to amend the mortgage without the consent or other action by the holders of any first mortgage bonds created after November 30, 2017, to revise the definition of “excepted encumbrances” to mean the following:

- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
  - mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
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- specified judgment liens and prepaid liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission, distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of governmental authorities and specified liens required by law or governmental regulations;
- liens to secure public or statutory obligations;
- rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

### ***Issuance of Additional First Mortgage Bonds***

The maximum principal amount of first mortgage bonds that may be issued under the mortgage is limited to \$10 billion at any time outstanding under the mortgage, subject to the issuance restrictions described below. First mortgage bonds of any series may be issued from time to time on the basis of:

1. 70% of property additions after adjustments to offset retirements;
2. retirements of first mortgage bonds; or
3. deposit of cash with the trustee.

Property additions generally include, among other things, electric, gas, steam or hot water property acquired after December 31, 1986. Securities, automobiles, vehicles or aircraft, or property used principally for the production or gathering of natural gas, are not included as property additions. Deposited cash may be withdrawn upon the bases stated in clause (1) or (2) above.

The mortgage contains restrictions on the issuance of first mortgage bonds against property subject to liens.

As of December 31, 2019, we had approximately \$410 million principal amount of first mortgage bonds outstanding. As of December 31, 2019, we could have issued approximately \$280 million principal amount of additional first mortgage bonds on the basis of retired first mortgage bonds, and we had approximately \$180 million of unfunded property additions, entitling us to issue approximately \$126 million principal amount of additional first mortgage bonds on the basis of property additions. The 2052 Bonds were issued on the basis of retired bond credits, and the 2066 Bonds were issued on the basis of property additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

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### ***Release and Substitution of Property***

Property other than the Municipalization Interest (as defined in the mortgage) may be released from the lien of the mortgage, on the basis of:

1. the deposit with the trustee of cash or purchase money mortgages;
2. the lower of cost or fair value to us of unfunded property additions designated by us, after adjustments in certain cases to offset retirements and after making adjustments for certain prior lien bonds, if any, outstanding against property additions; or
3. an amount equal to the principal amount of the retired first mortgage bonds that we elect to use as the basis for such release times the reciprocal of the bonding ratio in effect at the time such retired first mortgage bonds were originally issued.

Property owned by us on December 31, 1986 may be released from the lien of the mortgage at its depreciated book value on December 31, 1986; all other property may be released at its cost, as defined in the mortgage. Unfunded property may also be released without complying with clauses (1), (2) or (3) above if, after its release, we would have at least one dollar in unfunded property that remains subject to the lien of the mortgage.

We can withdraw cash upon the bases stated in clauses (2) or (3) above.

Generally, “funded property” under the mortgage means all mortgaged property owned by us on December 31, 1986 and all property additions used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee. We may at any time, without the further consent of any holders of first mortgage bonds, change the definition of “funded property” to mean any mortgaged property specified by us with a fair value, to be determined by an independent expert, of not less than 10/7ths of the sum of the amount of the outstanding first mortgage bonds and retired bond credits, together with all property additions thereafter used as the basis for the issuance of first mortgage bonds, the release of mortgaged property or the withdrawal of cash held by the trustee.

We may, without any release or consent by the trustee, cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights of way and similar rights and/or interests.

### ***Modification***

#### ***Modification Without Consent***

Without the consent of any holder of first mortgage bonds, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon us;
- to cure any ambiguity in the mortgage or any supplemental indenture; or
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;

provided that any such modification does not adversely affect any first mortgage bonds then outstanding.

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We have reserved the right to amend the mortgage without the consent or action of any of the holders of first mortgage bonds created after October 31, 2012, including the Bonds, to permit us to amend the mortgage without the consent of the holders of first mortgage bonds for any of the following additional purposes:

- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to correct or amplify the description of the mortgaged property or to subject additional property to the lien of the mortgage;
- to change, eliminate or add any provision to the mortgage; provided that no such change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;
- to provide for the procedures required for use of a non-certificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served; and
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

#### *Modification Requiring Consent*

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected first mortgage bond then outstanding to:

- impair or affect the right of such holder to receive payment of the principal of (and premium, if any) and interest on such first mortgage bond, on or after the respective due dates expressed in such first mortgage bond, or to institute suit for the enforcement of any such payment on or after such respective dates;
- permit the creation of any lien ranking prior to or on a parity with the lien of the mortgage with respect to the mortgaged property, or permit the deprivation of any non-assenting holder of a first mortgage bond of a lien on the mortgaged property for the security of such holder's first mortgage bonds (subject only to certain tax, assessment and governmental liens and certain prior liens); or
- permit the reduction of the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification.

The mortgage provides that first mortgage bonds owned by us, for our benefit or by any affiliate of ours shall not be deemed outstanding for the purpose of certain votes, consents or quorums; provided that first mortgage bonds that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee its right to vote such first mortgage bonds and such pledgee is not our affiliate.

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Any request, consent or vote of the owner of any first mortgage bond will bind every future holder and owner of that first mortgage bond and the holder and owner of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond.

### ***Defaults and Notices Thereof***

Defaults under the mortgage include:

1. failure to pay the principal of any first mortgage bond after it is due and payable;
2. failure to pay interest upon any first mortgage bond for a period of 30 days after it is due and payable;
3. certain events of bankruptcy, insolvency or reorganization;
4. defaults under a supplemental indenture; and
5. the expiration of a period of 90 days after the mailing by the trustee to us of a written demand, or by the holders of 15% in principal amount of the first mortgage bonds at the time outstanding to the trustee and us of a written demand, that we perform a specified covenant or agreement in the mortgage or a first mortgage bond, which specified covenant or agreement we shall have failed to perform prior to such mailing, unless during such period we shall have performed such covenant or agreement or shall have in good faith commenced efforts to perform the same. The trustee may, and, if requested to do so in writing by the holders of a majority in principal amount of the first mortgage bonds outstanding, shall, make such demand.

The trustee may withhold notice of default, except in payment of principal, interest or funds for purchase or redemption of first mortgage bonds, if the trustee in good faith determines it is in the interests of the holders of first mortgage bonds.

### ***Remedies***

#### *Acceleration of Maturity*

If a default under the mortgage occurs and is continuing, then the trustee, by written notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to the trustee and us, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon the giving of such notice, such principal amount and accrued and unpaid interest will become immediately due and payable.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

#### *Annulment of Acceleration*

At any time after such a declaration of acceleration has been made but before any sale of the mortgaged property, the holders of a majority in principal amount of all outstanding first mortgage bonds may annul such declaration of acceleration, by written notice to the trustee and us, if the default under the mortgage giving rise to such declaration of acceleration has been cured, and we have paid or deposited with the trustee a sum sufficient to pay:

1. all overdue interest on all outstanding first mortgage bonds;
  2. the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
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3. interest on overdue interest, if any, to the extent lawful, at the rate borne by the first mortgage bonds for which interest is overdue plus 1% per year; and
4. all amounts due to the trustee under the mortgage.

#### *Trustee Powers*

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if a default under the mortgage occurs, the trustee shall be entitled to the appointment of a receiver for the mortgaged property and is entitled to all other remedies available under applicable law.

#### *Control by Holders*

The holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee. The trustee is not obligated to comply with directions that conflict with law or other provisions of the mortgage or that the trustee determines in good faith would involve the trustee in personal liability, would be unjustifiably prejudicial to non-assenting holders or would be in circumstances where indemnity would not be sufficient. The trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured.

#### *Limitation on Holders' Right to Institute Proceedings*

No holder of first mortgage bonds will have any right to institute any proceeding under the mortgage, or any remedy under the mortgage, unless:

- the holder has previously given to the trustee written notice of a default under the mortgage;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustee and have offered the trustee reasonable opportunity and indemnity satisfactory to the trustee to institute proceedings; and
- the trustee has failed to institute any proceeding for 60 days after notice;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the lien of the mortgage or to obtain priority over other holders of outstanding first mortgage bonds. However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date.

We have reserved the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds created after November 30, 2017, to revise the limitations described in the first sentence of the immediately preceding paragraph to apply to any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds.

#### *Evidence to be Furnished to the Trustee*

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We must give the trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

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### ***Satisfaction and Discharge of Mortgage***

After we provide for the payment of all of the first mortgage bonds (including the Bonds) and after paying all other sums due under the mortgage, the mortgage may be satisfied and discharged. The first mortgage bonds will be deemed to have been paid when money or Eligible Obligations (as defined below) sufficient to pay the first mortgage bonds (in the opinion of an independent accountant in the case of Eligible Obligations) at maturity or upon redemption have been irrevocably set apart or deposited with the trustee; provided that the trustee shall have received an opinion of counsel to the effect that the setting apart or deposit does not require registration under the Investment Company Act of 1940, does not violate any applicable laws and does not result in a taxable event with respect to the holders of the first mortgage bonds prior to the time of their right to receive payment. “Eligible Obligations” means obligations of the United States of America that do not permit the redemption thereof at the issuer’s option.

### ***Consolidation, Merger and Conveyance of Assets***

The mortgage provides that we may consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the mortgaged property, if:

- (a) the surviving or successor entity to such merger or consolidation has authority to carry on the energy, fuel, water or steam business, or (b) the successor entity that acquires by conveyance or transfer or that leases our mortgaged property as, or substantially as, an entirety, is authorized to acquire, lease or operate the mortgaged property so conveyed or transferred;
- such merger, consolidation, conveyance, transfer or lease is upon such terms as to preserve, and in no respect impair, the lien and security of the mortgage and the rights and powers of the trustee and the holders of first mortgage bonds;
- the survivor or successor entity expressly assumes by supplemental indenture our obligations on all first mortgage bonds then outstanding and under the mortgage;
- immediately after giving effect to such transaction, no default under the mortgage shall have occurred and be continuing; and
- in the case of a lease, such lease is made expressly subject to termination by us or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of a default under the mortgage.

In the case of the conveyance or other transfer of the mortgaged property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, the successor entity would be substituted for us under the mortgage, but we would not be released and discharged from our obligations on the first mortgage bonds then outstanding.

The mortgage does not prevent or restrict any conveyance or other transfer, or lease, of any part of the mortgaged property that does not constitute the entirety, or substantially the entirety, of the mortgaged property.

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage.

The terms of the mortgage do not restrict mergers in which we are the surviving entity.

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We have reserved the right to amend the mortgage without the consent or other action of the holders of any of the first mortgage bonds created after October 31, 2012, including the Bonds, to provide that, if we transfer as an entirety all or substantially all of our mortgaged property to a successor, the successor will assume all of our obligations under the mortgage and the first mortgage bonds and we may be released of all such obligations.

We have reserved the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds created after November 30, 2017, as follows:

1. to provide that a statutory merger pursuant to which our assets and liabilities are allocated to one or more entities shall not be considered to be a merger subject to the provisions of the mortgage relating to a merger, consolidation or conveyance of all or substantially all of the mortgaged property unless all of our assets and liabilities are allocated to an entity other than us and we do not survive such statutory merger; in all other cases of a statutory merger pursuant to which any mortgaged property is allocated to one or more entities other than us, each allocation of any mortgaged property to an entity other than us shall be deemed, for purposes of the mortgage, to be a transfer of such mortgaged property to such entity and not a merger;
2. to provide that any conveyance, transfer or lease of any of our properties where we retain mortgaged property with a fair value in excess of 143% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a purchase money lien that ranks equally with, or senior to, the first mortgage bonds with respect to the mortgaged property, shall not be deemed to be a conveyance, transfer or lease of all or substantially all of our mortgaged property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us; and
3. to provide that, in the case of a consolidation or merger after the consummation of which we would be the surviving or resulting entity, unless we otherwise provide in a supplemental indenture to the mortgage, the lien of the mortgage will generally not cover any of the properties acquired by us in or as a result of such transaction or any improvements, extensions or additions to those properties.

***Release of Obligations under the Bonds upon Transfer of All or Substantially All Mortgaged Property***

If we transfer as an entirety all or substantially all of our mortgaged property to a successor, the successor will assume all of our obligations under the Bonds and we may be released of all such obligations.

***Consent to Amendments***

Each holder or future holder of the 2066 Bonds, by its acquisition of an interest in such Bonds, irrevocably (a) consented or will consent to the amendments to the mortgage described herein under “- Modification - Modification Without Consent” in the sixth paragraph under “Consolidation, Merger and Conveyance of Assets,” without any other or further action by any holder of such Bonds, and (b) designated or will designate the trustee, and its successors, as its proxy with irrevocable instructions to vote and deliver written consents on behalf of such holder in favor of such amendments at any meeting of bondholders, in lieu of any meeting of bondholders, in response to any consent solicitation or otherwise.

***Information about the Trustee***

The trustee is The Bank of New York Mellon. In addition to acting as trustee, The Bank of New York Mellon also acts, and may act, as trustee under various other of our and our affiliates’ indentures,

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trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the trustee and its affiliates in the ordinary course of our respective businesses.

We have reserved the right to amend the mortgage, without any consent or other action by the holders of any first mortgage bonds created after November 30, 2017, to provide that, so long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

### ***Book-Entry Only Securities***

The Bonds trade through DTC. Each series of Bonds is represented by a separate global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificates were deposited with the trustee as custodian for DTC. Ownership of beneficial interests in the global certificates is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds of a given series, except if use of the book-entry system for the Bonds of that series is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

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Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of Bonds of such series held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to a series of Bonds has occurred and is continuing, certificates for the Bonds of such series will be printed and delivered. If certificates for such series of Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
  - a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds of the same series, having the same issue date and with identical terms and provisions; and
  - a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.
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The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

**DESCRIPTION OF ENTERGY TEXAS, INC.'S SECURITIES**  
**REGISTERED PURSUANT TO SECTION 12**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

*References in this exhibit to “we,” “us,” or “our” are to Entergy Texas, Inc.*

As of February 21, 2020, we have two series of securities outstanding that are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

- our First Mortgage Bonds, 5.625% Series due June 1, 2064, issued in an aggregate principal amount of \$135,000,000 with their terms established by Officer’s Certificate No. 7-B-5, dated as of May 13, 2014 (the “Officer’s Certificate”) pursuant to our Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, as it has been heretofore supplemented and may be amended or supplemented from time to time (the “mortgage”), between us and The Bank of New York Mellon, as trustee (the “trustee”), and traded on the New York Stock Exchange (the “NYSE”) under the ticker EZT (the “Bonds”); and
- our 5.375% Series A Preferred Stock, Cumulative, No Par Value (Liquidation Value \$25 Per Share), traded on the NYSE under the ticker ETI/PR (the “Series A Preferred Stock”).

**Description of the Bonds**

All first mortgage bonds issued or to be issued under the mortgage, including the Bonds, are referred to herein as “first mortgage bonds.” The full aggregate principal amount of the Bonds is currently outstanding.

The mortgage, including the Officer’s Certificate, contains the full legal texts of the matters described herein. Because this is a summary, it does not describe every aspect of the mortgage, the supplemental indenture thereto, the Officer’s Certificate or the outstanding first mortgage bonds, including the Bonds. The mortgage, the supplemental indenture thereto and the officer’s certificates that relate to the outstanding first mortgage bonds, including the Bonds, are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. You should read the mortgage for provisions that may be important to you. This summary is subject to and qualified in its entirety by reference to all the provisions of the mortgage, including the definitions of some of the terms used in the mortgage, and the particular terms of the Officer’s Certificate. The mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Bonds.

***General***

The mortgage permits us to issue first mortgage bonds from time to time in an unlimited aggregate amount subject to the limitations described under “Issuance of Additional First Mortgage Bonds.” All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, including the Bonds, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first

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mortgage bonds issued in this manner will be consolidated with and will form a single series with, the previously issued first mortgage bonds of that series. For more information, see the discussion below under “Issuance of Additional First Mortgage Bonds.”

### ***Redemption***

We may redeem the Bonds prior to maturity, in whole or in part, at our option, on not less than 30 days’ nor more than 60 days’ notice at any time at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus any accrued and unpaid interest thereon to, but not including, the redemption date. Unless the Bonds are held in book-entry only form through the facilities of The Depository Trust Company (“DTC”), in which case DTC’s procedures for selection shall apply (see “Book-Entry Only Securities”), if less than all of the Bonds are to be redeemed, the trustee will select the Bonds to be redeemed. (Mortgage, Section 503.)

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Bonds subject to such notice of redemption will cease to bear interest on the redemption date. (Mortgage, Section 505.) We will pay the redemption price and any accrued interest to the redemption date upon surrender of any Bond for redemption. (Mortgage, Section 505.) If only part of a Bond is redeemed, the trustee will deliver to the holder of the Bond a new Bond for the remaining portion without charge. (Mortgage, Section 506.)

We may make any redemption at our option conditional upon the receipt by the paying agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the paying agent has not received the money by the date fixed for redemption, we will not be required to redeem the Bonds. (Mortgage, Section 504.)

### ***Payment and Paying Agents***

Interest on the Bonds accrues at the rate of 5.625% per year and started to accrue from the date that the Bonds were issued. Interest payments on the Bonds are made on March 1, June 1, September 1, and December 1 of each year. As long as the Bonds are registered in the name of DTC or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day (defined as any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the trustee is closed for business) immediately preceding such interest payment date. We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the Bonds at a rate of 5.625% per year to holders of record at the close of business on the Business Day immediately preceding our payment of such interest.

Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or the maturity date of the Bonds falls on a day that is not a Business Day, the payment due on that interest payment date or the maturity date will be made on the next Business Day without any interest or other payment in respect of such delay.

As long as the Bonds are registered in the name of DTC or its nominee, we will pay principal and interest due on the Bonds to DTC. DTC will then make payment to its participants for disbursement to the beneficial owners of the Bonds as described under the heading “Book-Entry Only Securities.”

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If the Bonds are not registered in the name of DTC, or its nominee, interest on each Bond payable on any interest payment date will be paid to the person in whose name that Bond is registered at the close of business on the regular record date for that interest payment date. However, interest payable at maturity will be paid to the person to whom the principal is paid. If there has been a default in the payment of interest on any Bond, the defaulted interest may be paid to the holder of that Bond as of the close of business on a date between 10 and 15 days before the date proposed by us for payment of the defaulted interest or in any other manner permitted by any securities exchange on which that Bond may be listed, if the trustee finds it workable. (Mortgage, Section 307.)

If the Bonds are not registered in the name of DTC, or its nominee, principal and interest on the Bonds at maturity will be payable upon presentation of the Bonds at the corporate trust office of The Bank of New York Mellon in The City of New York, as our paying agent. However, we may choose to make payment of interest by check mailed to the address of the persons entitled to payment as they may appear or have appeared in the security register for the Bonds. We may change the place of payment on the Bonds, appoint one or more additional paying agents (including us) and remove any paying agent, all at our discretion. (Mortgage, Section 702.)

### ***Form, Registration and Transfer***

The Bonds are fully-registered bonds without coupons, issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Bonds are represented by a global certificate without coupons registered in the name of a nominee of DTC.

Subject to restrictions related to the issuance of Bonds through DTC's book-entry system, the transfer of Bonds may be registered, and Bonds may be exchanged for other Bonds of authorized denominations and with the same terms and principal amount, at the corporate trust office of the trustee in The City of New York. (Mortgage, Section 305.) We may, upon prompt written notice to the trustee and the holders of the Bonds, designate one or more additional places, or change the place or places previously designated, for registration of transfer and exchange of the Bonds. (Mortgage, Section 702.) No service charge will be made for any registration of transfer or exchange of the Bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to execute or to provide for the registration of transfer or exchange of any Bond:

- during the 15 days before an interest payment date;
- during the 15 days before giving any notice of redemption; or
- selected for redemption except the unredeemed portion of such Bond being redeemed in part.

(Mortgage, Section 305.)

### ***Security***

The Bonds, together with all other first mortgage bonds now or in the future outstanding under the mortgage, are and will be secured, equally and ratably, by the lien of the mortgage. The mortgage constitutes a first mortgage lien on all of our tangible electric utility property located in Texas, together with our franchises, permits and licenses that are transferable and necessary for the operation of such property and our recorded easements and rights of way, other than Excepted Property (as defined below) and subject to Permitted Liens (as discussed below). These properties are sometimes referred to as our "Mortgaged Property", and the Mortgaged Property acquired by us after December 31, 2007, is sometimes referred to as "Property Additions."

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### *Permitted Liens*

The lien of the mortgage is subject to Permitted Liens described in the mortgage. These Permitted Liens include, among others:

- liens existing at October 1, 2008 (the “Execution Date of the Mortgage”), that have not been discharged;
- as to property acquired by us after the Execution Date of the Mortgage, liens existing or placed on such property at the time we acquire such property and any Purchase Money Liens;
- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s and carriers’ liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days’ notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and Prepaid Liens;
- easements, leases, reservations or other rights of others (including governmental entities) in, and defects of title in, our property;
- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission , distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from laws, rules, regulations, orders or rights of Governmental Authorities and specified liens required by law or governmental regulations;
- liens to secure public obligations; rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those Persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

(Mortgage, Granting Clauses and Section 101.)

The mortgage provides that the trustee will have a lien, prior to the lien on the Mortgaged Property securing the Bonds, for the payment of its reasonable compensation and expenses and for indemnity against specified liabilities. (Mortgage, Section 1007.) This lien would be a Permitted Lien under the mortgage.

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### ***Excepted Property***

The lien of the mortgage does not cover, among other things, the following types of property:

- all cash, deposit accounts, securities and all policies of insurance on the lives of our officers not paid or delivered to or deposited with or held by the trustee or required so to be;
- all contracts, leases, operating agreements and other agreements of all kinds (other than our franchises, permits and licenses that are transferable and necessary for the operation of the Mortgaged Property), contract rights, bills, notes and other instruments, revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, rights created by statute or governmental action to bill and collect revenues or other amounts from customers or others, credits, claims, demands and judgments;
- all governmental and other licenses, permits, franchises, consents and allowances (other than our franchises, permits and licenses that are transferable and necessary for the operation of Mortgaged Property);
- all unrecorded easements and rights of way;
- all intellectual property rights and other general intangibles;
- all vehicles, movable equipment, aircraft and vessels and all parts, accessories and supplies used in connection with any of the foregoing;
- all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code in effect where we are organized;
- all merchandise and appliances acquired for the purpose of resale in the ordinary course and conduct of our business, and all materials and supplies held for consumption in operation or held in advance of use thereof for fixed capital purposes;
- all electric energy and capacity, gas, steam and other materials and products generated, manufactured, produced or purchased by us for sale, distribution or use in the ordinary course and conduct of our business;
- all property which is the subject of a lease agreement designating us as lessee, and all our right, title and interest in and to the property and in, to and under the lease agreement, whether or not the lease agreement is intended as security, and the last day of the term of any lease or leasehold which may become subject to the lien of the mortgage;
- all property which subsequent to the Execution Date of the mortgage has been released from the lien of the mortgage and any improvements, extensions and additions to such properties and renewals, replacements, substitutions of or for any parts thereof; and
- all property located at Edison Plaza in Beaumont, Texas.

We sometimes refer to property of ours not covered by the lien of the mortgage as “Excepted Property.” (Mortgage, Granting Clauses.)

### ***Funded Property***

The Mortgaged Property that was owned by us on December 31, 2007, and on the Execution Date of the mortgage is considered Funded Property and is funded at its net book value on December 31, 2007. Property Additions will become Funded Property when used under the mortgage for the issuance of first mortgage bonds, the release or retirement of Funded Property, or the withdrawal of cash deposited with the trustee for the issuance of first mortgage bonds.

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### ***Issuance of Additional First Mortgage Bonds***

Subject to the issuance restrictions described below, the aggregate principal amount of first mortgage bonds that may be authenticated and delivered under the mortgage is unlimited. (Mortgage, Section 301) First mortgage bonds of any series may be issued from time to time only on the basis of, and in an aggregate principal amount not exceeding, the sum of the following:

- 70% of the cost or fair value to us (whichever is less) of Property Additions which do not constitute Funded Property (generally, Property Additions which have been made the basis of the authentication and delivery of Bonds, the release of Mortgaged Property or the withdrawal of cash which have been substituted for retired Funded Property or which have been used for other specified purposes (Mortgage, Section 102)) after specified deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of Retired Securities, as defined below; or
- an amount of cash deposited with the trustee.

“Retired Securities” means:

- any first mortgage bonds authenticated and delivered under the mortgage which (i) no longer remain outstanding, (ii) have not been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired Funded Property or which have been used for other specified purposes under any of the provisions of the mortgage; and (iii) have not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash; and
- any Assumed Debt which (i) no longer remains outstanding because we have paid or caused to be deposited with the applicable trustee, paying agent or the holder of such Assumed Debt moneys sufficient to pay our obligations with respect to such Assumed Debt, (ii) has not been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash; and (iii) has not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash.

(Mortgage, Sections 101, 1601, 1602, 1603, 1604 and 1605.)

As of December 31, 2019, we had approximately \$1,735 million principal amount of first mortgage bonds outstanding. As of December 31, 2019, we could have issued approximately \$583 million principal amount of additional first mortgage bonds on the basis of Retired Securities, and we had approximately \$726 million of unfunded property additions, entitling us to issue approximately \$508 million principal amount of additional first mortgage bonds on the basis of Property Additions. The Bonds were issued on the basis of Property Additions.

Other than the security afforded by the lien of the mortgage and restrictions on the issuance of additional first mortgage bonds described above, there are no provisions of the mortgage that grant the holders of the first mortgage bonds protection in the event of a highly leveraged transaction involving us.

### ***Release of Property***

Unless an event of default under the mortgage has occurred and is continuing, we may obtain the release from the lien of the mortgage of any collateral for the first mortgage bonds that constitutes Funded Property, except for cash held by the trustee, upon delivery to the trustee of an amount in cash equal to the

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amount, if any, by which the lower of the cost or fair value of the property to be released exceeds the aggregate of:

- an amount equal to the aggregate principal amount of any obligations secured by Purchase Money Liens upon the property to be released and delivered to the trustee;
- an amount equal to the cost or fair value to us (whichever is less) of certified Property Additions not constituting Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the release);
- 10/7ths of the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of Retired Securities or bond credits (with the entitlement being waived by operation of the release);
- 10/7ths of the aggregate principal amount of any outstanding first mortgage bonds delivered to the trustee (with the first mortgage bonds to be cancelled by the trustee) other than first mortgage bonds issued on the basis of deposited cash;
- any amount in cash and/or an amount equal to the aggregate principal amount of any obligations secured by Purchase Money Liens delivered to a holder of a prior lien on Mortgaged Property in consideration for the release of such Mortgaged Property from such prior lien; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

(Mortgage, Section 1803.)

Unless an event of default under the mortgage has occurred and is continuing, we may obtain the release from the lien of the mortgage of any part of the Mortgaged Property or any interest therein, which does not constitute Funded Property or Funded Cash held by the trustee, without depositing any cash or property with the trustee as long as (a) the aggregate amount of cost or fair value to us (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released) after specified deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the cost or fair value (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to us (whichever is less) of Property Additions acquired, made or constructed within the 90-day period preceding the release. (Mortgage, Section 1804.)

The mortgage provides simplified procedures for the release of Mortgaged Property with a net book value of up to the greater of \$10 million or 3% of outstanding first mortgage bonds during a calendar year and for the release of Mortgaged Property taken or sold in connection with the power of eminent domain, provides for dispositions of certain obsolete or unnecessary Mortgaged Property and for grants or surrender of certain easements, leases or rights of way without any release or consent by the trustee. (Mortgage Sections 1802, 1805 and 1807.)

If we retain any interest in any property released from the lien of the mortgage, the mortgage will not become a lien on the property or the interest in the property or any improvements, extensions or additions to, or any renewals, replacements or substitutions of or for, any part or parts of the property unless we subject such property to the lien of the mortgage. (Mortgage, Section 1810.)

The mortgage also provides that we may terminate, abandon, surrender, cancel, release, modify or dispose of any of our franchises, permits or licenses that are Mortgaged Property without any consent of the trustee or the holders of outstanding first mortgage bonds; provided that (i) such action is, in our opinion, necessary, desirable or advisable in the conduct of our business, and (ii) any of our franchises,

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permits or licenses that, in our opinion, cease to be necessary for the operation of Mortgaged Property shall cease to be Mortgaged Property without any release or consent, or report to, the trustee. (Mortgage, Section 1802.)

### ***Withdrawal of Cash***

Unless an event of default under the mortgage has occurred and is continuing, and subject to specified limitations, cash held by the trustee may, generally, (1) be withdrawn by us (a) to the extent of the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property, after specified deductions and additions, primarily including adjustments to offset retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of Retired Securities or bond credits (with the entitlement to the issuance being waived by operation of the withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the trustee (with the first mortgage bonds to be cancelled by the trustee), or (2) upon our request, be applied to (a) the purchase of first mortgage bonds or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable. (Mortgage, Section 1806.)

### ***Satisfaction and Discharge of Bonds***

Subject to certain conditions, we will be discharged from our obligations on Bonds if we irrevocably deposit with the trustee or any paying agent, other than us, sufficient cash or government securities to pay the principal, interest and any other sums when due on the stated maturity date or a redemption date of such Bonds. (Mortgage, Section 801.)

### ***Consolidation, Merger and Conveyance of Assets***

Under the terms of the mortgage, we may not consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the Mortgaged Property, unless:

- the surviving or successor entity, or an entity that acquires by conveyance or transfer or that leases our Mortgaged Property as, or substantially as, an entirety, is organized and validly existing under the laws of any domestic jurisdiction, and it expressly assumes our obligations on all first mortgage bonds then outstanding and under the mortgage and confirms the lien of the mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjecting to the lien of the mortgage all property thereafter acquired by the successor entity that constitutes an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, but only to the extent that such improvement, extension or addition is so affixed or attached to real property as to be regarded a part of such real property or is an improvement, extension or addition to personal property that is made to maintain, renew, repair or improve the function of such personal property and is physically installed in or affixed to such personal property;
  - in the case of a lease, such lease is made expressly subject to termination by us or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of an event of default under the mortgage;
  - we shall have delivered to the trustee an officer's certificate and an opinion of counsel as provided in the mortgage; and
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- immediately after giving effect to such transaction (and treating any debt that becomes an obligation of the successor entity as a result of such transaction as having been incurred by the successor entity at the time of such transaction), no event of default under the mortgage, or event which, after notice or lapse of time or both, would become an event of default under the mortgage, shall have occurred and be continuing.

(Mortgage, Section 1201.) In the case of the conveyance or other transfer of the Mortgaged Property as, or substantially as, an entirety to another entity, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the mortgage and on the first mortgage bonds then outstanding unless we elect to waive such release and discharge. (Mortgage, Section 1204.)

The mortgage does not prevent or restrict:

- any conveyance or other transfer, or lease, of any part of the Mortgaged Property that does not constitute the entirety, or substantially the entirety, of the Mortgaged Property; or (Mortgage, Section 1205.)
- any conveyance, transfer or lease of any of our properties where we retain Mortgaged Property with a fair value in excess of 143% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a Purchase Money Lien that ranks equally with, or senior to, the first mortgage bonds with respect to the Mortgaged Property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert selected by us. (Mortgage, Section 1206.)

Although the successor entity may, in its sole discretion, subject to the lien of the mortgage property then owned or thereafter acquired by the successor entity, the lien of the mortgage generally will not cover the property of the successor entity other than the mortgaged property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the mortgage. (Mortgage, Section 1203)

The terms of the mortgage do not restrict mergers in which we are the surviving entity. (Mortgage, Section 1205.) A statutory merger of the sort permitted by Texas law in which our assets and liabilities may be allocated among one or more entities shall not be considered to be a merger, consolidation or conveyance of Mortgaged Property subject to the provisions of the mortgage described above unless all or substantially all of the Mortgaged Property is allocated to one or more other entities.

### ***Events of Default***

“Event of default,” when used in the mortgage with respect to first mortgage bonds, means any of the following:

- failure to pay interest on any first mortgage bond for 30 days after it is due unless we have made a valid extension of the interest payment period with respect to such first mortgage bond as provided in the mortgage;
  - failure to pay the principal of or any premium on any first mortgage bond when due unless we have made a valid extension of the maturity of such first mortgage bond as provided in the mortgage;
  - failure to perform or breach of any other covenant or warranty in the mortgage that continues for 90 days after we receive written notice from the trustee, or we and the trustee receive written notice from the holders of at least 33% in aggregate principal amount of the outstanding first
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mortgage bonds, unless the trustee, or the trustee and the holders of a principal amount of first mortgage bonds not less than the principal amount of first mortgage bonds the holders of which gave such notice, as the case may be, agree in writing to an extension of such period prior to its expiration; provided, however, that the trustee, or the trustee and the holders of such principal amount of first mortgage bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by us within such period and is being diligently pursued;

- events of our bankruptcy, insolvency or reorganization as specified in the mortgage; or
- any other event of default included in any supplemental indenture, board resolution or officer's certificate establishing a series of first mortgage bonds.

(Mortgage, Sections 301, 901 and 1301.)

The trustee is required to give notice of any default under the mortgage known to the trustee in the manner and to the extent required to do so by the Trust Indenture Act of 1939, unless such default shall have been cured or waived. However, in the case of any default of the character specified in the third bullet in the preceding paragraph, no such notice to holders of the outstanding first mortgage bonds shall be given until at least 60 days after the occurrence thereof. (Mortgage, Section 1002.)

## ***Remedies***

### *Acceleration of Maturity*

If an event of default under the mortgage occurs and is continuing, then the trustee, by written notice to us, or the holders of at least 33% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to the trustee and us, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon our receipt of such notice, such principal amount, together with premium, if any, and accrued and unpaid interest will become immediately due and payable. (Mortgage, Section 902.)

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

### *Rescission of Acceleration*

At any time after such a declaration of acceleration has been made but before any sale of the Mortgaged Property and before a judgment or decree for payment of the money due has been obtained by the trustee, the event of default under the mortgage giving rise to such declaration of acceleration will be considered cured, and such declaration and its consequences will be considered rescinded and annulled, if:

- we have paid or deposited with the trustee a sum sufficient to pay:
    - (1) all overdue interest on all outstanding first mortgage bonds;
    - (2) the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
    - (3) interest on overdue interest, if any, to the extent lawful; and
    - (4) all amounts due to the trustee under the mortgage; and
  - any other event of default under the mortgage with respect to the first mortgage bonds has been cured or waived as provided in the mortgage.
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(Mortgage, Section 902.)

*Trustee Powers*

Subject to the mortgage, under specified circumstances and to the extent permitted by law, if an event of default under the mortgage occurs and is continuing, the trustee is entitled to the appointment of a receiver for the Mortgaged Property and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law. (Mortgage, Section 916.)

*Control by Holders*

Other than its duties in the case of an event of default under the mortgage, the trustee is not obligated to exercise any of its rights or powers under the mortgage at the request, order or direction of any of the holders, unless the holders offer the trustee an indemnity satisfactory to it. (Mortgage, Section 1003.) If they provide this indemnity, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee. The trustee is not obligated to comply with directions that conflict with law or other provisions of the mortgage or that could involve the trustee in personal liability in circumstances where indemnity would not, in the trustee's sole discretion, be adequate. (Mortgage, Section 912.)

*Limitation on Holders' Right to Institute Proceedings*

No holder of first mortgage bonds will have any right to institute any proceeding or remedy under or with respect to the mortgage or the first mortgage bonds, unless:

- the holder has previously given to the trustee written notice of a continuing event of default under the mortgage;
- the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the trustee and have offered indemnity satisfactory to the trustee to institute proceedings; and
- the trustee has failed to institute any proceeding for 60 days after notice and has not received during that period any direction from the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds inconsistent with the written request of holders referred to above;

provided that no holder or holders of first mortgage bonds shall have any right in any manner to affect or prejudice the rights of other holders of outstanding first mortgage bonds or to obtain priority over such other holders. (Mortgage, Section 907.) However, these limitations do not apply to the absolute and unconditional right of a holder of a first mortgage bond to institute suit for payment of the principal, premium, if any, or interest on the first mortgage bond on or after the applicable due date. (Mortgage, Section 908.)

*Evidence to be Furnished to the Trustee*

Compliance with the mortgage provisions is evidenced by written statements of our officers or persons we select or pay. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. We

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must give the trustee an annual certificate as to whether or not we have fulfilled our obligations under the mortgage throughout the preceding year.

### ***Modification and Waiver***

Without the consent of any holder of first mortgage bonds, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the mortgage and in the first mortgage bonds;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the mortgage for all or any series of first mortgage bonds;
- to change, eliminate or add any provision to the mortgage; provided, however, if the change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect, the change, elimination or addition will become effective only:
  - (1) when the consent of the holders of first mortgage bonds of such series has been obtained in accordance with the mortgage; or
  - (2) when no first mortgage bonds of the affected series remain outstanding under the mortgage;
- to provide additional security for any first mortgage bonds;
- to establish the form or terms of first mortgage bonds of any other series as permitted by the mortgage;
- to provide for the authentication and delivery of bearer securities with or without coupons;
- to evidence and provide for the acceptance of appointment by a separate or successor trustee or co-trustee;
- to provide for the procedures required for use of a noncertificated system of registration for the first mortgage bonds of all or any series;
- to change any place where principal, premium, if any, and interest shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served;
- to amend and restate the mortgage as originally executed and as amended from time to time, with additions, deletions and other changes that do not adversely affect the interests of the holders of first mortgage bonds of any series in any material respect; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the mortgage if such changes or additions will not adversely affect the interests of first mortgage bonds of any series in any material respect.

(Mortgage, Section 1301.)

The holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, may waive compliance by us with some restrictive provisions of the mortgage. (Mortgage, Section 706.) The holders of a majority in principal amount of then outstanding first mortgage bonds may waive any past default under the mortgage, except a default in the payment of principal, premium, if any, or interest and certain covenants and provisions of the mortgage that cannot be modified or amended without the consent of the holder of each outstanding first mortgage bond of any affected series. (Mortgage, Section 913.)

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or

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modifications to the mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected mortgage bond then outstanding to:

- change the stated maturity of the principal of, or any installment of principal of or interest on, any mortgage bond, or reduce the principal amount of any first mortgage bond or its rate of interest or change the method of calculating that interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any first mortgage bond;
- create any lien ranking prior to or on a parity with the lien of the mortgage with respect to the Mortgaged Property, terminate the lien of the mortgage on the Mortgaged Property or deprive any holder of a first mortgage bond of the benefits of the security of the lien of the mortgage;
- reduce the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification or any waiver of compliance with a provision of the mortgage or of any default thereunder and its consequences, or reduce the requirements for a quorum or voting; or
- modify certain provisions of the mortgage relating to supplemental indentures, waivers of some covenants and waivers of past defaults with respect to the first mortgage bonds of any series.

A supplemental indenture that changes the mortgage solely for the benefit of one or more particular series of first mortgage bonds, or modifies the rights of the holders of first mortgage bonds of one or more series, will not affect the rights under the mortgage of the holders of the first mortgage bonds of any other series. (Mortgage, Section 1302.)

The mortgage provides that first mortgage bonds owned by us or anyone else required to make payment on the first mortgage bonds shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent. (Mortgage, Section 101.)

We may fix in advance a record date to determine the holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or similar act of the holders, but we have no obligation to do so. If we fix a record date, that request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after that record date, but only the holders of record at the close of business on that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding first mortgage bonds have authorized or agreed or consented to the request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding first mortgage bonds will be computed as of the record date.

Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder of any mortgage bond will bind every future holder of that first mortgage bond and the holder of every first mortgage bond issued upon the registration of transfer of or in exchange for that first mortgage bond. A transferee will also be bound by acts of the trustee or us in reliance thereon, whether or not notation of that action is made upon the first mortgage bond. (Mortgage, Section 106.)

### ***Resignation of a Trustee***

The trustee may resign at any time by giving written notice to us or may be removed at any time by an act of the holders of a majority in principal amount of first mortgage bonds then outstanding

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delivered to the trustee and us. No resignation or removal of the trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by a successor trustee. So long as no event of default or event that, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the mortgage, the trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the mortgage.

(Mortgage, Section 1010.)

### ***Notices***

Notices to holders of Bonds will be given by mail to the addresses of such holders as they may appear in the security register for the Bonds. (Mortgage, Section 108.)

### ***Title***

We, the trustee, and any of our or the trustee's agents, may treat the person in whose name Bonds are registered as the absolute owner thereof, whether or not the Bonds may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary. (Mortgage, Section 308.)

### ***Governing Law***

The mortgage and the Bonds are governed by, and construed in accordance with, the laws of the State of New York except where otherwise required by law, including with respect to the creation, perfection, priority or enforcement of the lien of the mortgage. (Mortgage, Section 114.)

### ***Information about the Trustee***

The trustee is The Bank of New York Mellon. In addition to acting as trustee, The Bank of New York Mellon also acts, and may act, as trustee under various other of our and our affiliates' indentures, trusts and guarantees. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the trustee and its affiliates in the ordinary course of our respective businesses.

### ***Book-Entry Only Securities***

The Bonds trade through DTC. The Bonds are represented by a global certificate and registered in the name of Cede & Co., DTC's nominee. The global certificate was deposited with the trustee as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC

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is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Bonds within the DTC system must be made through participants, who will receive a credit for the Bonds on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Bonds. Transfers of ownership in the Bonds are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds. DTC's records reflect only the identity of the participants to whose accounts such Bonds are credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the mortgage. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Bonds. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of Bonds held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to Bonds, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Bonds are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Bonds.

Payments of redemption proceeds, principal of, and interest on the Bonds are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

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Other than in the circumstances described herein, a beneficial owner will not be entitled to receive physical delivery of the Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Bonds will be printed and delivered. We may decide to replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to some or all of the Bonds. In that event or if an event of default with respect to the Bonds has occurred and is continuing, certificates for the Bonds will be printed and delivered. If certificates for the Bonds are printed and delivered,

- those Bonds will be issued in fully registered form without coupons;
- a holder of certificated Bonds would be able to exchange those Bonds, without charge, for an equal aggregate principal amount of Bonds, having the same issue date and with identical terms and provisions; and
- a holder of certificated Bonds would be able to transfer those Bonds without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

### **Description of the Series A Preferred Stock**

The following description of the Series A Preferred Stock does not purport to be complete. Reference is made to the Texas Business Organizations Code ("TXBOC"), our Amended and Restated Certificate of Formation, as amended by the Statement of Resolution Establishing the Series A Preferred Stock ("Resolution") adopted by our Board of Directors (as so amended, the "Charter"), and our Amended and Restated Bylaws (the "Bylaws"). Each of the Charter and the Bylaws are filed as exhibits to the Annual Report on Form 10-K to which this is filed as an exhibit. The following statements are qualified in their entirety by such references.

#### **General**

Our Board of Directors is authorized under the Charter to provide for the issuance from time to time of Preferred Stock, with no par value ("Preferred Stock"), in one or more series, and, as to each series, to fix and determine the designations, preferences, limitations, and relative rights, including voting rights, applicable to shares of such series.

Under the Charter, we are authorized to issue 200,000,000 shares of common stock, with no par value ("Common Stock") and 20,000,000 shares of Preferred Stock.

The Series A Preferred Stock is not subject to further capital calls or to assessment by us and has no exchange or conversion rights.

#### **Dividends**

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The holders of the Series A Preferred Stock are entitled to receive, when, as and if, declared by our Board of Directors out of funds legally available, cash dividends at a rate per year equal to 5.375% and are not entitled to receive any other dividends.

Preferred dividends began accumulating on each share of Series A Preferred Stock from the date of issuance of that share. The preferred dividends accumulate from day to day, whether or not earned or declared by the Board of Directors, and are cumulative. The preferred dividends, if and when declared payable by the Board of Directors out of our legally available funds, will be payable in lawful money of the United States of America, quarterly on January 15, April 15, July 15 and October 15 of each year (each, a "Dividend Payment Date"). To the extent that any preferred dividend is not paid on any Dividend Payment Date, that preferred dividend will accumulate until such preferred dividend is paid in full. The preferred dividends payable on each share of Series A Preferred Stock shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and with respect to any period less than a full dividend period, on the basis of the actual number of days elapsed during such period.

No dividend or distribution in cash or other property (other than shares of Junior Stock (as defined herein)) will be declared, paid, or set apart for payment on or with respect to the Junior Stock unless all preferred dividends on the Series A Preferred Stock accumulated through the date of any distribution have been declared, paid, or set apart before or at the time of the declaration, distribution, or setting apart with respect to the Junior Stock. "Junior Stock" means the Common Stock and any series of Preferred Stock that ranks junior to the Series A Preferred Stock as to dividends or liquidation, dissolution or winding up (whether voluntary or involuntary).

At any time that dividend payments due on one or more Dividend Payment Date on any shares of the Series A Preferred Stock are accumulated and unpaid, and thereafter until all accumulated and unpaid dividends on any such Series A Preferred Stock shall have been paid (without interest), we shall not redeem, repurchase or otherwise acquire, retire or make a liquidation payment with respect to any of our stock other than redemptions, repurchases, acquisitions, retirements or liquidation payments with respect to the Series A Preferred Stock and other series of Preferred Stock with similar redemption or repurchase provisions that rank senior to the Series A Preferred Stock as to dividends and liquidation, dissolution or winding up (whether voluntary or involuntary).

When dividends are not paid in full on any shares of outstanding Preferred Stock that rank equal with the Series A Preferred Stock as to dividends and liquidation, dissolution or winding up (whether voluntary or involuntary) for a dividend period, all dividends declared with respect to shares of Series A Preferred Stock and all outstanding shares of such equal ranking Preferred Stock for such dividend period shall be declared pro rata so that the respective amounts of such dividends declared bear the same ratio to each other as all accumulated but unpaid dividends per share on the shares of Series A Preferred Stock and all shares of such outstanding equal ranking Preferred Stock for such dividend period bear to each other. Therefore, if we are not paying full dividends on any outstanding shares of such equal ranking Preferred Stock, we will not be able to pay full dividends on the Series A Preferred Stock. Similarly, if we issue any series of Preferred Stock that ranks senior to the Series A Preferred Stock as to dividends and liquidation, dissolution or winding up (whether voluntary or involuntary), we expect that if we do not pay any amount of stated dividends thereon, we will not be able to pay any dividends on the Series A Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock and any other shares of Junior Stock (as defined below) from time to time outstanding out of any funds legally available for such payment or as otherwise permitted by applicable law, and the Series A Preferred Stock shall not be entitled to participate in any such dividend.

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## **Ranking**

The Series A Preferred Stock will rank senior to the Common Stock as to dividends, redemption, and amounts payable on our liquidation, dissolution or winding up.

Except with respect to Preferred Stock issued in the future in accordance with the provisions described under “Voting Rights-Restrictions on Issuance of Senior Equity Securities,” the rights of the Series A Preferred Stock to dividends, redemption, and amounts payable on our liquidation, dissolution or winding up shall rank equal or senior to each other series of Preferred Stock which we may issue in the future.

## **Redemption**

### ***Optional Redemption***

We may redeem shares of Series A Preferred Stock as follows:

- in whole but not in part, at any time and from time to time prior to October 15, 2024, within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Ratings Event (as defined herein), and the redemption price shall be equal to \$25.50 per share, plus the amount of accumulated and unpaid preferred dividends on such shares up to and including the date on which the redemption price on such shares has been paid in full; and/or
- in whole or in part, at any time and from time to time on or after October 15, 2024, and the redemption price shall be equal to \$25.00 per share, plus the amount of accumulated and unpaid preferred dividends on such shares being redeemed up to and including the date on which the redemption price on such shares being redeemed has been paid in full.

Partial payments on any share will be applied first to preferred dividends and then to the redemption price.

“Ratings Event” means that any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Securities Exchange Act of 1934, as amended, or in any successor provision thereto, that then publishes a rating for us (a “rating agency”) amends, clarifies or changes the criteria it uses to assign equity credit to the Series A Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series A Preferred Stock is assigned a particular level of equity credit by that rating agency as compared to the length of time the Series A Preferred Stock would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock; or
- the lowering of the equity credit (including up to a lesser amount) assigned to the Series A Preferred Stock by that rating agency as compared to the equity credit assigned thereto by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock.

### ***Redemption Notice***

At least 30 days and not more than 60 days before a redemption date, we will mail or cause to be mailed written notice, postage prepaid, to each holder of record of shares of Series A Preferred Stock to be redeemed at the holder’s mailing address last shown on our share transfer records for the Series A Preferred Stock. The redemption notice will state:

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- the total number of shares of Series A Preferred Stock that we will redeem on the redemption date;
- the number of shares of Series A Preferred Stock held by the holder that we will redeem on the redemption date;
- the redemption date and the redemption price;
- any conditions to such redemption; and
- the time, place, and manner in which the holder is to surrender to the registrar the certificate or certificates representing shares of Series A Preferred Stock to be redeemed.

### ***Conditions to Redemption***

If the redemption notice shall specify conditions to redemption of shares of Series A Preferred Stock and such conditions shall not have been satisfied on or prior to the redemption date, the redemption notice shall be of no force and effect and such Series A Preferred Stock shall not be subject to redemption on such redemption date.

### ***Partial Redemption***

In case of any redemption of only part of the shares of Series A Preferred Stock at the time outstanding, the shares of Series A Preferred Stock to be redeemed shall be selected either pro rata or by lot. Subject to the provisions of the Resolution, we shall have full power and authority to prescribe the terms and conditions upon which shares of Series A Preferred Stock shall be redeemed from time to time. If fewer than all the shares of Series A Preferred Stock represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares of Series A Preferred Stock without charge to the holder thereof.

### ***Termination of Rights***

If the redemption notice is duly given and if, on or before the redemption date, the redemption price is either paid or made available for payment on or for the shares of the Series A Preferred Stock called for redemption, then all rights with respect to such shares will terminate immediately after the redemption date, except the right of the holders of such shares to receive the redemption price (without interest) on surrender of their certificates. This termination of rights will not be affected by any failure to surrender on or before the redemption date, any of the certificates representing the shares of Series A Preferred Stock called for redemption. Notwithstanding the foregoing, in the event the redemption notice is duly given and a deposit of an amount sufficient for redemption is made with a bank or trust company in accordance with the TXBOC, rights with respect to such shares (other than the right to receive payment of the redemption price without interest thereon from the bank or trust company) shall terminate on the date of such deposit.

### ***Liquidation Rights***

In the event of our liquidation, dissolution, or winding up, whether voluntary or involuntary, the holders of the shares of Series A Preferred Stock then outstanding will be entitled to be paid out of our assets available for distribution to our stockholders, whether such assets are capital, surplus, or earnings, before any payment or declaration and setting apart for payment of any amount is made in respect of the Junior Stock.

The holders of shares of Series A Preferred Stock will be paid an amount per share (the "Liquidation Value") equal to the sum of \$25.00 (subject to appropriate adjustment to maintain the same aggregate accumulated dividend on, and liquidation value of, the Series A Preferred Stock following any

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stock dividend, stock split, combination, or other similar recapitalization affecting the shares of Series A Preferred Stock) plus an amount equal to all accumulated and unpaid preferred dividends payable up to and including the date full payment is tendered to the holders of shares of Series A Preferred Stock with respect to the liquidation, dissolution, or winding up, and no more.

If, upon our liquidation, dissolution, or winding up, whether voluntary or involuntary, the assets distributed to the holders of shares of Series A Preferred Stock and the holders of outstanding shares of other series of Preferred Stock ranking equal to the Series A Preferred Stock as to liquidation, dissolution, or winding up are insufficient to permit payment of the full Liquidation Value thereof and the full liquidation value of the outstanding shares of such other series of Preferred Stock, all of our assets will be distributed ratably to each holder of outstanding shares of Series A Preferred Stock and each holder of outstanding shares of other series of Preferred Stock ranking equal to the Series A Preferred Stock as to liquidation, dissolution, or winding up on the basis of the Liquidation Value of the shares of Series A Preferred Stock held by each such holder and the liquidation value of the shares of such other series of Preferred Stock.

## **Voting Rights**

### ***Series A Preferred Stock and Common Stock Voting Together***

Each holder of Series A Preferred Stock will be entitled to vote on all matters as to which holders of the Common Stock shall be entitled to vote, in the same manner and with the same effect as such holders of the Common Stock, voting together with the holders of the Common Stock and any other series of Preferred Stock whose voting rights so provide as one class. Those shares of Preferred Stock entitled to vote with the Common Stock, including the Series A Preferred Stock, are referred to as “Voting Preferred Stock.” Regardless of the number of issued and outstanding shares of Preferred Stock and Common Stock, so long as any Voting Preferred Stock is outstanding, issued and outstanding Voting Preferred Stock shall possess at all times, in the aggregate, 21% of the total votes of the issued and outstanding Common Stock and Voting Preferred Stock combined, and the issued and outstanding Common Stock shall possess at all times 79% of the total votes of the issued and outstanding Common Stock and Voting Preferred Stock combined. The total number of votes allocated to the Voting Preferred Stock shall be allocated among the issued and outstanding shares of Voting Preferred Stock on a pro rata basis in the same manner as if the holders of issued and outstanding Voting Preferred Stock were all voting as a class as described below. So long as any Voting Preferred Stock is outstanding, the total votes allocated to the holders of Common Stock shall fluctuate from time to time depending on the number of shares of Common Stock and Voting Preferred Stock issued and outstanding and shall be calculated to be equal to that number of votes which would be 79% of the total number of votes of Common Stock and Voting Preferred Stock combined and shall be allocated among the shares of Common Stock on a pro rata basis. If no Voting Preferred Stock is outstanding, each holder of Common Stock will be entitled to one vote for each share of Common Stock held by such holder.

### ***Series A Preferred Stock Voting as a Class***

For any vote of the holders of the Series A Preferred Stock on a matter in which they are entitled to vote, considered as a single class, each holder will be entitled to one vote for each share of Series A Preferred Stock held by such holder.

### ***Preferred Stock Voting as a Class***

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For any vote of the holders of all series of Preferred Stock entitled to vote on a matter considered as a single class, each holder of such Preferred Stock will have a number of votes equal to the number of dollars equaling the aggregate liquidation value of the Preferred Stock held by such holder. If a series of Preferred Stock shall provide for different liquidation values in the cases of voluntary liquidation and involuntary liquidation, for purpose of the voting provisions, liquidation value shall mean the involuntary liquidation value for Preferred Stock of such series.

### ***Election of Additional Directors***

In addition to the voting powers expressly conferred upon the Series A Preferred Stock as described herein and in addition to voting rights granted to the holders of Series A Preferred Stock in statutory proceedings as to which their vote may be mandatorily required by the then-existing laws of the State of Texas and which is not permitted to be modified and so modified under the Resolution, in case at any time we shall fail to declare and pay or set aside for payment in full dividend payments due on the Series A Preferred Stock on six Dividend Payment Dates whether or not consecutive and thereafter until all dividends accumulated and payable on the Series A Preferred Stock shall have been fully paid without interest, then in each case, such holders of the Series A Preferred Stock and all other series of Preferred Stock hereafter established with provisions corresponding to those described herein for the election of additional directors shall thereupon have and continue to have, the right, voting together as a class for such purpose by vote of a majority of the votes entitled to be cast thereon by such holders of Preferred Stock, to elect two additional directors to our Board of Directors (the "Additional Directors"), such that the number of directors then constituting the Board of Directors shall automatically be increased by two; and, during the continuance of such right of the holders of series of Preferred Stock to elect the Additional Directors, the remaining directors shall continue to be elected as provided under the Charter, the Bylaws and the laws of the State of Texas.

Upon the termination at any time of such right of the holders of Preferred Stock entitled to vote thereon to elect Additional Directors, the term of office of the Additional Directors shall end.

### ***Restriction on Issuance of Senior Equity Securities***

So long as any shares of the Series A Preferred Stock are outstanding, we shall not create, authorize or issue any new stock that, after issuance, would rank senior to the Series A Preferred Stock as to dividends or in liquidation, dissolution or winding up (whether voluntary or involuntary) without the prior written consent, voting as a single class, of at least two-thirds of the votes entitled to be cast thereon by the holders of the Series A Preferred Stock and any other outstanding series of Preferred Stock ranking equal to the Series A Preferred Stock as to dividends or in liquidation, dissolution or winding up (whether voluntary or involuntary) (including the Series A Preferred Stock).

### ***Amendments or Waivers***

So long as any shares of the Series A Preferred Stock are outstanding, the prior written consent of the holders of at least two-thirds of the votes entitled to be cast thereon by the holders of the Series A Preferred Stock, voting as a separate class, shall be required for any amendment, modification or waiver of the provisions of the Charter (including the terms of the Series A Preferred Stock) insofar as such amendment, modification or waiver amends, modifies or waives a provision in a manner prejudicial in any material respect to the holders of the Series A Preferred Stock; provided, however, that, if more than one series of Preferred Stock shall be outstanding and if such amendment, modification or waiver would be correspondingly prejudicial to the rights of the holders of other series of Preferred Stock, in lieu of the separate class vote of the Series A Preferred Stock, the prior written consent or vote of at least two-

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thirds of the votes entitled to be cast thereon by the holders of all series of Preferred Stock so affected considered as a single class shall be required for such amendment, modification or waiver. For all purposes described in this paragraph, any increase in the amount of the authorized or issued Series A Preferred Stock or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equal with or junior to the Series A Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) or the distribution of assets upon any liquidation, dissolution or winding up of our affairs will not be deemed to materially and prejudicially affect the special rights, preferences, privileges or voting powers of the Series A Preferred Stock.

### ***Elimination of Need for Formal Meetings***

In accordance with Section 6.202 of the TXBOC, our Charter allows the taking of action without holding a meeting, providing notice, or taking a vote if stockholders having at least the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted, sign a written consent or consents stating the action taken.

### **Transfer Agent, Registrar and Paying Agent**

Equiniti Trust Company, doing business as EQ Shareholder Services, is currently the transfer agent, registrar and paying agent for the Series A Preferred Stock.

### **Book-Entry Only Issuance-The Depository Trust Company**

DTC is currently the securities depository for the Series A Preferred Stock. The Series A Preferred Stock is represented by a global certificate registered in the name of Cede & Co., DTC's nominee. The global certificate was deposited with the transfer agent as custodian for DTC. Ownership of beneficial interests in the global certificate is limited to institutions that have accounts with DTC or its participants or persons that may hold interests through participants.

DTC is a New York clearing corporation and a clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities for its participants. DTC also facilitates the post-trade settlement of securities transactions among its participants through electronic computerized book-entry transfers and pledges in the participants' accounts. This eliminates the need for physical movement of securities certificates. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Others who maintain a custodial relationship with a participant can use the DTC system. The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of the Series A Preferred Stock within the DTC system must be made through participants, who will receive a credit for the Series A Preferred Stock on DTC's records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant's records. Beneficial owners do not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased Series A Preferred Stock. Transfers of ownership in the Series A Preferred Stock are to be accomplished by entries made on the books of the participants acting on

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behalf of beneficial owners. Beneficial owners will not receive certificates for their Series A Preferred Stock, except if use of the book-entry system for the Series A Preferred Stock is discontinued.

To facilitate subsequent transfers, all shares of Series A Preferred Stock deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the Series A Preferred Stock with DTC and its registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series A Preferred Stock. DTC's records reflect only the identity of the participants to whose accounts such Series A Preferred Stock is credited. These participants may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Series A Preferred Stock may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series A Preferred Stock. Beneficial owners of the Series A Preferred Stock may wish to ascertain that the nominee holding the Series A Preferred Stock has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the Series A Preferred Stock. If less than all of the shares of Series A Preferred Stock are being redeemed, DTC's practice is to determine by lot the amount of interest of each participant in such Series A Preferred Stock to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to the Series A Preferred Stock, unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the Series A Preferred Stock is credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the Series A Preferred Stock.

Payments on the Series A Preferred Stock are and will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit participants' accounts upon DTC's receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are and will be governed by standing instructions and customary practices. Payments are the responsibility of participants and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

Other than in the circumstances described herein, a beneficial owner of a global share of Series A Preferred Stock will not be entitled to receive physical delivery of Series A Preferred Stock. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the Series A Preferred Stock.

DTC may discontinue providing its services as securities depository with respect to the Series A Preferred Stock at any time by giving us reasonable notice. In the event no successor securities depository is obtained, certificates for the Series A Preferred Stock will be printed and delivered. We may decide to

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replace DTC or any successor depository. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to the Series A Preferred Stock. We understand, however, that under current industry practices, DTC would notify its participants of our decision, but will only withdraw beneficial interests from global shares of Series A Preferred Stock at the request of each participant. In that event, certificates for the Series A Preferred Stock will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

CASH BALANCE EQUALIZATION PLAN OF ENTERGY CORPORATION AND  
SUBSIDIARIES

Effective July 1, 2014

Executed: June 30, 2014

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**CASH BALANCE EQUALIZATION PLAN OF ENTERGY CORPORATION AND SUBSIDIARIES**  
**(Effective July 1, 2014)**

Entergy Corporation has adopted this Cash Balance Equalization Plan of Entergy Corporation and Subsidiaries (the "Plan") effective July 1, 2014, to provide eligible non bargaining management employees of a System Company with certain benefits that would have been payable under the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees (the "Qualified Plan") but for the limitations placed on benefits payable under the Qualified Plan by Section 415 of the Internal Revenue Code (the "Code") and the limitations placed on eligible earnings by Section 401(a)(17) of the Code. The Plan also provides benefits with respect to certain amounts that are deferred by the Participant and excluded from earnings under the Qualified Plan.

The Plan is intended to constitute an unfunded "excess benefit plan" as defined in Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to the extent it provides benefits that would be paid under the Qualified Plan but for the limitations imposed by Code Section 415, and an "unfunded plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" for purposes of Title I of ERISA, to the extent it provides other benefits.

**ARTICLE I**  
**DEFINITIONS**

The following terms shall have the meaning hereinafter indicated unless expressly provided herein to the contrary:

- 1.01 "Administrator" shall mean the Personnel Committee of the Board of Directors, or such other individuals or committee as shall from time to time be designated in writing as the administrator of the Plan by the Personnel Committee. The Administrator shall be the "plan administrator" for the Plan within the meaning of ERISA. Notwithstanding the foregoing, from and after the date immediately preceding the commencement of a Change in Control Period, the "Administrator" shall mean (a) the individuals (not fewer than three in number) who, on the date six months before the commencement of the Change in Control Period, constitute the Administrator, plus (b) in the event that fewer than three individuals are available from the group specified in clause (a) above for any reason, such individuals as may be appointed by the individual or individuals so available (including for this purpose any individual or individuals previously so appointed under this clause (b)); provided, however, that the maximum number of individuals constituting the Administrator shall not exceed The term "Administrator" shall for Plan administrative purposes include the office of the senior-most System officer with responsibility for Human Resources and Administration, to whom the Personnel Committee has delegated the authority to act on its behalf with respect to all Plan administrative matters.
- 1.02 "Beneficiary" shall mean Participant's beneficiary for purposes of the pre-retirement death benefit under the Qualified Plan.
- 1.03 "Board of Directors" shall mean the Board of Directors of Entergy Corporation.
- 1.04 "Change in Control" shall mean:
- (a) the purchase or other acquisition by any person, entity or group of persons, acting in concert within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of thirty percent (30%) or more of either the shares of common stock outstanding immediately following such acquisition or the combined voting power of Entergy Corporation's voting securities entitled to vote generally and outstanding immediately following such acquisition, other than any such purchase or acquisition in
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connection with a Non-CIC Merger (defined in Subsection (b) below);

- (b) the consummation of a merger or consolidation of Entergy Corporation, or any direct or indirect subsidiary of Entergy Corporation with any other corporation, other than a Non-CIC Merger, which shall mean a merger or consolidation immediately following which the individuals who comprise the Board of Directors immediately prior thereto constitute at least a majority of the Board of Directors, or the board of directors of the entity surviving such merger or consolidation, or the board of directors of any parent thereof (unless the failure of such individuals to comprise at least such a majority is unrelated to such merger or consolidation);
- (c) the stockholders of Entergy Corporation approve a plan of complete liquidation or dissolution of Entergy Corporation or there is consummated an agreement for the sale or disposition by Entergy Corporation of all or substantially all of Entergy Corporation's assets; or
- (d) any change in the composition of the Board of Directors such that during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Entergy Corporation) whose appointment or election by the Board of Directors or nomination for election by Entergy Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such two consecutive year period or appointment, election or nomination for election was previously so approved

or recommended, cease for any reason to constitute at least a majority thereof.

Provided, however, that no Change in Control shall be deemed to occur solely by virtue of (1) the insolvency or bankruptcy of Entergy Corporation; or (2) the transfer of assets of Entergy Corporation to an affiliate of Entergy Corporation, provided such affiliate assumes the obligations of the Plan and agrees to continue uninterrupted the rights of the Participants under the Plan; or (3) the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of Entergy Corporation immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Entergy Corporation immediately following such transaction or series of transactions.

1.05 "Change in Control Period" shall mean the period commencing on the date of a Potential Change in Control and ending on the earlier of: (a) twenty-four (24) calendar months following the Change in Control event, or (b) the date on which the Change in Control event contemplated by the Potential Change in Control is terminated.

1.06 "Claims Administrator" shall mean the Administrator or its delegate responsible for administering claims for benefits under the Plan.

1.07 "Claims Appeal Administrator" shall mean the Administrator or its delegate responsible for administering appeals from the denial or partial denial of claims for benefits under the Plan.

1.08 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.09 "Eligible Employee" shall mean a non-bargaining Employee who satisfies the eligibility requirements of Section 2.01.

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1.10 "Employee" shall mean any person who is covered by a System Company's payroll.

1.11 "Employer" shall mean the System Company that has adopted the Plan and with which the Participant is last employed on or before the Participant's retirement or termination of employment.

1.12 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.13 "Good Reason" shall mean the occurrence, without the Participant's express written consent, of any of the following events during the Change in Control Period:

- (a) the substantial reduction or alteration in the nature or status of the Participant's duties or responsibilities from those in effect on the date immediately preceding the first day of the Change Control Period, other than an insubstantial and inadvertent act that is remedied by the System Company employer promptly after receipt of notice thereof given by Participant and other than any such alteration primarily attributable to the fact that Entergy Corporation may no longer be a public company;
  - (b) a reduction of 5% or more in Participant's annual rate of base salary as in effect immediately prior to commencement of a Change in Control Period, which shall be calculated exclusive of any bonuses, overtime, or other special payments, but including the amount, if any, the Participant elects to defer under: (1) a cash or deferred arrangement qualified under Code Section 401(k); (2) a cafeteria plan under Code Section 125; (3) a qualified transportation fringe under Code Section 132(f)(4); (4) the Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, or any successor or replacement plan; and (5) any other nonqualified or statutory deferred compensation plan, agreement, or arrangement in which the Participant may hereafter participate or be a party;
  - (c) requiring Participant to be based at a location outside of the continental United States and other than his primary work location as it existed on the date immediately preceding the first day of the Change in Control Period, except for required travel on business of any System Company to an extent substantially consistent with the Participant's present business obligations;
  - (d) failure by System Company employer to continue in effect any compensation plan in which Participant participates immediately prior to the commencement of the Change in Control Period which is material to Participant's total compensation, including but not limited to compensation plans in effect, including stock option, restricted stock, stock appreciation right, incentive compensation, bonus and other plans or any substitute plans adopted prior to the Change in Control Period, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by System Company employer to continue Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Participant's participation relative to other participants, as existed immediately prior to the Change in Control; or
  - (e) failure by System Company employer to continue to provide Participant with benefits similar to those enjoyed by Participant under any of the System Company's pension, savings, life insurance, medical, health and accident, or disability plans in which Participant was participating immediately prior to the Change in Control Period, the taking of any other action
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by a System Company employer which would directly or indirectly materially reduce any of such benefits or deprive Participant of any material fringe benefit enjoyed by Participant immediately prior to commencement of the Change in Control Period, including a material reduction in the number of paid vacation days to which Participant is entitled on the basis of years of service with the System in accordance with the System Company's normal vacation policy in effect at the time of the Change in Control.

Participant's right to terminate his employment for Good Reason shall not be affected by Participant's incapacity due to physical or mental illness. Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason.

1.14 "Income Payment Date" shall mean the first day of the first month next following the Participant's Separation from Service.

1.15 "Key Employee" shall mean a "Key Employee" (as defined in Code Section 41 6(i) without regard to paragraph (5) thereof), as determined by the Administrator, in its sole discretion, in a manner consistent with the regulations issued under Code Section 409A.

1.16 "Participant" shall mean an Eligible Employee who satisfies the requirements for participation in this Plan as set forth in Section 2.02.

1.17 "Personnel Committee" shall mean the Personnel Committee of the Board of Directors.

1.18 "Plan" shall mean this Cash Balance Equalization Plan of Entergy Corporation and Subsidiaries, generally effective as of July 1, 2014, and any amendments, supplements or modifications from time to time made hereto in accordance with Sections 8.01 and 8.02.

1.19 "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

- (a) Entergy Corporation or any affiliate or subsidiary company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or
- (b) the Board of Directors adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control has occurred; or
- (c) any System Company or any person or entity publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; or
- (d) any person or entity becomes the beneficial owner (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time), either directly or indirectly, of securities of Entergy Corporation representing 20% or more of either the then outstanding shares of common stock of Entergy Corporation or the combined voting power of Entergy Corporation's then outstanding securities (not including in the calculation of the securities beneficially owned by such person or entity any securities acquired directly from Entergy Corporation or its affiliates).

1.20 "Qualified Plan" shall mean the Entergy Corporation Cash Balance Plan for Non Bargaining Employees, as it may from time to time be amended and in which the Participant is a participant.

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1.21 "Qualifying Event" shall mean the occurrence of one of the following within the Change Control Period:

- (a) The Participant's employment is terminated by Employer other than for Cause (as defined in Section 6.01(a)); or
- (b) The Participant terminates his System employment for Good Reason.

For purposes of this Plan, the following shall not constitute Qualifying Events:

(1) Participant's death; or (2) Participant becoming disabled under the terms of the Entergy Corporation Companies' Benefits Plus Long Term Disability ("LTD") Plan or any other employee welfare benefit plan sponsored by a System Company that provides long-term disability benefits. Notwithstanding anything in this Plan to the contrary, for purposes of this Plan a Participant's employment shall be deemed to have been terminated by the Employer without Cause or by the Participant with Good Reason only if the Participant has incurred a Separation from Service.

1.22 "Separation from Service," "Separates from Service," or "Separated from Service" shall mean the separation of a Participant from employment with the System determined in accordance with the requirements of Code Section 409A and regulations thereunder.

1.23 "Specified Employee" shall mean a Participant who is a Key Employee (as defined in Section 1.15) of a System Company at a time when the Employer or a member of any controlled group of corporations that includes the Employer is publicly traded on an established securities market whether inside or outside the United States. Whether a participant is a Specified Employee shall be determined under rules established by the Administrator in accordance with regulations under Code Section 409A. All determinations by the Administrator with regard to whether a Participant is a Specified Employee shall be final and binding on the Participant for purposes of the Plan.

1.24 "System" shall mean Entergy Corporation and all other System Companies and, except in determining whether a Change in Control has occurred, shall include any successor thereto as contemplated in Section 8.03.

1.25 "System Company" shall mean Entergy Corporation and any corporation whose stock is 80% or more (based on voting power or value) owned, directly or indirectly, by Entergy Corporation and any partnership or trade or business which is 80% or more controlled, directly or indirectly, by Entergy Corporation, and, except in determining whether a Change in Control has occurred, shall include any successor thereto as contemplated in Section 8.03 of this Plan.

1.26 "System Management Level" shall mean the applicable management level set forth below:

(a) System Management Level I ( Chief Executive Officer and Chairman of the Board of  
Entergy Corporation);

System Management Level 2 (Presidents and Vice Presidents within the System);

(c) System Management Level 3 (Senior Vice Presidents within the System); and System Management Level 4 (Vice Presidents within the System).

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**ARTICLE II  
ELIGIBILITY AND PARTICIPATION**

2.01 Eligibility Requirements. An Employee shall be eligible for benefits under this Plan only if he is a nonbargaining Employee who is a member of his Employer's select group of management or highly compensated employees and a participant in the Qualified Plan.

2.02. Participation. An Eligible Employee shall become a Participant in the Plan on the date he satisfies the requirements of Section 2.01.

**ARTICLE III  
AMOUNT OF BENEFITS**

3.01. General. No provision of the Plan shall in any way be construed as any amendment to the Qualified Plan, and to the extent the qualified status under federal law of the Qualified Plan is threatened by any provision of, or payment under, this Plan, the Plan shall be automatically reformed to the extent necessary to ensure the continuation of the qualified status of the Qualified Plan.

3.02 Plan Benefits.

(a) Separation Benefit. Subject to the remaining Subsections of this Section 3.02, each Participant who is fully vested in his Qualified Plan benefit and is a non-bargaining Employee at the time of his Separation from Service, shall be entitled upon his Separation from Service to a benefit under this Plan equal to the excess of (1) over (2), where (1) and (2) are as follows:

- (1) the lump sum payment that would have been payable to the Participant on the Income Payment Date under the Qualified Plan, but taking into account any additional earnings and compensation described in Subsection 3.02(b) and without regard to any provisions contained in the Qualified Plan relating to a maximum limitation on pension benefits imposed under Code Sections 401(a)(17) and/or 415; and
- (2) the lump sum payment that would have been payable to the Participant on the Income Payment Date, based on the provisions of the Qualified Plan.

Separation Benefit shall be paid in the event a Death Benefit is paid.

(b) Earnings and Compensation Taken into Account. Solely for purposes of determining benefits under this Plan, a Participant's earnings or compensation considered in determining the lump sum payment that would have been payable under the Qualified Plan shall be deemed to also include the amount if any, of base salary and incentives payable and otherwise included in earnings under the Qualified Plan, but which the Participant elects to defer under any nonqualified deferred compensation plan, agreement, or other arrangement in which the Participant may participate or be a party thereto.

Nothing stated in this Subsection 3.02(b) shall be construed as an amendment to the Qualified Plan.

(c) Death Benefit. In the event of the death of a Participant prior to his Income Payment Date, if such Participant is fully vested in his Qualified Plan benefit and is a non bargaining Employee at the time of his death, the Participant's Beneficiary shall receive a death benefit under this Plan in a single-sum amount equal to the excess of

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(1) over (2), where (1) and (2) are as follows:

- (1) the lump sum pre-retirement death benefit that would have been payable to a Beneficiary under the Qualified Plan as of the first day of the month following the Participant's death, but determined taking into account any additional eligible earnings described in Subsection 3.02(b), and without regard to any provisions contained in the Qualified Plan relating to a maximum limitation on pension and/or death benefits imposed under Code Sections 401(a)(17) and/or 415; and
- (2) the lump sum pre-retirement death benefit that would have been payable to a Beneficiary under the Qualified Plan as of the first day of the month following the Participant's death, based on the provisions of the Qualified Plan.

No Death Benefit shall be paid in the event a Separation Benefit is paid.

#### **ARTICLE IV FORM OF BENEFIT PAYMENT**

##### **4.01 Single-Sum Form of Payment.**

- (a) Separation Benefit. Subject to the remaining provisions of this Section 4.01, each Participant who satisfies the requirements of Section 3.02(a) shall receive a single sum payment equal to the Participant's benefit determined under Subsection 3.02(a). Payment of such single-sum benefit shall be made as soon as reasonably practicable following the Participant's Income Payment Date. In all events, the single-sum payment shall be made no later than the end of the calendar year that includes the Participant's Income Payment Date or, if later, by the 15th day of the third calendar month following the Participant's Income Payment Date. A Participant's benefits under this Plan shall be paid in accordance with the terms of this Article IV, regardless of the date of benefit commencement under the Qualified Plan.
- (b) Death Benefit. In the event of the death of a Participant prior to his Income Payment Date, if such Participant satisfies the requirements of Section 3.02(c) at the time of his death, the Participant's Beneficiary shall receive a death benefit under this Plan as determined under Subsection 3.02(c) in a single-sum payment as soon as reasonably practicable following the first day of the first month next following the Participant's date of death (i.e., the "Beneficiary's Income Payment Date"). In all events, the single-sum payment shall be made no later than the end of the calendar year that includes the Beneficiary's Income Payment Date, or, if later, by the 15th day of the third calendar month following the Beneficiary's Income Payment Date.

4.02 Participation in Additional Non-Account Balance Plans. Notwithstanding any other Plan provision to the contrary, to the extent applicable, a Participant's benefit commencement date shall be the same under this Plan, the Pension Equalization Plan of Entergy Corporation and Subsidiaries ("PEP"), the System Executive Retirement Plan of Entergy Corporation and Subsidiaries ("SERP") and the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries ("SRP"), which plans, together with this Plan, constitute Non-Account Balance Plans for purposes of Code Section 409A.

4.03 Code Section 409A Delayed Payments. Notwithstanding any Plan provision to the contrary, no Plan benefits shall be paid to a Participant who is a Specified Employee at the time of his Separation from Service until the earlier of the Participant's death or six months following the Participant's Separation from Service. If distribution is delayed pursuant to this Section 4.03, the delayed distribution amount shall be credited with investment returns to the payment date as if such amount were invested in the Entergy Stable Income Fund or such other investment fund as from time-to-time may be designated in advance and in writing by the Administrator. The full amount of the Participant's delayed distribution amount, including investment

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returns deemed credited pursuant to this Section 4.03, shall be distributed to the Participant as soon as reasonably practicable following the first day of the first month next following the earlier of the Participant's death or the last day of the six-month delay period (the "Delayed Payment Date"). In all events, such payment shall be made no later than the end of the calendar year that includes the Delayed Payment Date or, if later, by the 15<sup>th</sup> day of the third calendar month following the Participant's Delayed Payment Date.

**ARTICLE V**  
**SOURCE OF PAYMENTS**

5.01 Unfunded Plan. All rights of a Participant, Beneficiary or any other person or entity having or claiming a right to payments under this Plan shall be entirely unfunded. It is a condition of the Plan that neither a Participant nor any other person or entity shall look to any other person or entity other than the Employer for the payment of benefits under the Plan. The Participant or any other person or entity having or claiming a right to payments hereunder shall rely solely on the unsecured obligation of the Employer set forth herein. Nothing this Plan shall be construed to give the Participant or any such person or entity any right, title, interest, or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever, owned by any System Company or in which a System Company may have any right, title or interest now or in the future. However, the Participant or any such person or entity shall have the right to enforce his claim against the Employer the same manner as any other unsecured creditor of such entity.

5.02 Employer Liability. At its own discretion, a System Company employer may purchase such insurance or annuity contracts or other types of investments as it deems desirable in order to accumulate the necessary funds to provide for future benefit payments under the Plan. However, (a) a System Company employer shall be under no obligation to fund the benefits provided under this Plan; (b) the investment of System Company employer funds credited to a special account established hereunder shall not be restricted in any way; and (c) such funds may be available for any purpose the System Company may choose. Nothing stated herein shall prohibit a System Company employer from adopting or establishing a trust or other means as a source for paying any obligations created hereunder provided, however, any and all rights that any such Participants shall have with respect to any such trust or other fund shall be governed by the terms thereof.

5.03 Establishment of Trust. Notwithstanding any provisions of this Article V to the contrary, within thirty (30) days following the date of a Change in Control, each System Company shall make a single irrevocable lump sum contribution to the Trust for Deferred Payments of Entergy Corporation and Subsidiaries ("Trust") pursuant to the terms and conditions described in such Trust, but only to the extent consistent with the requirements of Code Section 409A. Each System Company's contribution shall be in an amount equal to the actuarial present value of the total benefits accrued by such System Company's Plan Participants (including a Participant's Beneficiary) under the Plan through the date of any such Change in Control. For purposes of this Section 5.03, the actuarial present value shall be deemed to be equal to the amount of the lump sum payment determined pursuant to Section 3.02(a), determined as if payment were made on the day preceding the Change in Control. If one or more of a System Company's Participants shall continue to be employed by a System Company after such a Change in Control, each calendar year the System Company shall, as soon as possible, but in no event later than thirty (30) days following the end of such calendar year, make an irrevocable contribution to the Trust in an amount that is necessary in order to maintain a lump sum amount credited to the System Company's Plan account under the Trust that is the actuarial present value of the total unpaid benefits accrued by the System Company's Participants as of the end of each applicable calendar year. Notwithstanding the foregoing provisions of this Section 5.03 to the contrary, a System Company may make contributions to the Trust prior to a Change in Control in such amounts as it shall determine in its complete discretion. The Trust is intended as a "grantor" trust under the Internal Revenue Code and the establishment and funding of such Trust is not intended to cause Participants

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to realize current income on amounts contributed thereto, and the Trust shall be so interpreted.

## ARTICLE VI CHANGE IN CONTROL

6.01 Definitions. The following additional definitions shall be applicable to this Article VI:

(a) "Cause" shall mean:

- (1) willful and continuing failure by Participant to substantially perform Participant's duties (other than such failure resulting from the Participant's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by Participant) that has not been cured within thirty (30) days after a written demand for substantial performance is delivered to Participant by the board of directors of Employer, which demand specifically identifies the manner in which the board believes that Participant has not substantially performed Participant's duties; or
- (2) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to any System Company, monetarily or otherwise; or
- (3) conviction of or entrance of a plea of guilty or *nolo contendere* to a felony or other crime which has or may have a material adverse effect on Participant's ability to carry out Participant's duties or upon the reputation of any System Company; or
- (4) a material violation by Participant of any agreement Participant has with a System Company; or
- (5) unauthorized disclosure by Participant of the confidences of any System Company.

For purposes of clauses (1) and (2) of this definition, no act, or failure to act, on the Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's act, or failure to act, was in the best interest of the Employer.

- (b) "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Plan relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Participant's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the terminating Employer's board of directors at a meeting of such board of directors which was called and held for the purpose of considering such termination (after reasonable notice to Participant and an opportunity for Participant, together with Participant's counsel, to be heard before that board) finding that, in the good faith opinion of the board, Participant was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail.

Accelerated Vesting. Notwithstanding any Plan provision to the contrary, if during a Change in Control Period there should occur a Qualifying Event with respect to a Participant, Participant shall not cease to be a Participant and shall, regardless of his vested status under the Qualified

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Plan, become fully vested in, and have a non-forfeitable right to, all benefits accrued under the Plan as of the date of such Qualifying Event,

provided the Participant is a non-bargaining Employee at the time of the Qualifying Event, except that all such benefits shall be subject to forfeiture upon the occurrence of any of the following events:

- (a) Without Employer permission, Employee removes, copies, or fails to return if he or she has already removed, any property belonging to one or all of the System Companies, including, but not limited to, the original or any copies of any records, computer files or disks, reports, notes, documents, files, audio or video tapes, papers of any kind, or equipment provided by any one or all of the System Companies or created using property of or for the benefit of one or all of the System Companies;
- (b) Other than as authorized by a System Company, or as required by law, or as necessary for the Participant to perform his duties for a System Company employer, the Participant shall divulge, communicate or use to the detriment of the Employer or the System, or use for the benefit of any other person or entity, or misuse in any way, any confidential or proprietary information or trade secrets of the Employer or the System, including without limitation non-public financial information, know-how, formulas, or other technical data. Disclosure of information pursuant to subpoena, judicial process, or request of a governmental authority shall not be deemed a violation of this provision, provided that the Participant gives the System Company immediate notice of any such subpoena or request and fully cooperates with any action by System Company to object to, quash, or limit such request; or
- (c) Participant engages in any employment (without the prior written consent of his last System Company employer) either individually or with any person, corporation, governmental agency or body, or other entity in competition with, or similar in nature to, any business conducted by any System Company at any time within the "Applicable Period" (as defined below) and commencing upon termination of employment, where such competing employer or employment is located in, or servicing in any way customers located in, those parishes and counties in which any System Company services customers during such Applicable Period, in which case Participant shall be required to repay any Plan benefits previously received by him. For purposes of this Subsection 6.02(c), "Applicable Period" shall mean:
  - (1) two (2) years for Participants at System Management Levels 1 and 2 at the commencement of the Change in Control Period, provided, however, that the two year Applicable Period shall be extended to three (3) years if otherwise permissible under applicable law;  
two years Participants at System Management Level 3 at the commencement Change in Control Period; and
  - (3) one (1) year for Participants at System Management Level 4 at the commencement of the Change in Control Period.

However, the stated Applicable Periods described herein shall be impermissible

under applicable law, then the Applicable Period for purposes of this Plan shall be the maximum time period allowed under applicable law for breach of a covenant not to compete to cause a forfeiture of non-qualified plan benefits otherwise payable.

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6.03 Benefit Commencement Date. Notwithstanding any Plan provision to the contrary except Section 4.03, if during a Change in Control Period there should occur a Qualifying Event with respect to a Participant who is a non-bargaining Employee at the time of such Qualifying Event and if there does not occur a forfeiture event referenced in Section 6.02, the Participant's Plan benefit amount shall be determined pursuant to Article III (taking into account the accelerated vesting of Section 6.02) and shall be payable pursuant to the provisions of this Plan as soon as reasonably practicable following the first day of the first month next following the Participant's Qualifying Event, subject to the delay requirement set forth in Section 4.03 to the extent applicable. In all events, distributions shall be made no later than the end of the calendar year that includes the first day of the first month next following such Qualifying Event or, if later, by the 15th day of the third calendar month following the first day of the first month next following the Participant's Qualifying Event.

6.04 No Benefit Reduction. Notwithstanding anything stated above to the contrary, an amendment to, or termination of, the Plan following a Change in Control shall not reduce a Participant's benefits accrued under this Plan through the date of any such amendment or termination. In no event shall a Participant's benefits accrued under this Plan following a Change in Control be less than such Participant's benefits accrued under this Plan immediately prior to the Change in Control Period, subject, however, to the forfeiture provisions described in Section 6.02 as in existence on the date immediately preceding the commencement date of the Change in Control Period, and provided further that the Participant is a non-bargaining Employee as of the date immediately prior to the Change in Control.

6.05 Provisions of Referenced Plans. To the extent this Plan references or incorporates provisions of any other System Company plan, including, but not limited to, the Qualified Plan, and (a) such other plan is amended, supplemented, modified or terminated during the two-year period commencing on the date of a Potential Change in Control, (b) the Change in Control event contemplated by the Potential Change in Control is not terminated, and (c) such amendment, supplementation, modification or termination adversely affects any benefit under this Plan, whether it be in the method of calculation or otherwise, then for purposes of determining benefits under this Plan, the Administrator shall rely upon the version of such other plan in existence immediately prior to any such amendment, supplementation, modification or termination, unless such change is agreed to writing and signed by the affected Participant and by the Administrator, or by their representatives or successors.

## **ARTICLE VII PLAN ADMINISTRATION**

7.01 Administration of Plan. The Administrator shall operate and administer the Plan and, as such, shall have the authority as Administrator to exercise the powers and discretion conferred on it by the Plan, including the right to delegate any function to a specified person or persons. The Administrator shall discharge its duties for the exclusive benefit of the Participants and their Beneficiaries. The Plan is intended to satisfy the requirements of Code Section 409A and the Administrator shall interpret the Plan and exercise the power and discretion conferred under the Plan in a manner that is at all times consistent with the requirements of Code Section 409A, to the extent that benefits under the Plan are subject to the requirements of Code Section 409A.

7.02 Powers of the Administrator. The Administrator and any of its delegates shall administer the Plan in accordance with its terms and shall have all powers, authority, and discretion necessary or proper for such purpose. In furtherance of this duty, the Administrator shall have the sole and exclusive power and discretion to make factual determinations, construe and interpret the Plan, including the intent of the Plan and any ambiguous, disputed or doubtful provisions of the Plan. All findings, decisions, or determinations of any type made by the Administrator, including factual determinations and any interpretation or construction of the Plan, shall be final and binding on all parties and shall not be disturbed unless the Administrator's decisions are arbitrary and capricious. The Administrator shall be the sole judge of the standard of proof required in any claim for benefits and/or in any question of eligibility for a benefit. By

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way of example, the Administrator shall have the sole and exclusive power and discretion:

- (a) to adopt such rules and regulations as it shall deem desirable or necessary for the administration of the Plan on a consistent and uniform basis;
- (b) to interpret the Plan including, without limitation, the power to use Administrator's sole and exclusive discretion to construe and interpret (1) the Plan, (2) the intent of the Plan, and (3) any ambiguous, disputed or doubtful provisions of the Plan;
- (c) to determine all questions arising in the administration of the Plan including, but not limited to, the power and discretion to determine the rights or eligibility of any Employee, Participant, Beneficiary or other claimant to receive any benefit under the Plan;  
to such information as the Administrator may reasonably request from any Employee, Participant, Beneficiary or other claimant as a condition for receiving any benefit under the Plan;
- (d) to grant and/or deny any and all claims for benefits, and construe any and all issues of Plan interpretation and/or fact issues relating to eligibility for benefits;
- (e) to compute the amount of any benefits payable under the Plan;
- (f) to execute or deliver any instrument or make any payment on behalf of the Plan;
- (g) to employ one or more persons to render advice with respect to any of the Administrator's responsibilities under the Plan;
- (g) to direct the Employer concerning all payments that shall be made pursuant to the terms of the Plan; and
- G) to make findings of fact, to resolve disputed fact issues, and to make determinations based on the facts and evidence contained in the administrative record developed during the claims review procedure.

For any acts not specifically enumerated above, when applying, construing, or interpreting any and all Plan provisions and/or fact questions presented in claims for benefits, the Administrator shall have the same discretionary powers as enumerated above.

7.03 Reliance on Reports and Certificates. The Administrator may rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by an actuary, accountant, counsel or other person who may from time to time be employed or engaged for such purposes.

7.04 Claims Administration. The Administrator may appoint and, in its sole discretion, remove a Claims Administrator and/or Claims Appeal Administrator to administer claims for benefits under the Plan in accordance with its terms, and, pursuant to Section 7.02, such delegates shall have all powers, authority, and discretion necessary or proper for such purpose. In the absence of such appointment, the Administrator shall be the Claims Administrator and Claims Appeal Administrator.

7.05 Filing Benefit Claims. Any claim asserting entitlement to a benefit under the Plan must be asserted within ninety (90) days after the event giving rise to the claim by sending written notice of the claim to the Claims Administrator. The written notice of the claim must be accompanied by any and all documents, materials, or other evidence allegedly supporting the claim for benefits. If the claim is granted, the claimant will be so notified in writing by the Claims Administrator.

7.06 Claim of Good Reason or Cause for Termination. For purposes of any determination regarding the existence of Good Reason or Cause (as defined in Section 6.01(a)) for termination during a Change in Control Period, any position taken by the Participant shall be presumed correct unless Employer establishes to the Plan Administrator

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by clear and convincing evidence that such position is not correct.

7.07 Denial or Partial Denial of Benefit Claims. If the Claims Administrator denies a claim for benefits in whole or part, the Claims Administrator shall notify the claimant in writing the decision within ninety (90) days after the Claims Administrator has received the claim. In the Claim Administrator's sole discretion, the Claims Administrator may extend the time to decide the claim for an additional ninety (90) days, by giving written notice of the need for such an extension any time prior to the expiration of the initial 90 day period. The Claims Administrator, in its sole discretion, reserves the right to request specific information from the claimant, and reserves the right to have the claimant examined or tested by person(s) employed or compensated by the Employer. If the claim is denied or partially denied, the Claims Administrator shall provide the claimant with written notice stating:

- (a) the specific reasons for the denial of the claim (including the facts upon which the denial was based) and reference to any pertinent Plan provisions on which the denial is based;
- (b) if applicable, a description of any additional material or information necessary for claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (c) an explanation of the claims review appeal procedure including the name and address of the person or committee to whom any appeal should be directed.

7.08 Appeal of Claims That Are Denied or Partially Denied. The claimant may request review of the Claims Administrator's denial or partial denial of a claim for Plan benefits. Such request must be made in writing within sixty (60) days after claimant has received notice of the Claims Administrator's decision and shall include with the written request for an appeal any and all documents, materials, or other evidence which claimant believes supports his or her claim for benefits. The written request for an appeal, together with all documents, materials, or other evidence which claimant believes supports his or her claim for benefits should be addressed to the Claims Administrator, who will be responsible for submitting the appeal for review to the Claims Appeal Administrator.

7.09 The Appeal Process. The Claims Administrator will submit the appeal to the Claims Appeal Administrator for review of the denial or partial denial of the claim. Within sixty (60) days after the receipt of claimant's appeal, claimant will be notified of the final decision of the Claims Appeal Administrator, unless, in the Claims Appeal Administrator's sole discretion, circumstances require an extension of this period for up to an additional sixty (60) days. If such an extension is required, the Claims Appeal Administrator shall notify claimant of this extension in writing before the expiration of the initial 60-day period. During the appeal, the Claims Appeal Administrator, in its sole discretion, reserves the right to request specific information from the claimant, and reserves the right to have the claimant examined or tested by person(s) employed or compensated by the Employer. The final decision the Claims Appeal Administrator shall set forth in writing the facts and plan provisions upon which the decision is based. All decisions of the Claims Appeal Administrator are final and binding on all employees, Participants, their Beneficiaries, or other claimants.

7.10 Judicial Proceedings for Benefits. In order to institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, a claimant/appellant must initiate such action or proceeding within 90 days from the later of: (i) the earlier of (a) the date of the adverse appeal notification from the Claims Appeal Administrator or (b) 120 days from the date the appeal is received by the Claims Appeal Administrator, and (ii) the end of the 60 days in which a claimant has to appeal an adverse benefit determination, as described in Section 7.09. Notwithstanding the foregoing, a claimant must exhaust all procedures set forth herein prior to instituting any action or proceeding in any

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state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan.

7.11 Code Section 409A Compliance. This Plan is intended to comply with, and shall be governed by and subject to, the requirements of Code Section 409A and regulations thereunder and shall be interpreted and administered in accordance with that intent. If any provision of this Plan would otherwise conflict with or frustrate this intent, that provision shall be null, void and of no effect and the Administrator shall interpret the document and deem it amended so as to avoid the conflict. The Administrator reserves the right to take any action it deems appropriate or necessary to comply with the requirements of Code Section 409A and may take advantage of such transition rules under Code Section 409A as it deems necessary or appropriate.

#### **ARTICLE VIII AMENDMENT OR TERMINATION OF THE PLAN**

8.01 General. The Board of Directors, the Personnel Committee or any other person or persons whom the Personnel Committee may expressly from time to time authorize to take any and all such actions for and on behalf of Entergy Corporation and the respective Employers, shall have the right, in its absolute discretion and consistent with the requirements of Code Section 409A, at any time and from time to time, to modify or amend, in whole or in part, any or all of the provisions of this Plan, or suspend or terminate it entirely, subject to the provisions of Section 8.02 and the requirements of Code Section 409A. Any such action shall be evidenced by the minutes of the Board of Directors or the Personnel Committee or a written certificate of amendment or termination executed by any person or persons so authorized by the Personnel Committee. The provisions of this Article VIII shall survive a termination of the Plan unless such termination is agreed to by the Participants.

8.02 Restrictions on Amendment or Termination. Unless agreed to in writing and signed by the affected Participant and by the Plan Administrator, no provision of this Plan may be modified, waived or discharged during the period after the Potential Change Control and before the earlier of: the expiration of the two-year period commencing on the date of a Potential Change in Control, or (ii) the date on which the Change in Control event contemplated by the Potential Change in Control is terminated.

8.03 Successors. An Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of its business and/or assets to expressly assume and agree to perform under this Plan in the same manner and to the same extent that the Employer would be required to perform it if no such succession had taken place. If the Employer fails to obtain such assumption and agreement prior to the effectiveness of any such succession, then the Employer shall be liable for payment of all Plan benefits to which Participants are entitled upon their Separation from Service. Any successor or surviving entity that assumes or otherwise adopts this Plan as contemplated in this Section 8.03 shall succeed to all the rights, powers and duties of the Employer and the Personnel Committee hereunder, subject to the restrictions on amendment or termination of the Plan as set forth in this Article VIII. The employment of the Participant who has continued in the employ of such successor or surviving entity shall not be deemed to have been terminated or severed for any purpose hereunder; however, such continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason.

#### **ARTICLE IX MISCELLANEOUS**

9.01 Gender and Number. The masculine pronoun whenever used in the Plan shall include the feminine.

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Similarly, the feminine pronoun whenever used in the Plan shall include the masculine as the context or facts may require. Whenever any words are used herein in the singular, they shall be construed as if they were also used in the plural in all cases where the context so applies.

9.02 Captions. The captions of this Plan are not part of the provisions of the Plan and shall have no force and effect.

9.03 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

9.04 Controlling Law. The administration of the Plan, and any Trust established thereunder, shall be governed by applicable federal law, including ERISA to the extent applicable, and to the extent federal law is inapplicable, the laws of the State of Delaware, without regard to the conflict of law principles of any state. Any persons or corporations who now are or shall subsequently become parties to the Plan shall be deemed to consent to this provision.

9.05 Notices. direction, revocation or notice authorized or required by the Plan shall be deemed delivered to the Administrator on the date it is personally delivered to the Administrator or business days after it is sent by registered mail, postage prepaid, and properly addressed to Entergy Services, Inc., Total Rewards, Attention: Plan Administrator, Cash Balance Equalization Plan of Entergy Corporation and Subsidiaries, 639 Loyola Avenue, 14<sup>th</sup> Floor, New Orleans, Louisiana 70113 and shall be deemed delivered to a Participant on the date it is personally delivered to him or three business days after it is sent by registered or certified mail, postage prepaid, addressed to him at the last address shown for him on the records of his Employer.

9.06 No Right to Employment. This Plan does not confer nor express or implied contract of employment. be construed as creating an

9.07 Indemnification. To the extent not covered by insurance, or if there is a failure to provide full insurance coverage for any reason, and to the extent permissible under applicable laws and regulations, Entergy Corporation and the System employers agree to hold harmless and indemnify the Administrator, its members and its employee delegates against any and all claims and causes of action by or on behalf of any and all parties whomsoever, and all losses therefrom, including, without limitation, costs of defense and attorneys' fees, based upon or arising out of any act or omission relating to or in connection with the Plan and Trust other than losses resulting from any such person's fraud or willful misconduct.

9.08 No Alienation. The benefits provided hereunder shall not be subject to alienation, assignment, pledge, anticipation, attachment, garnishment, receivership, execution or levy of any kind, including liability for alimony or support payments, and any attempt to cause such benefits to be so subjected shall not be recognized, except to the extent as may be required by law.

9.09 Code Section 409A Compliance. This Plan is intended to comply with the requirements of Code Section 409A and regulations thereunder. Any provision of this document that is contrary to the requirements of Code Section 409A and the regulations thereunder shall be null, void and of no effect and the Administrator shall interpret the document consistent with the requirements of Code Section 409A, which shall govern the administration of the Plan in the event of a conflict between Plan terms and the requirements of Code Section 409A and the regulations thereunder.

**IN WITNESS WHEREOF**, the Personnel Committee of the Board of Directors of Entergy

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Corporation has caused this Cash Balance Equalization Plan of Entergy Corporation and Subsidiaries, effective July 1, 2014, to be executed by its duly authorized officer on this 30th day of June, 2014.

**ENTERGY CORPORATION PERSONNEL COMMITTEE**  
**through its duly authorized representative**

**DONALD W. VINCI**  
**Senior Vice-President**  
**Human Resources & Chief Diversity Officer**

**Stock Option Agreement (“Agreement”)  
Under the 2019 Entergy Corporation Omnibus Incentive Plan**

The Personnel Committee of the Board of Directors (“Committee”) of Entergy Corporation has agreed to grant you, pursuant to the 2019 Entergy Corporation Omnibus Incentive Plan (the “Plan”), a nonstatutory stock option (the “Option”) to purchase that number of Shares set forth on the Stock Option Grant Notice to which this Agreement is attached (the “Grant Notice”) at the Exercise Price set forth as the award price on the Grant Notice, subject to the Plan and the following terms and conditions:

1. Grant Date: Acknowledgement and Acceptance. This Option grant is effective as of the award date set forth on the Grant Notice (the “Grant Date”), contingent upon your acceptance of this Option in accordance with the terms of this Agreement and the Grant Notice. The effectiveness of this Agreement is subject to your electronically acknowledging and accepting this Agreement and all of its terms and conditions and the terms of the Plan in the manner and at the time set forth on the Grant Notice. If you do not timely acknowledge and accept this Agreement in accordance with the Grant Notice, the Company shall be entitled to unilaterally cancel and render void this Agreement and the Grant Notice.

2. Option Term. The term of the Option (the “Option Term”) shall commence on the Grant Date and, unless the Option is previously terminated pursuant to the Plan or this Agreement, shall terminate upon the expiration of ten years from the Grant Date. Unless earlier terminated or forfeited, upon expiration of the Option Term, all of your rights under the Plan and this Agreement with respect to the Option shall terminate.

3. Vesting. The Option shall vest and become exercisable as to one-third (1/3) of the Shares subject to the Option on each of the first three (3) anniversaries of the Grant Date (each such anniversary a “Vesting Date”), subject to the terms of Section 5 and the Plan; provided, that in order for the portion of the Option to vest that is scheduled to become vested on each such Vesting Date, through each such Vesting Date you comply with Section 9 of this Agreement and you remain either (a) a continuous full-time regular employee of a System Company or (b) a continuous part-time regular System Company employee participating in the phased retirement program under the Entergy System Policies & Procedures Phased Retirement - Pre-Separation Policy (the “Phased Retirement Program”), unless otherwise provided in Section 5 of this Agreement. There shall be no proportionate or partial vesting in the periods prior to each Vesting Date, and all vesting shall occur only on the appropriate Vesting Date set forth above.

4. Option Exercise.

(a) Method of Exercise. You may exercise the vested portion of the Option by one of the methods approved by the Committee in connection with the grant of this Option. You can determine the permissible methods of exercise by contacting the recordkeeper with the contact information made available to you from time to time. You will be required to choose from one of the payment methods made available by the Committee for exercising the Options, which method shall also provide for the payment by you of all applicable income tax and employment tax amounts required to be withheld in connection with such exercise.

(b) Limitations on Sale. Notwithstanding anything to the contrary in Section 4(a) above or in the general description of exercise alternatives, as a Participant with System Management Level (“ML”) 1-4 status (“ML 1-4 Participant”), you must maintain the applicable Common Stock Ownership Target Level reflected in the chart below, which level is expressed as a multiple of your base salary and is based on your ML.



System Management Level

Common Stock Ownership Target Level

ML1	6 times base salary
ML2	3 times base salary
ML3	2 times base salary
ML4	1 times base salary

These ownership multiples may be satisfied through any shares of Common Stock held by an ML 1-4 Participant, including, but not limited to, unvested Restricted Shares and shares of Common Stock held in tax-qualified 401(k) plans. Until you achieve your applicable Common Stock Ownership Target Level, you must continue to retain at least that number of Shares equal to 75% of your After-Tax Net Profit (as defined below) from the exercise of the Option divided by the Fair Market Value of the Common Stock on the exercise date, rounded down to the nearest whole number, until the earlier of (a) achieving and maintaining your applicable Common Stock Ownership Target Level, or (b) your termination of full-time employment (or part-time employment under the Phased Retirement Program) with all System Companies.

For purposes of this Section 4, “After-Tax Net Profit” means the total Fair Market Value of the Shares that you elect to acquire by exercise under this Option, determined as of the date of exercise, minus the total of (i) the Exercise Price for these Shares, and (ii) the amount of all applicable federal, state and local income tax, employment tax, other tax withholding and other fees that must be withheld in connection with the exercise.

5. Termination of Option. Except as otherwise set forth in this Agreement or the Plan, if your full-time System Company employment or part-time System Company employment under the Phased Retirement Program, as applicable, should terminate prior to the expiration of ten years from the Grant Date, you, or your designated beneficiary or heirs, as applicable, shall have only the following periods of time (“Remaining Exercise Period”), as specified below, and such additional periods of time, if any, that the Committee may designate in its sole discretion, to exercise the Option, to the extent vested at the time your employment terminates:

(a) If you die while actively employed with a System Company, any unvested portion of the Option will immediately vest, and the Remaining Exercise Period for your designated beneficiary or heirs, as applicable, shall end on the earlier of (i) the fifth (5<sup>th</sup>) anniversary of the date of your death or (ii) the tenth (10<sup>th</sup>) anniversary of the Grant Date.

(b) If your employment terminates due to Disability, any unvested portion of the Option shall immediately vest, and the Remaining Exercise Period shall end on the earlier of (i) the fifth (5<sup>th</sup>) anniversary of the date of such termination of employment or (ii) the tenth (10<sup>th</sup>) anniversary of the Grant Date.

(c) If you Retire from System Company employment, any unvested portion of the Option shall continue to vest pursuant to the vesting schedule set forth in Section 3 hereof as if your System Company employment had continued through each applicable Vesting Date, and the Remaining Exercise Period shall end on the earlier of (i) the fifth (5<sup>th</sup>) anniversary of the date you Retire or (ii) the tenth (10<sup>th</sup>) anniversary of the Grant Date. For purposes of the preceding sentence, “Retire” means you incur a separation from service with the System Companies and at the time of such separation from service, either (A) you are eligible to commence retirement benefits under a System Company-sponsored qualified final average pay defined benefit pension plan or (B) you have attained age 65 or have attained age 55 with ten (10) or more years of service with System Companies that is considered vesting service under the System Company-sponsored qualified defined benefit pension plan in which you actively participate or, if none, under the System Company-sponsored qualified defined contribution pension plan in which you actively participate.

(d) If your employment with your System Company employer terminates for Cause, or the Committee or its delegee determines that you engaged in an activity that would constitute Cause, then both the vested and unvested portions of the Option shall immediately terminate, and the Exercise Period shall immediately end.

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(e) If your full-time System Company employment or part-time System Company employment under the Phased Retirement Program, as applicable, terminates for any other reason not set forth in Subsections 5(a), (b), (c) or (d) above, any unvested portion of the Option will terminate, and the Remaining Exercise Period for the vested portion of the Option shall end on the earlier of (i) the tenth (10<sup>th</sup>) anniversary of the Grant Date or (ii) the date that is ninety (90) days following your last date of System Company employment.

(f) Except as provided below for an employee on an extended leave of absence bridge to retirement under an approved severance program under the Entergy System Severance Pay Plan No. 537 or the Entergy System Severance Pay Plan No. 538, if you are approved by your System Company employer for a leave of absence (whether paid or unpaid) for reasons other than Disability or are a continuous part-time regular System Company employee participating in the Phased Retirement Program, your Option, to the extent not fully vested, will continue to vest while you remain on the approved leave of absence or during such participation in the Phased Retirement Program, as applicable, upon each anniversary of the Grant Date in accordance with the vesting schedule set forth in Section 3 hereof. If your System Company employment terminates during such approved leave period, the Remaining Exercise Period for your vested Option, if any, shall be determined in accordance with the provisions of Subsections 5(a) through (e) above, depending upon the reason for such termination. If you are on an extended leave of absence bridge to retirement under an approved severance program under the Entergy System Severance Pay Plan No. 537 or the Entergy System Severance Pay Plan No. 538, you will not be considered under the Plan or this Agreement to be a full-time or eligible part-time System Company employee under the Phased Retirement Program during the extended leave of absence bridge period, and your System Company employment will be considered terminated for purposes of vesting in Options under this Agreement as of the commencement of your extended leave of absence bridge period.

6. Accelerated Change in Control Vesting. Notwithstanding any provision of Sections 3 or 5 hereof to the contrary, in the event that (A) a Change in Control occurs and (B) either (i) outstanding Options are not assumed or substituted in connection therewith as described in Section 12(b) of the Plan, or (ii) outstanding Options are so assumed or substituted in connection therewith and your employment or service is terminated by your System Company employer without Cause or by you for Good Reason on or after the effective date of the Change in Control but prior to twenty-four (24) months following the Change in Control, then the Options shall immediately become fully vested and the restrictive covenants set forth in Section 9(b), (c) and (d) of this Agreement shall cease to apply as of the date of the Change in Control, if subclause (i) applies, or as of the applicable termination date, if subclause (ii) applies, and any such vested and exercisable Option may be exercised within the remaining term of the Option.

#### 7. Entergy Policies.

(a) Hedging Policy. Pursuant to the Entergy Corporation Policy Relating to Hedging, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, officers, directors and employees are prohibited from entering into hedging or monetization transactions involving Common Stock so they continue to own Common Stock with the full risks and rewards of ownership, thereby ensuring continued alignment of their objectives with the Company's other shareholders. Participation in any hedging transaction with respect to Common Stock (including Options) is prohibited.

(b) Recoupment Policy; Dodd-Frank; Payment in Error. Pursuant to the Entergy Corporation Policy Relating to Recoupment of Certain Compensation, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, the Company is allowed to seek reimbursement of certain incentive compensation (including Options) from "executive officers" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, if the Company is required to restate its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws (other than corrections resulting from changes to accounting standards); or there is a material miscalculation of a performance measure relative to incentive compensation, regardless of the requirement to restate the financial statements; or the Board determines that an executive officer engaged in fraud resulting in either a restatement of the Company's financial statements or a material miscalculation of a performance measure relative to incentive compensation whether or not the financial statements were restated. In addition, the Option is subject to any forfeiture and/or recoupment policy which the Company has adopted or may adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and implementing rules and regulations thereunder, or as may be required by applicable law. To the maximum extent permitted by applicable law,

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in the event that a payment is made to you (whether in cash, stock or other property) in error that exceeds the amount to which you are entitled pursuant to the terms of this Agreement or the Plan, including without limitation pursuant to Section 28 of the Plan (such excess amount, an “Excess Payment”), you will repay to the Company, and the Company shall have the right to recoup from you such Excess Payment by notifying you in writing of the nature and amount of such Excess Payment together with (i) demand for direct repayment to the Company by you in the amount of such Excess Payment or (ii) reduction of any amount(s) owed to you by the Company or any other System Company by the amount of the Excess Payment.

(c) Insider Trading Policy. All ML 1-4 Participants are considered “Restricted Employees” under the Entergy System Insider Trading Policy. As a Restricted Employee, you may trade in Entergy Corporation securities only during an open window period (and only if you are not in possession of material, non-public information). Generally, window periods begin on the second business day after the quarterly earnings release and end at the close of trading on the 15th day of the third month of the Company’s fiscal quarter or, if such day is not a trading day, on the last preceding trading day. In addition, if you are a Restricted Employee, the Insider Trading Policy requires that you pre-clear all transactions involving Entergy securities with Entergy Corporation’s Office of the General Counsel. All exercises of the Option and transactions in the underlying Common Stock must be made in compliance with the Insider Trading Policy as in effect at such time.

8. Option Nontransferable. This Option may not be sold, exchanged, pledged, transferred, assigned, or otherwise encumbered, hypothecated or disposed of by you (or your designated beneficiary) other than by will or laws of descent and distribution, and any such purported Transfer shall be null and void ab initio. During your lifetime, this Option may be exercised only by you or your guardian or legal representative, if applicable.

9. Confidentiality and Restrictive Covenants. In consideration of the grant to you of the Option set forth herein, you hereby agree as follows:

(a) Confidential Information. You acknowledge that the System Companies have unique methods and processes for the generation, transmission and distribution and sale of energy products, which give them a competitive advantage, including strategic and non-public plans for their products, geographic and customer markets, and for marketing, distributing and selling their products. You further acknowledge that you have held a position of confidence and trust with respect to the System Companies and that you have and will acquire additional detailed knowledge of the System Companies’ unique and confidential methods of doing business and plans for the future. You acknowledge that the System Companies are expending and will continue to expend substantial amounts of time, money and effort to develop effective business and regulatory strategies, methodologies and technology. You also acknowledge that the System Companies have a compelling business interest in protecting the System Companies’ Confidential Information (as defined below) and that the System Companies would be seriously and irreparably damaged by the disclosure of Confidential Information. You therefore agree that, during your employment or other service with any System Company and at all times thereafter, you will hold in a fiduciary capacity for the benefit of the System Companies and, other than as authorized in writing by the General Counsel of the Company or as required by law or in the proper performance of your duties and responsibilities, or as otherwise provided in this Section 9, you will not disclose, directly or indirectly, to any person or entity, or use, for any purpose other than the furtherance of your responsibilities to any System Company, any Confidential Information. For purposes of this Agreement, “Confidential Information” means information that is not generally known by persons outside the System Companies and could not easily be determined or learned by someone outside the System Companies, including without limitation, any and all information and knowledge, whether or not explicitly designated as confidential and whether or not reduced to writing, regarding (i) the System Companies’ utility business, including, without limitation, the generation, transmission, brokering, marketing, distribution, sale and delivery of electric power or generation capacity (through regulated utilities or otherwise), and their natural gas distribution business, (ii) the Entergy Wholesale Commodities business, including, without limitation, the ownership, development, management or operation of power plants and power generation facilities (including, without limitation, nuclear power plants), and the provision of operations and management services (including, without limitation, decommissioning services) with respect to power plants, and the sale of the electric power produced by the System Companies’ operating plants to wholesale customers, (iii) the System Companies’ proprietary methods and methodology, technical data, trade secrets, know-how, research and development information, product plans, customer lists, specific information relating to products, services and customers or

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prospective customers (including, but not limited to, customers or prospective customers of any System Company with whom you became or become acquainted during your relationship with the System Company), books and records of any System Company, corporate, regulatory, customer and strategic relationships, suppliers, markets, computer software, computer software development, inventions, processes, formulae, technology, designs, drawings, technical information, source codes, engineering information, hardware configuration information, and matters of a business nature such as information regarding marketing, costs, pricing, finances, financial models and projections, billings, new or existing business or economic development plans, initiatives, and opportunities, or any other similar business information made available to you in connection with your relationship with any System Company and (iv) any attorney-client privileged information of a System Company. Confidential Information shall also include non-public information concerning any director, officer, employee, shareholder, or partner of any System Company. You agree that your obligation not to disclose or use Confidential Information, and your obligation, detailed below, to return and, upon your termination of employment with all System Companies, not to retain materials and tangible property described in this Section shall also extend to such types of information, materials and tangible property of customers of and suppliers to the System Companies and to other third parties, in each case who may have disclosed or entrusted the same to you or to any System Company during your employment with any System Company.

(b) Non-Competition. You agree that (i) at all times during the period of your employment or service with any System Company employer, and (ii) for one (1) year following the termination for any reason of your employment by or service with your last System Company employer ((i) and (ii) collectively, as applicable, the “Non-Compete Period”), you will not engage in Competing Employment. For purposes of this Section 9, “Competing Employment” means working for, providing services to or otherwise directly or indirectly assisting (whether or not for compensation) any person, entity or business which directly or indirectly competes with any part of the System Company business, and such employment or services involves products, services and business activities that are the same as or similar to those you provided to a System Company, or as to which you had access to Confidential Information, in the two years preceding your termination of employment or service with all System Companies. You agree that it is reasonable for the restriction contained in this paragraph to apply in each and every county, province, state, city, parish or other political subdivision or territory of the United States in which any System Company engages in any business activity, or otherwise distributes, licenses or sells its products or services, including, without limitation, Arkansas, Connecticut, District of Columbia, Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, New York, Texas, and Vermont and any other state in which any System Company engages in business at any time and, with respect to the State of Louisiana, means the following Parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, La Salle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Point Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, St. Charles, St. Helena, Saint James, Saint John the Baptist, Saint Landry, Saint Martin, Saint Mary, Saint Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn (the “Restricted Territory”). Notwithstanding the foregoing, if your employment is terminated by any System Company employer without Cause, the covenant not to compete set forth in this Section 9(b) shall apply only for as long as the System Company employer continues to pay you, in accordance with the System Company employer’s regular payroll practices and schedule, your bi-weekly base salary in effect on the effective date of the termination of your employment, less any applicable tax withholdings and ordinary deductions (such payments, the “Non-Compete Payments”), but in no such event for longer than the Non-Compete Period. In any instance where a System Company employer has the right to elect to make Non-Compete Payments, such System Company employer must notify you in writing of such election, and the duration for which it elects to make Non-Compete Payments, within ten (10) business days following the termination of your employment from the System Company. If the System Company elects to make the Non-Compete Payments for less than the full Non-Compete Period, you shall be free to join a competitor after you cease receiving the Non-Compete Payments. For the purposes of clarity, in the event of your termination for Cause or voluntary resignation, you shall be subject to the restrictions set forth in this Section 9(b) without any requirement that your System Company employer pay you any Non-Compete Payments.

(c) Non-Solicitation. You agree that, while you are employed by any System Company and during the Non-Compete Period (or, if later, the last day you are scheduled to receive cash severance payments from your

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System Company employer pursuant to any severance plan or other agreement), except in the good faith performance of your duties to the System Companies, you shall not, other than as authorized in writing by the General Counsel of the Company: (i) directly or indirectly, solicit or seek to hire or identify for potential hiring (whether on your own behalf or on behalf of any other person, entity or organization) any person who is at that time (or was during the prior six (6) months) an employee or consultant of any System Company or (ii) within the Restricted Territory, directly or indirectly solicit the trade, business or patronage of any clients, customers or vendors or prospective clients, customers or vendors of any System Company to provide competing products or services or advise, or assist such clients, customers or vendors or prospective clients, customers or vendors to in any way modify their relationship with any System Company. The foregoing non-solicitation (1) shall not be violated by general advertising not targeted at the forgoing persons or entities; (2) shall not apply to solicitation of persons involuntarily terminated from System Company employment; and (3) shall only apply to persons or entities (A) who reported directly or indirectly to you; (B) with whom you had material contact while at a System Company; or (C) about whom or which you possessed (i) information regarding quality of performance while they were employed by a System Company, which information you would not otherwise have except for the position you held with a System Company, or (ii) Confidential Information.

(d) Non-Disparagement. You agree that, to the fullest extent permitted by applicable law, you will not at any time (whether during or after your employment or service with any System Company), other than in the proper performance of your duties, publish or communicate to any person or entity any “Disparaging” (as defined below) remarks, comments or statements concerning any System Company or any of their respective directors, officers, shareholders, employees, agents, attorneys, successors and assigns. “Disparaging” remarks, comments or statements are those that are intended to, or could be construed in a manner so as to, impugn, discredit, injure or impair the business, reputation, character, honesty, integrity, judgment, morality or business acumen or abilities of the individual or entity being disparaged.

(e) System Company Property. All tangible materials, equipment, devices, documents, copies of documents, data compilations (in whatever form), software programs, and electronically created or stored materials that you receive or create in the course of employment with a System Company are and shall remain the property of the System Company and you shall immediately return (and/or cooperate in the supervised deletion of) such property to your System Company employer upon the termination of your employment, for whatever reason. The obligation to return property and documents extends to anything received or made during and as a result of employment by a System Company, regardless of whether it was received from a System Company or a third party, such as an actual or potential vendor or customer, and regardless of whether a document contains Confidential Information. The only documents not subject to the obligation to return are documents directly relating to your compensation and benefits, such as your pay stubs and benefit plan information.

(f) Violation of the Restrictive Covenant Section. In the event that you violate any provision of this Section 9, the time periods set forth in those paragraphs shall be extended for the period of time you remain in violation of the provisions, to the greatest extent allowed by applicable law. The provisions of Section 9(a) - (e) hereof are, and shall be construed as, independent covenants, and no claimed or actual breach of any contractual or legal duty by any System Company shall excuse or terminate your obligations hereunder or preclude any System Company from obtaining injunctive relief for your violation, or threatened violation, of any of those provisions. You also agree to indemnify and hold the System Companies harmless from any and all losses (including, but not limited to, reasonable attorney’s fees and other expenses incurred to enforce this Agreement) suffered by any System Company as a result of any violation or threatened violation of any of your representations, warranties, covenants or undertakings set forth in this Agreement (in addition to any other remedies available to the System Companies set forth in Section 9(i) below), provided that a System Company is found to be the prevailing party in any such action.

(g) Restrictive Covenants Contained in Other Agreements. Notwithstanding any provision contained herein to the contrary, to the extent that you are or become subject to any other agreement that contains restrictive covenants different from the restrictive covenants contained in this Agreement, the restrictive covenants set forth in such other agreement shall supplement, and shall not replace, the restrictive covenants herein.

(h) Exclusions. Notwithstanding anything else in this Section 9 or in this Agreement to the contrary:

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(1) The restrictive covenants in this Section 9 are not intended to restrict you from cooperating with any investigation or proceeding initiated by the Nuclear Regulatory Commission (“NRC”) or any other federal or state regulatory agency. Further, you may make disclosure (A) to exercise your rights as a whistleblower under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Securities and Exchange Commission Rule 21F-17(a), or any other federal or state law providing whistleblower rights; (B) to the extent necessary when providing safety-related or other information to the NRC on matters within the NRC’s regulatory jurisdiction; (C) when participating in “protected activities,” as defined in Section 211 of the Energy Reorganization Act of 1974 and in C.F.R. Part 50.7; (D) when engaging in activities protected by the National Labor Relations Act or any similar federal or state law; or (E) when required to do so by a court of law, by any governmental agency or administrative or legislative body with jurisdiction to order you to divulge, disclose or make accessible such information. With the exception of Confidential Information subject to the attorney-client privilege, you shall have no obligation to seek prior approval of any System Company or to inform any System Company of such disclosure. This Agreement does not limit your ability to communicate, without notice to any System Company, with any government agencies or otherwise participate in any investigation or proceeding that may be conducted by any government agency, or to collect a reward in connection with any whistleblower information provided to a government agency.

(2) *Defend Trade Secrets Act Immunity Notice.* Pursuant to the Defend Trade Secrets Act of 2016, non-compliance with the disclosure provisions of this Agreement shall not subject you to criminal or civil liability under any Federal or State trade secret law for the disclosure of a System Company trade secret: (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney in confidence solely for the purpose of reporting or investigating a suspected violation of law; (B) in a complaint or other document filed in a lawsuit or other proceeding, provided that any complaint or document containing the trade secret is filed under seal; or (C) to an attorney representing you in a lawsuit for retaliation by any System Company for reporting a suspected violation of law or to use the trade secret information in that court proceeding, provided that any document containing the trade secret is filed under seal and you do not disclose the trade secret, except pursuant to court order.

(i) Enforcement. You hereby agree that the covenants set forth in this Section 9 are reasonable with respect to their scope, duration, and geographical area. You further agree and acknowledge that the restrictions contained in Section 9 do not and would not unreasonably impose limitations on your ability to earn a living. If any court or other tribunal determines that any term or provision of Section 9 is overbroad or otherwise invalid or unenforceable, you and the Company hereby agree that such court or tribunal shall have the power and obligation to narrow or otherwise reform the unenforceable term or provision, including to delete, replace, or add specific words or phrases, but only to the narrowest extent necessary to render the provision valid and enforceable (provided that in no event shall the length of any restrictive covenant or its scope be extended or expanded), and this Agreement shall be fully enforceable as so modified. Your agreement to the restrictions provided for in this Agreement and the Company’s agreement to grant the Award are mutually dependent consideration. Therefore, notwithstanding any other provision to the contrary in this Agreement, if (i) the enforceability of any material restriction applicable to you as provided for in this Section 9 is challenged and found unenforceable by a court or other tribunal or (ii) you breach any of the provisions of Section 9, then the Company shall have the right to terminate this Agreement and, to the extent that you have exercised the Option in whole or in part, recover from you an amount equal to the aggregate Fair Market Value of the Common Stock subject to such exercise on the date of such exercise of the Option, less the aggregate exercise price thereof. This provision shall be construed as a return of consideration or ill-gotten gains due to the failure of your promises and consideration under the Agreement, and not as a liquidated damages clause. In addition, in the event of the Company’s termination of this Agreement, you shall immediately forfeit all un-exercised Options. You further hereby agree that, in the event of a breach by you of any of the provisions of Sections 9(a), (b), (c), (d), or (e), monetary damages shall not constitute a sufficient remedy. Consequently, in the event of any such breach or threatened breach, the Company or a System Company may, in addition to and without prejudice to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof, without the requirement of posting a bond or proving actual damages and without having to demonstrate that money damages would be inadequate. You acknowledge (i) that you have carefully read this Agreement and have given careful consideration to the restraints

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imposed upon you by this Agreement, and you are in full accord as to their necessity for the reasonable and proper protection of the Confidential Information of the System Companies and their relationships with customers, suppliers and other business partners and (ii) that you are informed in writing hereby that you have a right to the advice of legal counsel and should consult with an attorney of your choice with regard to this Agreement, and you have been provided ample opportunity to seek out and consult with such counsel.

(j) For purposes of this Section 9, "Company" shall include all System Companies. You and the Company agree that each System Company is an intended third-party beneficiary of this Section 9, and further agree that each System Company is entitled to enforce the provisions of this Section 9 in accordance with its terms. Notwithstanding anything to the contrary in this Agreement, the terms of the restrictive covenants set forth in this Section 9 shall survive the termination of this Agreement and shall remain in full force according to their respective terms.

(k) In the twelve (12) months following the termination of your employment with your last System Company employer, in the event you seek or obtain employment or another business affiliation with any person or entity other than a System Company, you agree to notify the Company in writing, as far in advance as is reasonably practicable, but in no event less than two weeks prior to your proposed commencement of employment, of the details of such employment or business affiliation. You also agree to show these restrictive covenant provisions to any prospective employer, and you consent to any System Company showing these provisions to any third party believed by a System Company to be a prospective or actual employer of you, or a receiver of services from you, and to insisting on your compliance with these terms. Your obligations under this Section will expire on that date which is twelve months after the end of your employment with all System Companies (or, if later, the last date as of which you are scheduled to receive separation payments from any System Company pursuant to a severance plan or other agreement).

10. Withholding Taxes. The Company will use the "net shares method" to satisfy any tax withholding obligation in respect of the Option, which means the Company will reduce the number of Shares otherwise payable to you upon exercise of the Option by the number of Shares with a value necessary to cover up to the maximum amount of such obligation in any applicable jurisdiction. In no event shall the Company or any other System Company have any liability to you for your individual income tax liability, for withholding or failing to withhold taxes, or for remitting or failing to remit taxes with respect to your income.

11. Governing Law/Court Proceedings. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state. Any suit, action or proceeding arising out of, or with respect to this Agreement, its enforcement, breach, or interpretation, shall be brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, and you and the Company hereby submit to the exclusive jurisdiction of such court (and its appellate court, whether or not located in the State of Delaware) for the purpose of any such suit, action, or proceeding. You and the Company hereby irrevocably waive (i) any objections which each may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and (iii) any right to a jury trial.

12. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the Option and this Agreement shall be subject to all terms and conditions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. Any capitalized term which is not defined in this Agreement shall have the meaning set forth in the Plan. If any terms of this Agreement are inconsistent with the terms of the Plan, the terms of the Plan shall govern, and this Agreement shall be deemed to be modified accordingly, unless the Plan allows for such modification of the Plan's terms by this Agreement.

13. Amendments. This Agreement may be amended or modified only by an instrument in writing signed by the parties hereto.

14. Rights as a Shareholder. Neither you nor any of your successors in interest shall have any rights as a

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stockholder of the Company with respect to any Shares subject to the Option until either (i) such Shares are credited to a separate book entry account in your name; or (ii) the date of issuance of a stock certificate for such Shares.

15. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by United States registered mail, return receipt requested, postage prepaid, if to you, to your last known address filed in the personnel records of the System Companies, and if to the Company, to the address set forth below, or thereafter to such other address as either party may have furnished to the other in writing in accordance herewith, except that any notice of change of address shall be effective only upon actual receipt thereof:

If to the Company, by hand delivery or email to:

Entergy Services, LLC  
Attention: Executive Vice President & General Counsel  
639 Loyola Avenue, 28th Floor  
New Orleans, LA 70113-3125

16. Agreement Not a Contract of Employment. Your employment with your System Company employer shall remain at-will. Neither the Plan, the granting of the Option, this Agreement, the Grant Notice, nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue as an employee of any System Company for any period of time or at any specific rate of compensation.

17. Authority of the Committee. The Committee shall have full authority and discretion to interpret and construe the terms of the Plan, the Grant Notice, and this Agreement. The determination of the Committee as to any such matter of interpretation or construction shall be final, binding and conclusive.

18. Waivers. Any term or provision of this Agreement may only be waived by a System Company. Any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized Company officer. The failure of any System Company to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any System Company thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

19. No Fractional Shares. If application of the vesting percentage set forth in Section 3 of this Agreement results in a fractional Share, such Share shall be rounded down to the nearest whole Share for each year except for the last year of the vesting period, at the end of which last year the Option shall become vested for the full remainder of the Shares. The Company will not pay out any fractional Shares.

20. Headings. The titles and headings of the sections in this Agreement are for convenience of reference only, do not form part of this Agreement, and shall not affect the construction of this Agreement.

21. Electronic Signature. Electronic signature of this Agreement shall have the same validity and effect as a signature affixed by hand.

22. Entire Agreement. This Agreement (including the Plan) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior undertakings and agreements between the Company and its Affiliates and you with respect to the subject matter hereof.

23. Prospectus. This Agreement constitutes part of a prospectus covering Securities registered under the Securities Act of 1933. The remaining documents constituting the prospectus are available on Entergy Corporation's intranet under Our Company, Human Resources, Money & Finances, Compensation, Equity <https://entergy.sharepoint.com/sites/myhra/myBenefits/Pages/Compensation.aspx>.



**2020-2022 Performance Unit Agreement (“Agreement”)  
Under the 2019 Entergy Corporation Omnibus Incentive Plan**

Pursuant to the 2019 Entergy Corporation Omnibus Incentive Plan (the “Plan”), you are eligible to participate at a target Achievement Level (as defined below) of that number of performance units (the “Target Performance Units”) (based upon an Achievement Level of 100%) set forth under the heading “Total Granted” on the Performance Unit Grant Notice to which this Agreement is attached (the “Grant Notice”) for the performance period commencing January 1, 2020 and ending December 31, 2022 (the “Performance Period”), subject to the terms of the Plan and to the following terms and conditions:

1. Effective Date of Agreement; Acknowledgment and Acceptance of Performance Units. This Agreement is effective as of the Award Date set forth on the Grant Notice, contingent upon your acceptance of this Agreement in accordance with the terms of this Agreement and the Grant Notice. The effectiveness of this Agreement is subject to your electronically acknowledging and accepting this Agreement and all of its terms and conditions and the terms of the Plan in the manner and at the time set forth on the Grant Notice. If you do not timely acknowledge and accept this Agreement in accordance with the Grant Notice, the Company shall be entitled to unilaterally cancel and render void this Agreement and the Grant Notice.

2. Achievement Levels. The Personnel Committee of the Board (the “Committee”) shall determine the achievement level attained by the Company for the Performance Period (the “Achievement Level”) based (i) eighty percent (80%) on TSR Achievement Level (as defined below); and (ii) twenty percent (20%) on LTI Cumulative ETR Adjusted EPS Achievement Level (as defined below). The weighted average of the two performance measures will determine the Achievement Level and overall payout for the Performance Period. For these purposes, and subject to the terms of the Plan, the Achievement Level shall be determined as follows:

a. The “TSR Achievement Level” shall be determined by comparing the Company’s “total shareholder return” for the Performance Period (“Company TSR”) to that of the peer group companies comprising the Philadelphia Electric Utilities Index (the “Peer Group”). For this purpose, subject to the terms of the Plan, “total shareholder return” shall be determined in accordance with Company administrative practice based on the changes in the stock price and dividends over the course of the Performance Period. The possible TSR Achievement Levels for the Performance Period shall be as follows: for bottom quartile performance (where Company TSR is in the bottom quartile of Peer Group TSR), no payout is earned; for third quartile performance (where Company TSR is in the third quartile of Peer Group TSR), payout is determined by interpolating between index median (100% TSR Achievement Level) and the performance of the Peer Group company at the top of the fourth quartile, starting at 25% TSR Achievement Level; for second quartile performance (where Company TSR is in the second quartile of Peer Group TSR), payout is determined by interpolating between the performance of the Peer Group Company at the bottom of the top quartile (200% TSR Achievement Level) and index median (100% TSR Achievement Level); and for top quartile performance (where Company TSR is in the top quartile of Peer Group TSR), a maximum payout of 200% is earned.

b. The “LTI Cumulative ETR Adjusted EPS Achievement Level” shall be determined by comparing (1) the sum of the Company’s cumulative consolidated adjusted earnings per share performance (“ETR Adjusted EPS”) for each year in the Performance Period and adjusting for pre-defined exclusions and other adjustments determined by the Committee (such aggregate amount, as adjusted, the “LTI Cumulative ETR Adjusted EPS”) to (2) the achievement

levels established by the Committee as “Target,” (target LTI Cumulative ETR Adjusted EPS), “Minimum” (eight percent (8%) less than the target LTI Cumulative ETR Adjusted EPS), and “Maximum” (eight percent (8%) more than the target LTI Cumulative ETR Adjusted EPS). Subject to the terms of the Plan and such adjustments as set forth in this Section 2, this determination shall be made by the Committee in accordance with Company administrative practice. The LTI Cumulative ETR Adjusted EPS Achievement Level shall result in payout opportunities ranging from 0 to 200% of the target payout opportunity. Payout for performance at Target will equal 100% of the target payout opportunity established by the Committee, with no payout for LTI Cumulative ETR Adjusted EPS less than the Minimum, a 25% payout opportunity for LTI Cumulative ETR Adjusted EPS equal to the Minimum, and a 200% payout opportunity for LTI Cumulative ETR Adjusted EPS equal to or exceeding the Maximum, and with the payout for LTI Cumulative ETR Adjusted EPS greater than the Minimum and less than the Maximum determined by straight line interpolation between the Minimum and the Target and the Target and the Maximum, as the case may be.

Notwithstanding anything herein to the contrary, the Achievement Level shall be adjusted for such items as the Committee may determine in its discretion during or after the Performance Period (but in any event before any delivery of Shares hereunder), whether resulting in an increase or decrease (including to zero (0)) in the number of Shares otherwise deliverable hereunder, considering management accountability and business rationale.

3. Performance Units Earned. The actual number of performance units awarded to you under this Agreement, if any (the “Performance Units”), shall be calculated by the Committee at the end of the Performance Period by multiplying the Target Performance Units by the percentage of the Company’s attained Achievement Level, determined as outlined above. Unless otherwise provided in the Plan or this Agreement, to earn Performance Units you must (i) remain a full-time employee of a System Company for the remainder of the Performance Period, (ii) maintain your current System Management Level (“ML”) 1-4 role and, as applicable, current role within the Office of the Chief Executive (each an “Eligible Role”), resulting in an award opportunity dependent on your specific ML or Office of the Chief Executive role (“Eligibility Level”); and (iii) comply with Section 10 of this Agreement.

Except as provided below for an employee on an extended leave of absence bridge to retirement under an approved severance program under the Entergy System Severance Pay Plan No. 537 or the Entergy System Severance Pay Plan No. 538, if you are approved by your System Company employer for a leave of absence (whether paid or unpaid) for reasons other than Disability or are a continuous part-time regular System Company employee participating in the phased retirement program under the Entergy System Policies & Procedures Phased Retirement - Pre-Separation Policy (the “Phased Retirement Program”), you will continue to be treated as a full-time employee of a System Company while you are on such approved leave of absence for purposes of the Plan and this Agreement or during such participation in the Phased Retirement Program, as applicable. If you are on an extended leave of absence bridge to retirement under an approved severance program offered pursuant to Entergy System Severance Pay Plan No. 537 or Entergy System Severance Pay Plan No. 538, you will not be considered under the Plan or this Agreement to be a full-time employee during the extended leave of absence bridge period or a part-time System Company employee under the Phased Retirement Program during the extended leave of absence bridge period, and your System Company employment will be considered terminated for purposes of vesting in Awards under this Agreement as of the commencement of your extended leave of absence bridge period.

If you have completed a minimum of twelve months of full-time employment in an Eligible Role during the Performance Period and you Retire, you will be eligible for a prorated portion of the applicable Achievement Level of Performance Units, based on your full months of participation and your Eligibility Level(s) during the Performance Period. For purposes of the preceding sentence, you will have “Retired” if you incur a separation from service with the System Companies and at the time of such separation from service, either (A) you are eligible to commence retirement benefits under a System Company-sponsored qualified final average pay defined benefit pension plan or (B) you have attained age 65 or have attained age 55 with ten (10) or more years of service with System Companies that is considered vesting service under the System Company-sponsored qualified defined benefit pension plan in which you actively participate or, if none, the System Company-sponsored qualified defined contribution pension plan in which you actively participate. If your employment terminates due to your incurring a Disability or you die during the Performance Period, you (or your Beneficiary or heirs) will be eligible for a prorated portion of the applicable Achievement Level of Performance Units, based on your full months of full-time employment prior to your Disability or death and your Eligibility Level(s) during the Performance Period. Notwithstanding anything to the contrary herein, if, during the

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Performance Period (x) your employment is terminated for Cause or (y) the Committee or its delegee determines that you engaged in an activity that would constitute Cause, then you shall not be entitled to receive any Performance Units pursuant to this Agreement.

Regardless of eligibility, you shall not be entitled to receipt of nor vest in any Performance Units and/or any dividends that have accrued on any Performance Units unless and until the Personnel Committee has certified the Achievement Level after the close of the Performance Period.

If your Eligibility Level changes during the Performance Period, but you remain in an Eligible Role, the number of Target Performance Units set forth in this Agreement shall be adjusted to reflect the number of full months during the Performance Period for which you were eligible hereunder in each Eligibility Level, and the number of Performance Units, if any, awarded to you will be prorated to reflect the number of full months you earned Performance Units at each Eligibility Level. If any change to an Eligibility Level is effective on a date other than the first day of a calendar month, the number of Performance Units, if any, awarded to you with respect to the transition month in accordance with this paragraph will be determined based on your prior Eligibility Level.

If you are demoted or otherwise no longer in an Eligible Role during the Performance Period, but remain employed on a regular full-time basis by a System Company for the duration of the Performance Period, the number of Performance Units, if any, awarded to you will be prorated to reflect only the number of full months you earned Performance Units in an Eligible Role in accordance with your Eligibility Level(s).

4. Accelerated Change in Control Vesting. Notwithstanding anything herein to the contrary:

a. in the event that (i) a Change in Control occurs and (ii) either (x) outstanding Target Performance Units are not assumed or substituted in connection therewith as described in Section 12(b) of the Plan, or (y) outstanding Target Performance Units are so assumed or substituted in connection therewith and your employment or service is terminated by your System Company employer without Cause or by you for Good Reason on or after the effective date of the Change in Control but prior to twenty-four (24) months following the Change in Control (the date on which (x) or (y) occurs, the "CIC Vesting Date"), then (A) the Committee shall calculate the Achievement Level for the Performance Period during which the CIC Vesting Date occurs treating the CIC Vesting Date as if it were the last day of the Performance Period (the "CIC Achievement Level") and you shall immediately become fully vested in that number of Performance Units calculated by multiplying the Adjusted Target Performance Units (as defined below) by the percentage of the Company's attained Achievement Level that is the greater of Target Achievement Level or CIC Achievement Level and (B) the restrictive covenants set forth in Section 10(b), (c), (d) and (e) of this Agreement shall cease to apply as of the CIC Vesting Date. In the event of accelerated vesting as described in this Section 4.a., but subject to the conditions and limitations described herein and subject to Section 5 of the Plan, the Company shall pay you a number of Shares equal to the number of Performance Units that vest in accordance with this Section 4.a. no later than sixty (60) days after the CIC Vesting Date; provided, that if such 60-day period straddles two of your taxable years, the payment shall be made in the later year. "Adjusted Target Performance Units" means that number of units calculated by multiplying the Target Performance Units by a fraction, the numerator of which is the number of days in the Performance Period up to and including the CIC Vesting Date and the denominator of which is the total number of days in the Performance Period.

b. Notwithstanding anything herein to the contrary, the time and form of any payments to which you may be entitled pursuant to this Section 4 are subject to the requirements and limitations set forth in Section 22 of the Plan.

5. Dividend Equivalents. If you are awarded Performance Units pursuant to this Agreement, you will also be awarded the dividend equivalents attributable to such awarded Performance Units for the time you were a Participant in an Eligible Role and at the Eligibility Level underlying such Performance Units ("Dividend Equivalents"). The Dividend Equivalents with respect to each awarded Performance Unit will be equal to only the dividends paid with respect to a Share for the period of your participation in the Plan at an Eligible Role during the Performance Period.

6. Settlement of Performance Units and Dividend Equivalents.

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a. As soon as reasonably practicable following the date on which the Committee determines the number of Performance Units, if any, to be awarded to you under this Agreement and no later than March 15<sup>th</sup> following the end of the calendar year in which the Performance Units are no longer subject to a “substantial risk of forfeiture” within the meaning of Code Section 409A, the Company shall issue to you, after withholding all applicable income tax and employment tax amounts required to be withheld in connection with such payment in accordance with Section 6(d) of this Agreement: (i) one Share for each Performance Unit so determined to be awarded, and (ii) an additional number of Shares determined by dividing the total Dividend Equivalents with respect to such awarded Performance Units by the closing share price of a Share on the last trading date of the Performance Period. Notwithstanding the foregoing, if Dividend Equivalents are awarded with respect to Performance Units that are payable pursuant to Section 4.a., the number of Shares issuable pursuant to this Section 6 in respect of such Dividend Equivalents shall be calculated treating the CIC Vesting Date as the last day of the Performance Period and shall be issued no later than sixty (60) days after the CIC Vesting Date; provided, that if such 60-day period straddles two of your taxable years, such Shares shall be issued in the later year.

b. Shares (including any Dividend Equivalents that are settled in Shares) shall be credited to a separate book entry account in your name, and such vested Shares shall be free of all restrictions except any that may be imposed by law. Upon the crediting of vested Shares to a book entry account, you may treat the Shares in the same manner as all other shares of Common Stock owned by you, subject to the provisions of Section 6(c) below. All ML 1-4 Participants are considered Restricted Employees under Entergy’s Insider Trading Policy and, as such, may trade in Entergy Corporation securities only during an open window period (and only if not in possession of material, non-public information). Generally, window periods begin on the second business day after the quarterly earnings release and end at the close of trading on the 15th day of the third month of the Company’s fiscal quarter or, if such day is not a trading day, on the last preceding trading day. In addition, if you are a Restricted Employee, the Insider Trading Policy requires that you pre-clear all transactions involving Entergy securities with Entergy Corporation’s Office of the General Counsel.

c. Share Ownership Guidelines. All ML 1-4 Participants must maintain the applicable Common Stock Ownership Target Level in the chart below, which is expressed as a multiple of your base salary and depends on your management level.

<u>System Management Level</u>	<u>Common Stock Ownership Target Level</u>
ML 1	6 times base salary
ML 2	3 times base salary
ML 3	2 times base salary
ML 4	1 times base salary

These ownership multiples may be satisfied through any shares of Common Stock held by the ML 1-4 Participant, including those Shares earned during this Performance Period, all Restricted Shares, shares of Common Stock held in tax-qualified 401(k) plans, etc. You must continue to retain the book entry Shares issued to you pursuant to this Agreement until the earlier of (i) achieving and maintaining your applicable Common Stock Ownership Target Level, or (ii) your termination of full-time employment with all System Companies. Once you have achieved and maintain your applicable Common Stock Ownership Target Level, you are no longer bound to hold the Shares earned during this Performance Period in book entry. However, you are still subject to the trading restrictions and pre-clearance requirements in transacting in these Shares described in Subsection 6(b) of this Agreement.

d. Withholding Taxes. The Company shall use the “net shares method” to satisfy any tax withholding obligation in respect of any payment under this Agreement, which means the Company will reduce the number of earned Shares otherwise payable to you by the amount necessary to cover up to the maximum amount of such obligation in any applicable jurisdiction. In no event shall the Company or any other System Company have any liability to you for your individual income tax liability, for withholding or failing to withhold taxes, or for remitting or failing to remit taxes with respect to your income, including without limitation, in the event that you are subject to penalty tax pursuant to Code Section 409A.

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e. No Fractional Shares. Any fractional Share to be distributed shall be settled in cash and applied to satisfy tax withholding requirements. The Company will not pay out any fractional Shares.

7. Termination of Agreement. Except as otherwise provided herein or in the Plan, this Agreement (other than the restrictive covenants set forth in Section 10) and your Target Performance Units award opportunity shall terminate and be forfeited on the date on which your full-time System Company employment terminates.

8. Performance Units Nontransferable. Your Target Performance Units award opportunity and any Performance Units awarded pursuant to this Agreement may not be sold, exchanged, pledged, transferred, assigned, or otherwise encumbered, hypothecated or disposed of by you (or your beneficiary) other than by will or laws of descent and distribution.

9. Entergy Policies.

a. Hedging Policy. Pursuant to the Entergy Corporation Policy Relating to Hedging, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, officers, directors and employees are prohibited from entering into hedging or monetization transactions involving Common Stock so they continue to own Common Stock with the full risks and rewards of ownership, thereby ensuring continued alignment of their objectives with the Company's other shareholders. Participation in any hedging transaction with respect to Common Stock (including Target Performance Units or Performance Units) is prohibited.

b. Recoupment Policy; Dodd-Frank; Payment in Error. Pursuant to the Entergy Corporation Policy Relating to Recoupment of Certain Compensation, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, the Company is allowed to seek reimbursement of certain incentive compensation (including Performance Units and Shares issued in payment of Performance Units) from "executive officers" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, if the Company is required to restate its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws (other than corrections resulting from changes to accounting standards) or there is a material miscalculation of a performance measure relative to incentive compensation, regardless of the requirement to restate the financial statements; or the Board determines that an executive officer engaged in fraud resulting in either a restatement of the Company's financial statements or a material miscalculation of a performance measure relative to incentive compensation whether or not the financial statements were restated. In addition, the Performance Units (and Shares issued in payment of Performance Units) are subject to any forfeiture and/or recoupment policy which the Company has adopted or may adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and implementing rules and regulations thereunder, or as may be required by applicable law. To the maximum extent permitted by applicable law, in the event that a payment is made to you (whether in cash, stock or other property) in error that exceeds the amount to which you are entitled pursuant to the terms of this Agreement or the Plan, including without limitation pursuant to Section 28 of the Plan (such excess amount, an "Excess Payment"), you will repay to the Company, and the Company shall have the right to recoup from you such Excess Payment by notifying you in writing of the nature and amount of such Excess Payment together with (i) demand for direct repayment to the Company by you in the amount of such Excess Payment or (ii) reduction of any amount(s) owed to you by the Company or any other System Company by the amount of the Excess Payment.

10. Confidentiality and Restrictive Covenants. In consideration of the grant to you of the Target Performance Units award opportunity set forth herein and any Performance Units awarded to you pursuant to this Agreement, you hereby agree to the following restrictive covenants:

a. Confidential Information. You acknowledge that the System Companies have unique methods and processes for the generation, transmission and distribution and sale of energy products, which give them a competitive advantage, including strategic and non-public plans for their products, geographic and customer markets, and for marketing, distributing and selling their products. You further acknowledge that you have held a position of confidence and trust with respect to the System Companies and that you have and will acquire additional detailed knowledge of the System Companies' unique and confidential methods of doing business and plans for the future. You acknowledge that the System Companies are expending and will continue to expend substantial amounts of time,

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money and effort to develop effective business and regulatory strategies, methodologies and technology. You also acknowledge that the System Companies have a compelling business interest in protecting the System Companies' Confidential Information (as defined below) and that the System Companies would be seriously and irreparably damaged by the disclosure of Confidential Information. You therefore agree that, during your employment or other service with any System Company and at all times thereafter, you will hold in a fiduciary capacity for the benefit of the System Companies and, other than as authorized in writing by the General Counsel of the Company or as required by law or in the proper performance of your duties and responsibilities, or as otherwise provided in this Section 10, you will not disclose, directly or indirectly, to any person or entity, or use, for any purpose other than the furtherance of your responsibilities to any System Company, any Confidential Information. For purposes of this Agreement, "Confidential Information" means information that is not generally known by persons outside the System Companies and could not easily be determined or learned by someone outside the System Companies, including without limitation, any and all information and knowledge, whether or not explicitly designated as confidential and whether or not reduced to writing, regarding (i) the System Companies' utility business, including, without limitation, the generation, transmission, brokering, marketing, distribution, sale and delivery of electric power or generation capacity (through regulated utilities or otherwise), and their natural gas distribution business, (ii) the Entergy Wholesale Commodities business, including, without limitation, the ownership, development, management or operation of power plants and power generation facilities (including, without limitation, nuclear power plants), and the provision of operations and management services (including, without limitation, decommissioning services) with respect to power plants, and the sale of the electric power produced by the System Companies' operating plants to wholesale customers, (iii) the System Companies' proprietary methods and methodology, technical data, trade secrets, know-how, research and development information, product plans, customer lists, specific information relating to products, services and customers or prospective customers (including, but not limited to, customers or prospective customers of any System Company with whom you became or become acquainted during your relationship with the System Company), books and records of any System Company, corporate, regulatory, customer and strategic relationships, suppliers, markets, computer software, computer software development, inventions, processes, formulae, technology, designs, drawings, technical information, source codes, engineering information, hardware configuration information, and matters of a business nature such as information regarding marketing, costs, pricing, finances, financial models and projections, billings, new or existing business or economic development plans, initiatives, and opportunities, or any other similar business information made available to you in connection with your relationship with any System Company and (iv) any attorney-client privileged information of a System Company. Confidential Information shall also include non-public information concerning any director, officer, employee, shareholder, or partner of any System Company. You agree that your obligation not to disclose or use Confidential Information, and your obligation, detailed below, to return and, upon your termination of employment with all System Companies, not to retain materials and tangible property described in this Section shall also extend to such types of information, materials and tangible property of customers of and suppliers to the System Companies and to other third parties, in each case who may have disclosed or entrusted the same to you or any System Company during your employment with any System Company.

b. Non-Competition. You agree that (i) at all times during the period of your employment or service with any System Company employer, and (ii) for one (1) year following the termination for any reason of your employment by or service with your last System Company employer ((i) and (ii) collectively, as applicable, the "Non-Compete Period"), you will not engage in Competing Employment. For purposes of this Section 10, "Competing Employment" means working for, providing services to or otherwise directly or indirectly assisting (whether or not for compensation) any person, entity or business which directly or indirectly competes with any part of the System Company business, and such employment or services involves products, services and business activities that are the same as or similar to those you provided to a System Company, or as to which you had access to Confidential Information, in the two years preceding your termination of employment or service with all System Companies. You agree that it is reasonable for the restriction contained in this paragraph to apply in each and every county, province, state, city, parish or other political subdivision or territory of the United States in which any System Company engages in any business activity, or otherwise distributes, licenses or sells its products or services, including, without limitation, Arkansas, Connecticut, District of Columbia, Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, New York, Texas, and Vermont and any other state in which any System Company engages in business at any time and, with respect to the State of Louisiana, means the following Parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto,

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East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, La Salle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Point Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, St. Charles, St. Helena, Saint James, Saint John the Baptist, Saint Landry, Saint Martin, Saint Mary, Saint Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn (the "Restricted Territory"). Notwithstanding the foregoing, if your employment is terminated by any System Company employer without Cause, the covenant not to compete set forth in this Section 10(b) shall apply only for as long as the System Company employer continues to pay you, in accordance with the System Company employer's regular payroll practices and schedule, your bi-weekly base salary in effect on the effective date of the termination of your employment, less any applicable tax withholdings and ordinary deductions (such payments, the "Non-Compete Payments"), but in no such event for longer than the Non-Compete Period. In any instance where a System Company employer has the right to elect to make Non-Compete Payments, such System Company employer must notify you in writing of such election, and the duration for which it elects to make Non-Compete Payments, within ten (10) business days following the termination of your employment from the System Company. If the System Company elects to make the Non-Compete Payments for less than the full Non-Compete Period, you shall be free to join a competitor after you cease receiving the Non-Compete Payments. For the purposes of clarity, in the event of your termination for Cause or voluntary resignation, you shall be subject to the restrictions set forth in this Section 10(b) without any requirement that your System Company employer pay you any Non-Compete Payments.

c. Non-Solicitation. You agree that, while you are employed by any System Company and during the Non-Compete Period (or, if later, the last day you are scheduled to receive cash severance payments from your System Company employer pursuant to any severance plan or other agreement), except in the good faith performance of your duties to the System Companies, you shall not, other than as authorized in writing by the General Counsel of the Company: (i) directly or indirectly, solicit or seek to hire or identify for potential hiring (whether on your own behalf or on behalf of any other person, entity or organization) any person who is at that time (or was during the prior six (6) months) an employee or consultant of any System Company, or (ii) within the Restricted Territory, directly or indirectly solicit the trade, business or patronage of any clients, customers or vendors or prospective clients, customers or vendors of any System Company to provide competing products or services or advise, or assist such clients, customers or vendors or prospective clients, customers or vendors to in any way modify their relationship with any System Company. The foregoing non-solicitation (1) shall not be violated by general advertising not targeted at the forgoing persons or entities; (2) shall not apply to solicitation of persons involuntarily terminated from System Company employment; and (3) shall only apply to persons or entities (A) who reported directly or indirectly to you; (B) with whom you had material contact while at a System Company; or (C) about whom or which you possessed (i) information regarding quality of performance while they were employed by a System Company, which information you would not otherwise have except for the position you held with a System Company, or (ii) Confidential Information.

d. Non-Disparagement. You agree that, to the fullest extent permitted by applicable law, you will not at any time (whether during or after your employment or service with any System Company), other than in the proper performance of your duties, publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning any System Company or any of their respective directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that are intended to, or could be construed in a manner so as to, impugn, discredit, injure or impair the business, reputation, character, honesty, integrity, judgment, morality or business acumen or abilities of the individual or entity being disparaged.

e. System Company Property. All tangible materials, equipment, devices, documents, copies of documents, data compilations (in whatever form), software programs, and electronically created or stored materials that you receive or create in the course of employment with a System Company are and shall remain the property of the System Company and you shall immediately return (and/or cooperate in the supervised deletion of) such property to your System Company employer upon the termination of your employment, for whatever reason. The obligation to return property and documents extends to anything received or made during and as a result of employment by a System Company, regardless of whether it was received from a System Company or a third party, such as an actual or potential vendor or customer, and regardless of whether a document contains Confidential Information. The only

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documents not subject to the obligation to return are documents directly relating to your compensation and benefits, such as your pay stubs and benefit plan information.

f. Violation of the Restrictive Covenant Section. In the event that you violate any provision of this Section 10, the time periods set forth in those paragraphs shall be extended for the period of time you remain in violation of the provisions, to the greatest extent allowed by applicable law. The provisions of Section 10(a) - (e) hereof are, and shall be construed as, independent covenants, and no claimed or actual breach of any contractual or legal duty by any System Company shall excuse or terminate your obligations hereunder or preclude any System Company from obtaining injunctive relief for your violation, or threatened violation, of any of those provisions. You also agree to indemnify and hold the System Companies harmless from any and all losses (including, but not limited to, reasonable attorney's fees and other expenses incurred to enforce this Agreement) suffered by any System Company as a result of any violation or threatened violation of any of your representations, warranties, covenants or undertakings set forth in this Agreement (in addition to any other remedies available to the System Companies set forth in Section 10(i) below), provided that a System Company is found to be the prevailing party in any such action.

g. Exclusions. Notwithstanding anything else in this Section 10 or in this Agreement to the contrary:

(i) The restrictive covenants in this Section 10 are not intended to restrict you from cooperating with any investigation or proceeding initiated by the Nuclear Regulatory Commission ("NRC") or any other federal or state regulatory agency. Further, you may make disclosure (A) to exercise your rights as a whistleblower under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Securities and Exchange Commission Rule 21F-17(a), or any other federal or state law providing whistleblower rights; (B) to the extent necessary when providing safety-related or other information to the NRC on matters within the NRC's regulatory jurisdiction; (C) when participating in "protected activities," as defined in Section 211 of the Energy Reorganization Act of 1974 and in C.F.R. Part 50.7; (D) when engaging in activities protected by the National Labor Relations Act or any similar federal or state law; or (E) when required to do so by a court of law, by any governmental agency or administrative or legislative body with jurisdiction to order you to divulge, disclose or make accessible such information. With the exception of Confidential Information subject to the attorney-client privilege, you shall have no obligation to seek prior approval of any System Company or to inform any System Company of such disclosure. This Agreement does not limit your ability to communicate, without notice to any System Company, with any government agencies or otherwise participate in any investigation or proceeding that may be conducted by any government agency, or to collect a reward in connection with any whistleblower information provided to a government agency.

(ii) *Defend Trade Secrets Act Immunity Notice.* Pursuant to the Defend Trade Secrets Act of 2016, non-compliance with the disclosure provisions of this Agreement shall not subject you to criminal or civil liability under any Federal or State trade secret law for the disclosure of a System Company trade secret: (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney in confidence solely for the purpose of reporting or investigating a suspected violation of law; (B) in a complaint or other document filed in a lawsuit or other proceeding, provided that any complaint or document containing the trade secret is filed under seal; or (C) to an attorney representing you in a lawsuit for retaliation by any System Company for reporting a suspected violation of law or to use the trade secret information in that court proceeding, provided that any document containing the trade secret is filed under seal and you do not disclose the trade secret, except pursuant to court order.

(h) Restrictive Covenants Contained in Other Agreements. Notwithstanding any provision contained herein to the contrary, to the extent that you are or become subject to any other agreement that contains restrictive covenants different from the restrictive covenants contained in this Agreement, the restrictive covenants set forth in such other agreement shall supplement, and shall not replace, the restrictive covenants herein.

(i) Enforcement. You hereby agree that the covenants set forth in this Section 10 are reasonable with respect to their scope, duration, and geographical area. You further agree and acknowledge that the restrictions contained in Section 10 do not and would not unreasonably impose limitations on your ability to earn a living. If any court or other tribunal determines that any term or provision of Section 10 is overbroad or otherwise invalid or unenforceable, you and the Company hereby agree that such court or tribunal shall have the power and obligation to

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narrow or otherwise reform the unenforceable term or provision, including to delete, replace, or add specific words or phrases, but only to the narrowest extent necessary to render the provision valid and enforceable (provided that in no event shall the length of any restrictive covenant or its scope be extended or expanded), and this Agreement shall be fully enforceable as so modified. Your agreement to the restrictions provided for in this Agreement and the Company's agreement to grant the Award are mutually dependent consideration. Therefore, notwithstanding any other provision to the contrary in this Agreement, if (i) the enforceability of any material restriction applicable to you as provided for in this Section 10 is challenged and found unenforceable by a court or other tribunal or (ii) you breach any of the provisions of Section 10, then the Company shall have the right to terminate this Agreement and recover from you all Shares paid to you pursuant to this Agreement and if you have sold, transferred, or otherwise disposed of any Shares paid to you pursuant to this Agreement, an amount equal to the aggregate Fair Market Value of such Shares on the date such Shares were paid to you pursuant to this Agreement. This provision shall be construed as a return of consideration or ill-gotten gains due to the failure of your promises and consideration under the Agreement, and not as a liquidated damages clause. In addition, in the event of the Company's termination of this Agreement, you shall immediately forfeit all unvested Target Performance Units and your Target Performance Units award opportunity under this Agreement. You further hereby agree that, in the event of a breach by you of any of the provisions of Sections 10(a), (b), (c), (d), or (e), monetary damages shall not constitute a sufficient remedy. Consequently, in the event of any such breach or threatened breach, the Company or a System Company may, in addition to and without prejudice to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof, without the requirement of posting a bond or proving actual damages and without having to demonstrate that money damages would be inadequate. You acknowledge (i) that you have carefully read this Agreement and have given careful consideration to the restraints imposed upon you by this Agreement, and you are in full accord as to their necessity for the reasonable and proper protection of the Confidential Information of the System Companies and their relationships with customers, suppliers and other business partners and (ii) that you are informed in writing hereby that you have a right to the advice of legal counsel and should consult with an attorney of your choice with regard to this Agreement, and you have been provided ample opportunity to seek out and consult with such counsel.

(j) For purposes of this Section 10, "Company" shall include all System Companies. You and the Company agree that each System Company is an intended third-party beneficiary of this Section 10, and further agree that each System Company is entitled to enforce the provisions of this Section 10 in accordance with its terms. Notwithstanding anything to the contrary in this Agreement, the terms of the restrictive covenants set forth in this Section 10 shall survive the termination of this Agreement and shall remain in full force according to their respective terms.

(k) In the twelve (12) months following the termination of your employment with your last System Company employer, in the event you seek or obtain employment or another business affiliation with any person or entity other than a System Company, you agree to notify the Company in writing, as far in advance as is reasonably practicable, but in no event less than two weeks prior to your proposed commencement of employment, of the details of such employment or business affiliation. You also agree to show these restrictive covenant provisions to any prospective employer, and you consent to any System Company showing these provisions to any third party believed by a System Company to be a prospective or actual employer of you, or a receiver of services from you, and to insisting on your compliance with these terms. Your obligations under this Section will expire on that date which is twelve months after the end of your employment with all System Companies (or, if later, the last date as of which you are scheduled to receive separation payments from any System Company pursuant to a severance plan or other agreement).

11. Governing Law/Court Proceedings. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state. Any suit, action or proceeding arising out of, or with respect to this Agreement, its enforcement, breach, or interpretation, shall be brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, and you and the Company hereby submit to the exclusive jurisdiction of such court (and its appellate court, whether or not located in the State of Delaware) for the purpose of any such suit, action, or proceeding. You and the Company hereby irrevocably waive (i) any objections which each may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of

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Delaware, County of New Castle, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and (iii) any right to a jury trial.

12. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the Target Performance Units, your Target Performance Units award opportunity under this Agreement, any Performance Units (and any Dividend Equivalents) awarded pursuant to this Agreement, and this Agreement shall be subject to all terms and conditions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern, and this Agreement shall be deemed to be modified accordingly, unless the Plan allows for such modification of the Plan's terms by this Agreement.

13. Amendments. This Agreement may be amended or modified only by an instrument in writing signed by the parties hereto.

14. Rights as a Shareholder. Neither you nor any of your successors in interest shall have any rights as a stockholder of the Company with respect to any Target Performance Units, your Target Performance Units award opportunity under this Agreement, Performance Units awarded pursuant to this Agreement, or Dividend Equivalents.

15. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by United States registered mail, return receipt requested, postage prepaid, if to you, to your last known address filed in the personnel records of the System Companies, and if to the Company, to the address set forth below, or thereafter to such other address as either party may have furnished to the other in writing in accordance herewith, except that any notice of change of address shall be effective only upon actual receipt thereof:

If to the Company, by hand-delivery or email to:

Entergy Services, LLC  
Attention: Executive Vice-President & General Counsel  
639 Loyola Avenue, 28th Floor  
New Orleans, LA 70113-3125

16. Agreement Not a Contract of Employment. Your employment with your System Company Employer shall remain at will. Neither the Plan, the granting of the Target Performance Units and/or Dividend Equivalents, the Grant Notice, this Agreement nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue as an employee of any System Company for any period of time or at any specific rate of compensation.

17. Authority of the Committee. The Committee shall have full authority and discretion to interpret and construe the terms of the Plan, the Grant Notice, and this Agreement. The determination of the Committee as to any such matter of interpretation or construction shall be final, binding and conclusive.

18. Compliance with Code Section 409A Limitations. Notwithstanding any provision to the contrary, all provisions of the Grant Notice and this Agreement shall be construed, administered and interpreted to comply with or be exempt from Code Section 409A, and, if necessary, any provision shall be held null and void to the extent such provision (or part thereof) fails to comply with Code Section 409A or final regulations issued thereunder. Specifically, the terms "termination" and "termination of employment" shall be applied in a manner consistent with the definition of "separation from service" within the meaning of Code Section 409A. A right of any System Company, if any, to offset or otherwise reduce any sums that may be due or become payable by any System Company to you by any overpayment or indebtedness of yours shall be subject to limitations imposed by Code Section 409A. For purposes of the limitations on nonqualified deferred compensation under Code Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Code Section 409A deferral election rules and the exclusion from Code Section 409A for certain short-term deferral amounts. Amounts

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payable under this Agreement shall be excludible from the requirements of Code Section 409A, to the maximum possible extent, either as (i) short-term deferral amounts (e.g., amounts payable no later than the 15th day of the third month following the end of the taxable year of your System Company employer in which such Performance Units are no longer subject to a substantial risk of forfeiture), or (ii) under the exclusion for involuntary separation pay provided in Treasury Regulations Section 1.409A-1(b)(9)(iii). To the extent that deferred compensation subject to the requirements of Code Section 409A becomes payable under this Agreement to you at a time when you are a “specified employee” (within the meaning of Code Section 409A), any such payments shall be delayed by six months to the extent necessary to comply with the requirements of Code Section 409A(a)(2)(B). The Company makes no representation that any or all of the payments or benefits described in the Plan or this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment.

19. Waivers. Any term or provision of this Agreement may only be waived by a System Company. Any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized Company officer. The failure of any System Company to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any System Company thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

20. Headings. The titles and headings of the sections in this Agreement are for convenience of reference only, do not form part of this Agreement, and shall not affect the construction of this Agreement.

21. Electronic Signature. Electronic signature of this Agreement shall have the same validity and effect as a signature affixed by hand.

22. Entire Agreement. This Agreement (including the Plan) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior undertakings and agreements between the Company and its Affiliates and you with respect to the subject matter hereof.

23. Prospectus. This Agreement constitutes part of a prospectus covering Securities registered under the Securities Act of 1933. The remaining documents constituting the prospectus are available on Entergy Corporation’s intranet under Our Company, Human Resources, Money & Finances, Compensation, Equity <https://entergy.sharepoint.com/sites/myhra/myBenefits/Pages/Compensation.aspx>.

## APPENDIX



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### **Restricted Stock Agreement (“Agreement”) Under the 2019 Entergy Corporation Omnibus Incentive Plan**

The Personnel Committee of the Board of Directors (“Committee”) of Entergy Corporation has agreed to grant you (“Grantee”), pursuant to the 2019 Entergy Corporation Omnibus Incentive Plan, that number of Restricted Shares set forth on the Restricted Stock Grant Notice to which this Agreement is attached (the “Grant Notice”), subject to the terms and conditions of this Agreement and the Plan.

1. Effective Date of Restricted Stock Grant; Acknowledgment and Acceptance of Restricted Stock Grant. This grant of Restricted Shares is effective as of the award date set forth on the Grant Notice (“Grant Date”), contingent upon your acceptance of the Restricted Shares in accordance with the terms of this Agreement and the Grant Notice. The effectiveness of this Agreement is subject to your electronically acknowledging and accepting this Agreement and all of its terms and conditions and the terms of the Plan in the manner and at the time set forth on the Grant Notice. If you do not timely acknowledge and accept this Agreement in accordance the Grant Notice, the Company shall be entitled to unilaterally cancel and render void this Agreement and the Grant Notice.

2. Restricted Period.

(a) Except as otherwise provided in Subsection 2(b) to the contrary, and except as provided in Section 12 of the Plan, the following vesting provisions shall apply during the thirty-six (36)-months immediately following the Grant Date (the “Restricted Period”):

(i) Restrictions shall lift on one-third (1/3<sup>rd</sup>) of the total Restricted Shares subject to this Agreement on each of the first three (3) anniversaries of the Grant Date (each such anniversary, a “Vesting Date”), provided you (A) are and remain a continuous full-time regular employee of a System Company at System Management Level (“ML”) 1 through 6 through each such anniversary date or are, or later become and then remain, a continuous part-time regular System Company employee participating in the phased retirement program under the Entergy System Policies & Procedures Phased Retirement - Pre-Separation Policy (the “Phased Retirement Program”) through each such Vesting Date, and (B) comply with Section 12 of this Agreement.

(ii) Unless solely attributable to your becoming a participant in the Phased Retirement Program, and subject to Section 2(b) hereof, upon your termination of continuous full-time regular employment to become a part-time employee, or upon your demotion to a position below ML 6, you shall forfeit all Restricted Shares on which restrictions have not already lifted in accordance with Subsection 2(a)(i) at such time.

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(iii) Except as set forth in Section 2(b) below, upon your retirement or termination from System Company employment for any reason or no reason (including with or without Cause), you shall forfeit all Restricted Shares on which restrictions have not already lifted in accordance with Subsection 2(a)(i) at such time.

(b) Notwithstanding the foregoing provisions of Subsection 2(a) to the contrary, the following provisions shall govern to the extent applicable:

(i) If, during the Restricted Period, you die or incur a Disability while actively employed as an eligible System Company employee in accordance with the requirements set forth in Subsection 2(a)(i)(A) and you have continuously satisfied the vesting criteria of Section 2(a)(i) through the date of your death or Disability, then any then-remaining restrictions immediately shall lift on all of the then-outstanding Restricted Shares on which restrictions have not already lifted (as well as dividends declared on the Restricted Shares).

(ii) If you are demoted to a position below ML 6 and you thereafter remain a regular, full-time System Company employee until the immediately following Vesting Date, then you shall remain eligible to vest, upon such Vesting Date, in a pro-rated portion of the Restricted Shares on which restrictions were otherwise scheduled to lift on such immediately following Vesting Date (as well as dividends declared on such pro-rated portion of the Restricted Shares), which pro-rated vested portion shall be determined by multiplying (A) a fraction, the numerator of which shall be the number of days between (x) the immediately preceding Vesting Date or, if no Vesting Date has yet occurred, the Grant Date and (y) the date of your demotion, and the denominator of which shall be 365, times (B) that number of Restricted Shares on which restrictions were otherwise scheduled to lift on the immediately following Vesting Date.

(iii) Except as provided below for an employee on an extended leave of absence bridge to retirement under an approved severance program under the Entergy System Severance Pay Plan No. 537 or the Entergy System Severance Pay Plan No. 538, if you are on a leave of absence (whether paid or unpaid) approved by your System Company employer for reasons other than Disability or are a continuous part-time regular System Company employee participating in the Phased Retirement Program, you will be treated, solely for purposes of the Plan and this Agreement, as continuing to satisfy the requirements of Subsection 2(a)(i) while on such approved leave of absence or during such participation in the Phased Retirement Program, as applicable. If your System Company employment terminates during such approved leave of absence, the remaining provisions of this Section 2 shall apply as if you were actively employed by your System Company employer immediately prior to such termination event. If you are on an extended leave of absence bridge to retirement under an approved severance program under the Entergy System Severance Pay Plan No. 537 or the Entergy System Severance Pay Plan No. 538, you will not be considered under the Plan or this Agreement to be a full-time employee or part-time System Company employee under the Phased Retirement Program during the extended leave of absence bridge period, and your System Company employment will be considered terminated for purposes of vesting in the Restricted Shares under this Agreement as of the commencement of your extended leave of absence bridge period.

(iv) Subject to the terms of this Agreement and Section 5 of the Plan, in the event that (A) a Change in Control occurs and (B) either (1) outstanding Restricted Shares are not assumed or substituted in connection therewith as described in Section 12(b) of the Plan, or (2) outstanding Restricted Shares are so assumed or substituted in connection therewith and your employment or service is terminated by your System Company employer without Cause or by you for Good Reason on or after the effective date of the Change in Control but prior to twenty-four (24) months following the Change in Control, then all restrictions imposed hereunder on the Restricted Shares (as well as dividends declared on the Restricted Shares) shall lift effective as of the date of the Change in Control, if subclause (B)(1) applies, or as of the applicable termination date, if subclause (B)(2) applies (whichever date so applies, the "CIC Vesting Date") and the restrictive covenants set forth in Section 12(b), (c) and (d) of this Agreement shall cease to apply as of the CIC Vesting Date.

(v) Notwithstanding anything herein to the contrary, if your employment with your System Company employer terminates for Cause, then all Restricted Shares shall immediately terminate and be forfeited.

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3 . Share Issuance. During the Restricted Period, the Restricted Shares shall be held in an account in book entry form and with the restrictions noted.

4 . Lifting of Restrictions. Upon the satisfaction of all requirements for restrictions to lift on all or a portion of the Restricted Shares, the restrictions on such Restricted Shares shall lift and such vested Shares (including any dividends on such Restricted Shares) shall be credited to a separate book entry account in your name, and such vested shares shall be free of all restrictions except any that may be imposed by law. Upon the crediting of Shares in respect of Restricted Shares upon which restrictions have lifted to a book entry account, participants may treat the Shares in the same manner as all other shares of Common Stock owned by the participant. All Participants with ML 1-4 status (“ML 1-4 Participants”) are considered “Restricted Employees” under Entergy’s Insider Trading Policy and, as such, may trade in Entergy Corporation securities only during an open window period (and only if not in possession of material, non-public information). Generally, window periods begin on the second business day after the quarterly earnings release and end at the close of trading on the 15th day of the third month of the Company’s fiscal quarter or, if such day is not a trading day, on the last preceding trading day. In addition, if you are a Restricted Employee, the Insider Trading Policy requires that you pre-clear all transactions involving Entergy securities with Entergy Corporation’s Office of the General Counsel.

5 . Common Stock Ownership Guidelines. If you are an ML 1-4 Participant, you must maintain the applicable Common Stock Ownership Target Level in the chart below, which is expressed as a multiple of your base salary and dependent on your ML.

<u>System Management Level</u>	<u>Common Stock Ownership Target Level</u>
ML1	6 times base salary
ML2	3 times base salary
ML3	2 times base salary
ML4	1 times base salary

These ownership multiples may be satisfied through any shares of Common Stock held by the ML 1-4 Participant, including Restricted Shares on which restrictions have not yet lifted, shares of Common Stock held in tax-qualified 401(k) plans, etc. Until you achieve your multiple of base salary ownership position, upon restrictions lifting on your Restricted Shares, you must continue to retain the book entry shares until the earlier of (a) achieving and maintaining your applicable Common Stock Ownership Target Level, or (b) your termination of full-time employment with all System Companies. Once you have achieved and maintain your Common Stock Ownership Target Level, you are no longer bound to hold the Restricted Shares converted to book entry shares upon restrictions lifting. However, you are still subject to the trading restrictions and pre-clearance requirements in transacting in these Shares described in Section 4 of this Agreement.

6 . Withholding Taxes. The Company shall use the “net shares method” to satisfy any tax withholding obligation, which means the Company shall reduce the number of Shares otherwise payable to you in respect of Restricted Shares upon which the restrictions have lifted by the number of Shares with a value necessary to cover up to the maximum amount of such obligation in any applicable jurisdiction. In no event shall the Company or any other System Company have any liability to you for your individual income tax liability, for withholding or failing to withhold taxes, or for remitting or failing to remit taxes with respect to your income.

7 . No Fractional Shares. Any fractional Shares to be distributed shall be settled in cash and applied to satisfy tax withholding requirements. The Company will not pay out any fractional Shares.

8 . Shareholder Rights. Subject to the terms and conditions set forth herein and in the Plan, as the Grantee of the Restricted Shares you shall have all rights as a Company shareholder, including, but not limited to, voting rights, the right to receive vested dividends and the right to participate in any capital adjustment applicable to all holders of Common Stock. Notwithstanding the preceding sentence, any and all dividends paid with respect to the Restricted Shares shall be reinvested in Common Stock based on the Fair Market Value of the Common Stock on the date the

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dividend is paid and shall be subject to the same restrictions on transfer and risks of forfeiture as applicable to the underlying Restricted Shares and shall also be subject to any other provisions or different or additional reinvestment requirements as the Committee may, in its discretion, determine. You shall have the same rights and privileges, and be subject to the same restrictions, with respect to any additional or substitute shares of Common Stock received pursuant to Section 5 of the Plan.

9 . No Code Section 83(b) Election. This Award of Restricted Shares is conditioned upon you refraining from making an election with respect to the Award under Section 83(b) of the Code.

10. Restricted Shares Nontransferable. None of the Restricted Shares shall be sold, exchanged, pledged, transferred, assigned, or otherwise encumbered, hypothecated or disposed of by you (or your designated beneficiary) other than by will or laws of descent and distribution.

11. Entergy Policies.

(a) Hedging Policy. Pursuant to the Entergy Corporation Policy Relating to Hedging, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, officers, directors and employees are prohibited from entering into hedging or monetization transactions involving Common Stock so they continue to own Common Stock with the full risks and rewards of ownership, thereby ensuring continued alignment of their objectives with the Company's other shareholders. Participation in any hedging transaction with respect to Common Stock (including Restricted Shares) is prohibited.

(b) Recoupment Policy; Dodd-Frank; Payment in Error. Pursuant to the Entergy Corporation Policy Relating to Recoupment of Certain Compensation, as adopted by the Board at its meeting held on December 3, 2010, and as in effect on the date hereof, the Company is allowed to seek reimbursement of certain incentive compensation (including Restricted Shares) from "executive officers" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, if the Company is required to restate its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws (other than corrections resulting from changes to accounting standards); or there is a material miscalculation of a performance measure relative to incentive compensation, regardless of the requirement to restate the financial statements; or the Board determines that an executive officer engaged in fraud resulting in either a restatement of the Company's financial statements or a material miscalculation of a performance measure relative to incentive compensation whether or not the financial statements were restated. In addition, the Restricted Shares are subject to any forfeiture and/or recoupment policy which the Company has adopted or may adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and implementing rules and regulations thereunder, or as may be required by applicable law. To the maximum extent permitted by applicable law, in the event that a payment is made to you (whether in cash, stock or other property) in error that exceeds the amount to which you are entitled pursuant to the terms of this Agreement or the Plan, including without limitation pursuant to Section 28 of the Plan (such excess amount, an "Excess Payment"), you will repay to the Company, and the Company shall have the right to recoup from you such Excess Payment by notifying you in writing of the nature and amount of such Excess Payment together with (i) demand for direct repayment to the Company by you in the amount of such Excess Payment or (ii) reduction of any amount(s) owed to you by the Company or any other System Company by the amount of the Excess Payment.

12. Confidentiality and Restrictive Covenants. In consideration of the grant to you of the Restricted Shares set forth herein, you hereby agree to the following restrictive covenants:

(a) Confidential Information. You acknowledge that the System Companies have unique methods and processes for the generation, transmission and distribution and sale of energy products, which give them a competitive advantage, including strategic and non-public plans for their products, geographic and customer markets, and for marketing, distributing and selling their products. You further acknowledge that you have held a position of confidence and trust with respect to the System Companies and that you have and will acquire additional detailed knowledge of the System Companies' unique and confidential methods of doing business and plans for the future. You acknowledge that the System Companies are expending and will continue to expend substantial amounts of time, money and effort to develop effective business and regulatory strategies, methodologies and technology. You also

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acknowledge that the System Companies have a compelling business interest in protecting the System Companies' Confidential Information (as defined below) and that the System Companies would be seriously and irreparably damaged by the disclosure of Confidential Information. You therefore agree that, during your employment or other service with any System Company and at all times thereafter, you will hold in a fiduciary capacity for the benefit of the System Companies and, other than as authorized in writing by the General Counsel of the Company or as required by law or in the proper performance of your duties and responsibilities, or as otherwise provided in this Section 12, you will not disclose, directly or indirectly, to any person or entity, or use, for any purpose other than the furtherance of your responsibilities to any System Company, any Confidential Information. For purposes of this Agreement, "Confidential Information" means information that is not generally known by persons outside the System Companies and could not easily be determined or learned by someone outside the System Companies, including without limitation, any and all information and knowledge, whether or not explicitly designated as confidential and whether or not reduced to writing, regarding (i) the System Companies' utility business, including, without limitation, the generation, transmission, brokering, marketing, distribution, sale and delivery of electric power or generation capacity (through regulated utilities or otherwise), and their natural gas distribution business, (ii) the Entergy Wholesale Commodities business, including, without limitation, the ownership, development, management or operation of power plants and power generation facilities (including, without limitation, nuclear power plants), and the provision of operations and management services (including, without limitation, decommissioning services) with respect to power plants, and the sale of the electric power produced by the System Companies' operating plants to wholesale customers, (iii) the System Companies' proprietary methods and methodology, technical data, trade secrets, know-how, research and development information, product plans, customer lists, specific information relating to products, services and customers or prospective customers (including, but not limited to, customers or prospective customers of any System Company with whom you became or become acquainted during your relationship with the System Company), books and records of any System Company, corporate, regulatory, customer and strategic relationships, suppliers, markets, computer software, computer software development, inventions, processes, formulae, technology, designs, drawings, technical information, source codes, engineering information, hardware configuration information, and matters of a business nature such as information regarding marketing, costs, pricing, finances, financial models and projections, billings, new or existing business or economic development plans, initiatives, and opportunities, or any other similar business information made available to you in connection with your relationship with any System Company and (iv) any attorney-client privileged information of a System Company. Confidential Information shall also include non-public information concerning any director, officer, employee, shareholder, or partner of any System Company. You agree that your obligation not to disclose or use Confidential Information, and your obligation, detailed below, to return and, upon your termination of employment with all System Companies, not to retain materials and tangible property described in this Section shall also extend to such types of information, materials and tangible property of customers of and suppliers to the System Companies and to other third parties, in each case who may have disclosed or entrusted the same to you or any System Company during your employment with any System Company.

(b) Non-Competition. You agree that (i) at all times during the period of your employment or service with any System Company employer, and (ii) if you are an ML 1-4 Participant immediately prior to your date of termination then for one (1) year following the termination for any reason of your employment by or service with your last System Company employer ((i) and (ii) collectively, as applicable, the "Non-Compete Period"), you will not engage in Competing Employment. For purposes of this Section 12, "Competing Employment" means working for, providing services to or otherwise directly or indirectly assisting (whether or not for compensation) any person, entity or business which directly or indirectly competes with any part of the System Company business, and such employment or services involves products, services and business activities that are the same as or similar to those you provided to a System Company, or as to which you had access to Confidential Information, in the two years preceding your termination of employment or service with all System Companies. You agree that it is reasonable for the restriction contained in this paragraph to apply in each and every county, province, state, city, parish or other political subdivision or territory of the United States in which any System Company engages in any business activity, or otherwise distributes, licenses or sells its products or services, including, without limitation, Arkansas, Connecticut, District of Columbia, Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, New York, Texas, and Vermont and any other state in which any System Company engages in business at any time and, with respect to the State of Louisiana, means the following Parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton Rouge, East Carroll, East

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Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, La Salle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Point Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, St. Charles, St. Helena, Saint James, Saint John the Baptist, Saint Landry, Saint Martin, Saint Mary, Saint Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn (the “Restricted Territory”). Notwithstanding the foregoing, if your employment is terminated by any System Company employer without Cause, the covenant not to compete set forth in this Section 12(b) shall apply only for as long as the System Company employer continues to pay you, in accordance with the System Company employer’s regular payroll practices and schedule, your bi-weekly base salary in effect on the effective date of the termination of your employment, less any applicable tax withholdings and ordinary deductions (such payments, the “Non-Compete Payments”), but in no such event for longer than the Non-Compete Period. In any instance where a System Company employer has the right to elect to make Non-Compete Payments, such System Company employer must notify you in writing of such election, and the duration for which it elects to make Non-Compete Payments, within ten (10) business days following the termination of your employment from the System Company. If the System Company elects to make the Non-Compete Payments for less than the full Non-Compete Period, you shall be free to join a competitor after you cease receiving the Non-Compete Payments. For the purposes of clarity, in the event of your termination for Cause or voluntary resignation, you shall be subject to the restrictions set forth in this Section 12(b) without any requirement that your System Company employer pay you any Non-Compete Payments.

(c) Non-Solicitation. You agree that, while you are employed by any System Company and during the Non-Compete Period (or, if later, the last day you are scheduled to receive cash severance payments from your System Company employer pursuant to any severance plan or other agreement), except in the good faith performance of your duties to the System Companies, you shall not, other than as authorized in writing by the General Counsel of the Company: (i) directly or indirectly, solicit or seek to hire or identify for potential hiring (whether on your own behalf or on behalf of any other person, entity or organization) any person who is at that time (or was during the prior six (6) months) an employee or consultant of any System Company, or (ii) within the Restricted Territory, directly or indirectly solicit the trade, business or patronage of any clients, customers or vendors or prospective clients, customers or vendors of any System Company to provide competing products or services or advise, or assist such clients, customers or vendors or prospective clients, customers or vendors to in any way modify their relationship with any System Company. The foregoing non-solicitation (1) shall not be violated by general advertising not targeted at the forgoing persons or entities; (2) shall not apply to solicitation of persons involuntarily terminated from System Company employment; and (3) shall only apply to persons or entities (A) who reported directly or indirectly to you; (B) with whom you had material contact while at a System Company; or (C) about whom or which you possessed (i) information regarding quality of performance while they were employed by a System Company, which information you would not otherwise have except for the position you held with a System Company, or (ii) Confidential Information.

(d) Non-Disparagement. You agree that, to the fullest extent permitted by applicable law, you will not at any time (whether during or after your employment or service with any System Company), other than in the proper performance of your duties, publish or communicate to any person or entity any “Disparaging” (as defined below) remarks, comments or statements concerning any System Company or any of their respective directors, officers, shareholders, employees, agents, attorneys, successors and assigns. “Disparaging” remarks, comments or statements are those that are intended to, or could be construed in a manner so as to, impugn, discredit, injure or impair the business, reputation, character, honesty, integrity, judgment, morality or business acumen or abilities of the individual or entity being disparaged.

(e) System Company Property. All tangible materials, equipment, devices, documents, copies of documents, data compilations (in whatever form), software programs, and electronically created or stored materials that you receive or create in the course of employment with a System Company are and shall remain the property of the System Company and you shall immediately return (and/or cooperate in the supervised deletion of) such property to your System Company employer upon the termination of your employment, for whatever reason. The obligation to return property and documents extends to anything received or made during and as a result of employment by a System Company, regardless of whether it was received from a System Company or a third party, such as an actual or potential vendor or customer, and regardless of whether a document contains Confidential Information. The only

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documents not subject to the obligation to return are documents directly relating to your compensation and benefits, such as your pay stubs and benefit plan information.

(f) Violation of the Restrictive Covenant Section. In the event that you violate any provision of this Section 12, the time periods set forth in those paragraphs shall be extended for the period of time you remain in violation of the provisions, to the greatest extent allowed by applicable law. The provisions of Sections 12(a) - (e) hereof are, and shall be construed as, independent covenants, and no claimed or actual breach of any contractual or legal duty by any System Company shall excuse or terminate your obligations hereunder or preclude any System Company from obtaining injunctive relief for your violation, or threatened violation, of any of those provisions. You also agree to indemnify and hold the System Companies harmless from any and all losses (including, but not limited to, reasonable attorney's fees and other expenses incurred to enforce this Agreement) suffered by any System Company as a result of any violation or threatened violation of any of your representations, warranties, covenants or undertakings set forth in this Agreement (in addition to any other remedies available to the System Companies set forth in Section 12(i) below), provided that a System Company is found to be the prevailing party in any such action.

(g) Exclusions. Notwithstanding anything else in this Section 12 or in this Agreement to the contrary:

(1) The restrictive covenants in this Section 12 are not intended to restrict you from cooperating with any investigation or proceeding initiated by the Nuclear Regulatory Commission ("NRC") or any other federal or state regulatory agency. Further, you may make disclosure (A) to exercise your rights as a whistleblower under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Securities and Exchange Commission Rule 21F-17(a), or any other federal or state law providing whistleblower rights; (B) to the extent necessary when providing safety-related or other information to the NRC on matters within the NRC's regulatory jurisdiction; (C) when participating in "protected activities," as defined in Section 211 of the Energy Reorganization Act of 1974 and in C.F.R. Part 50.7; (D) when engaging in activities protected by the National Labor Relations Act or any similar federal or state law; or (E) when required to do so by a court of law, by any governmental agency or administrative or legislative body with jurisdiction to order you to divulge, disclose or make accessible such information. With the exception of Confidential Information subject to the attorney-client privilege, you shall have no obligation to seek prior approval of any System Company or to inform any System Company of such disclosure. This Agreement does not limit your ability to communicate, without notice to any System Company, with any government agencies or otherwise participate in any investigation or proceeding that may be conducted by any government agency, or to collect a reward in connection with any whistleblower information provided to a government agency.

(2) *Defend Trade Secrets Act Immunity Notice*. Pursuant to the Defend Trade Secrets Act of 2016, non-compliance with the disclosure provisions of this Agreement shall not subject you to criminal or civil liability under any Federal or State trade secret law for the disclosure of a System Company trade secret: (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney in confidence solely for the purpose of reporting or investigating a suspected violation of law; (B) in a complaint or other document filed in a lawsuit or other proceeding, provided that any complaint or document containing the trade secret is filed under seal; or (C) to an attorney representing you in a lawsuit for retaliation by any System Company for reporting a suspected violation of law or to use the trade secret information in that court proceeding, provided that any document containing the trade secret is filed under seal and you do not disclose the trade secret, except pursuant to court order.

(h) Restrictive Covenants Contained in Other Agreements. Notwithstanding any provision contained herein to the contrary, to the extent that you are or become subject to any other agreement that contains restrictive covenants different from the restrictive covenants contained in this Agreement, the restrictive covenants set forth in such other agreement shall supplement, and shall not replace, the restrictive covenants herein.

(i) Enforcement. You hereby agree that the covenants set forth in this Section 12 are reasonable with respect to their scope, duration, and geographical area. You further agree and acknowledge that the restrictions contained in Section 12 do not and would not unreasonably impose limitations on your ability to earn a living. If any court or other tribunal determines that any term or provision of Section 12 is overbroad or otherwise invalid or unenforceable, you and the Company hereby agree that such court or tribunal shall have the power and obligation to

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narrow or otherwise reform the unenforceable term or provision, including to delete, replace, or add specific words or phrases, but only to the narrowest extent necessary to render the provision valid and enforceable (provided that in no event shall the length of any restrictive covenant or its scope be extended or expanded), and this Agreement shall be fully enforceable as so modified. Your agreement to the restrictions provided for in this Agreement and the Company's agreement to grant the Award are mutually dependent consideration. Therefore, notwithstanding any other provision to the contrary in this Agreement, if (A) the enforceability of any material restriction applicable to you as provided for in this Section 12 is challenged and found unenforceable by a court or other tribunal or (B) you breach any of the provisions of Section 12, then the Company shall have the right to terminate this Agreement and recover from you all Shares paid to you pursuant to this Agreement and, if you have sold, transferred, or otherwise disposed of any Common Stock paid to you pursuant to this Agreement in respect of Restricted Shares on which the restrictions have lifted or in respect of dividends paid thereon, an amount equal to the aggregate Fair Market Value of such Shares on the date on which such restrictions lifted. This provision shall be construed as a return of consideration or ill-gotten gains due to the failure of your promises and consideration under the Agreement, and not as a liquidated damages clause. In addition, in the event of the Company's termination of this Agreement, you shall immediately forfeit all Restricted Shares on which restrictions have not already lifted (as well as dividends declared on the Restricted Shares). You further hereby agree that, in the event of a breach by you of any of the provisions of Sections 12(a), (b), (c), (d), or (e), monetary damages shall not constitute a sufficient remedy. Consequently, in the event of any such breach or threatened breach, the Company or a System Company may, in addition to and without prejudice to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof, without the requirement of posting a bond or proving actual damages and without having to demonstrate that money damages would be inadequate. You acknowledge (i) that you have carefully read this Agreement and have given careful consideration to the restraints imposed upon you by this Agreement, and you are in full accord as to their necessity for the reasonable and proper protection of the Confidential Information of the System Companies and their relationships with customers, suppliers and other business partners and (ii) that you are informed in writing hereby that you have a right to the advice of legal counsel and should consult with an attorney of your choice with regard to this Agreement, and you have been provided ample opportunity to seek out and consult with such counsel.

(j) For purposes of this Section 12, "Company" shall include all System Companies. You and the Company agree that each System Company is an intended third-party beneficiary of this Section 12, and further agree that each System Company is entitled to enforce the provisions of this Section 12 in accordance with its terms. Notwithstanding anything to the contrary in this Agreement, the terms of the restrictive covenants set forth in this Section 12 shall survive the termination of this Agreement and shall remain in full force according to their respective terms.

(k) In the twelve (12) months following the termination of your employment as an ML 1-4 employee with your last System Company employer, in the event you seek or obtain employment or another business affiliation with any person or entity other than a System Company, you agree to notify the Company in writing, as far in advance as is reasonably practicable, but in no event less than two weeks prior to your proposed commencement of employment, of the details of such employment or business affiliation. You also agree to show these restrictive covenant provisions to any prospective employer, and you consent to any System Company showing these provisions to any third party believed by a System Company to be a prospective or actual employer of you, or a receiver of services from you, and to insisting on your compliance with these terms. Your obligations under this Section will expire on that date which is twelve months after the end of your employment with all System Companies (or, if later, the last date as of which you are scheduled to receive separation payments from any System Company pursuant to a severance plan or other agreement).

13. Governing Law/Court Proceedings. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state. Any suit, action or proceeding arising out of, or with respect to this Agreement, its enforcement, breach, or interpretation, shall be brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, and you and the Company hereby submit to the exclusive jurisdiction of such court (and its appellate court, whether or not located in the State of Delaware) for the purpose of any such suit, action, or proceeding. You and the Company hereby irrevocably waive (i) any objections which each may now or hereafter have to the laying of the venue of any suit, action or

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proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and (iii) any right to a jury trial.

14. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Shares and this Agreement shall be subject to all terms and conditions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. Any capitalized term which is not defined in this Agreement shall have the meaning set forth in the Plan. If any terms of this Agreement are inconsistent with the terms of the Plan, the terms of the Plan shall govern unless the Plan allows for such modification by this Agreement.

15. Amendments. This Agreement may be amended or modified only by an instrument in writing signed by the parties hereto.

16. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by United States registered mail, return receipt requested, postage prepaid, if to you, to your last known address filed in the personnel records of the System Companies, and if to the Company, to the address set forth below, or thereafter to such other address as either party may have furnished to the other in writing in accordance herewith, except that any notice of change of address shall be effective only upon actual receipt thereof:

If to the Company, by hand delivery or email to:

Entergy Services, LLC  
Attention: Executive Vice President & General Counsel  
639 Loyola Avenue, 28th Floor  
New Orleans, LA 70113-3125

17. Agreement Not a Contract of Employment. Your employment with your System Company employer shall remain at-will. Neither the Plan, the granting of the Restricted Shares, the Grant Notice, this Agreement nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue as an employee of any System Company for any period of time or at any specific rate of compensation.

18. Authority of the Committee. The Committee shall have full authority and discretion to interpret and construe the terms of the Plan, the Grant Notice, and this Agreement. The determination of the Committee as to any such matter of interpretation or construction shall be final, binding and conclusive.

19. Waivers. Any term or provision of this Agreement may only be waived by a System Company. Any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized Company officer. The failure of any System Company to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any System Company thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

20. Headings. The titles and headings of the sections in this Agreement are for convenience of reference only, do not form part of this Agreement, and shall not affect the construction of this Agreement.

21. Electronic Signature. Electronic signature of this Agreement shall have the same validity and effect as a signature affixed by hand.

22. Entire Agreement. This Agreement (including the Plan) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior undertakings and agreements between the Company and its Affiliates and you with respect to the subject matter hereof.

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23. Prospectus. This Agreement constitutes part of a prospectus covering Securities registered under the Securities Act of 1933. The remaining documents constituting the prospectus are available on Entergy Corporation's intranet under Our Company, Human Resources, Money & Finances, Compensation, Equity <https://entergy.sharepoint.com/sites/myhra/myBenefits/Pages/Compensation.aspx>.

**Restricted Stock Units Agreement (Stock Settled)  
Under the 2019 Entergy Corporation Omnibus Incentive Plan**

**THIS RESTRICTED STOCK UNITS AGREEMENT** (the “Agreement”), by and between Entergy Corporation (“Entergy”) and \_\_\_\_\_ (“Grantee”), is effective on \_\_\_\_\_ (the “Effective Date”), subject to Grantee remaining a regular full-time employee of a System Company employer (a “System Company Employer”) through such date. For purposes of this Agreement, Entergy shall include any successor to its business or assets by operation of law or otherwise and any entity that assumes or agrees to perform this Agreement.

1. **Grant of Restricted Stock Units.** Entergy hereby grants to Grantee, pursuant to the 2019 Entergy Corporation Omnibus Incentive Plan (the “Plan”), \_\_\_\_\_ Restricted Stock Units (the “Restricted Units”), for the purposes of retaining Grantee’s full-time active services as described herein through the Vesting Date described below, and for Grantee’s agreement to the terms and conditions of the Plan and this Agreement.

2. **Incorporation of Plan.** The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Units and this Agreement shall be subject to all terms and conditions of the Plan, a copy of which has been provided or otherwise made accessible to Grantee. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan.

3. **Vesting of Restricted Units.** Subject to the release requirement described in Section 4 of this Agreement, the Restricted Units (excluding dividend equivalents) shall vest on the third (3<sup>rd</sup>) anniversary of the Effective Date (such date, the “Vesting Date”), provided that Grantee complies with Section 15 of this Agreement and remains continuously and actively employed through the Vesting Date as a regular full-time employee of a System Company Employer and performs Grantee’s job duties in a satisfactory manner through the Vesting Date, as determined solely in the discretion of \_\_\_\_\_ (“Vesting Criteria”). For purposes of this Section 3, Grantee shall no longer be considered a regular full-time employee of any System Company Employer on the date Grantee is no longer actively employed on a full-time basis with any System Company Employer for any reason, including without limitation because of Grantee’s resignation, retirement, death, separation from employment due to Disability, involuntary termination of employment for any reason or no reason, or any other separation from full-time active employment with Grantee’s System Company Employer, except as otherwise required by law. If Grantee fails to meet the Vesting Criteria, then Grantee shall not vest in the Restricted Units, except as otherwise provided in Section 5 of this Agreement.

4. **Scheduled Payment of Restricted Units.** If Grantee meets the Vesting Criteria then, subject to Grantee executing a release agreement in a form satisfactory to Entergy that, subject to applicable legal requirements, releases all claims that may then exist against all System Companies and their related persons and affiliates (a “Release”) and submitting the executed original Release to Entergy within the time period and in the manner provided in the Release, and upon the Release becoming irrevocable, then Entergy shall pay to Grantee, or Grantee’s beneficiary or estate (if Grantee should die after vesting, but prior to the payment date), as the case may be, a number of Shares equal to the whole number of Restricted Units that vest on the Vesting Date, subject to withholding for all federal, state and local deductions, tax withholdings, and other withholdings and offsets that may apply or be required to be withheld in connection with such payment, which shall be effected using the “net shares method” described in Section 9 of this Agreement. Such payment shall be made as soon as reasonably practicable after the date on which the Release becomes irrevocable, but in no event later than sixty (60) days after the Vesting Date; provided, that if such 60-day period straddles two of Grantee’s taxable years, the payment shall be made in the later year. For the avoidance of doubt, if Grantee does not timely sign and submit the executed original Release to Entergy, or signs but revokes the Release, then Grantee shall not be paid any Shares or any other property or payment in respect of such Restricted Units and such Restricted Units shall be forfeited.

5. **Accelerated Change in Control Vesting.** Notwithstanding the Vesting Criteria to the contrary and subject to the terms of this Agreement, in the event that (i) a Change in Control occurs and (ii) either (x) outstanding Restricted Units are not assumed or substituted in connection therewith as described in Section 12(b) of the Plan, or

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(y) outstanding Restricted Units are so assumed or substituted in connection therewith and Grantee's employment or service is terminated by Grantee's System Company Employer without Cause or by Grantee for Good Reason on or after the effective date of the Change in Control but prior to twenty-four (24) months following the Change in Control, then the Restricted Units shall immediately become fully vested and the restrictive covenants set forth in Section 15(b), (c) and (d) of this Agreement shall cease to apply as of the date of the Change in Control, if subclause (x) applies, or as of the applicable termination date, if subclause (y) applies (whichever date so applies, the "CIC Vesting Date"). In the event of accelerated vesting as described in this Section 5, but subject to Section 5 of the Plan and the conditions and limitations described herein, Entergy shall pay Grantee a number of Shares equal to the number of Restricted Units that vest in accordance with this Section 5 no later than sixty (60) days after the CIC Vesting Date; provided, that if such 60-day period straddles two of Grantee's taxable years, the payment shall be made in the later year. Any payment to Grantee pursuant to this Section 5 shall be subject to withholding for all federal, state and local deductions, tax withholdings, and other withholdings and offsets that may apply or be required to be withheld in connection with such payment, which withholding shall be effected using the "net shares method" described in Section 9 of this Agreement.

6. **Termination and Forfeiture of Restricted Units.** Except as otherwise provided herein, this Agreement (other than the restrictive covenants set forth in Section 15 of this Agreement) shall terminate and the then-unvested Restricted Units shall be forfeited on the date on which Grantee's full-time employment with all System Company Employers terminates. Further, except as otherwise provided in Section 5 of this Agreement, if Grantee fails to meet a condition of the Vesting Criteria at any time prior to the Vesting Date, then Grantee shall not vest in any then-unvested Restricted Units and shall forfeit all unvested Restricted Units.

7. **Compliance with Code Section 409A Limitations.** Notwithstanding any provision to the contrary, all provisions of this Agreement shall be construed, administered and interpreted to comply with or be exempt from Code Section 409A, and, if necessary, any provision shall be held null and void to the extent such provision (or part thereof) fails to comply with Code Section 409A or final regulations issued thereunder. Specifically, the terms "termination" and "termination of employment" shall be applied in a manner consistent with the definition of "separation from service" within the meaning of Code Section 409A. A right of any System Company, if any, to offset or otherwise reduce any sums that may be due or become payable by any System Company to Grantee by any overpayment or indebtedness of Grantee shall be subject to limitations imposed by Code Section 409A. For purposes of the limitations on nonqualified deferred compensation under Code Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Code Section 409A deferral election rules and the exclusion from Code Section 409A for certain short-term deferral amounts. Amounts payable under this Agreement shall be excludible from the requirements of Code Section 409A, to the maximum possible extent, either as (i) short-term deferral amounts (*e.g.*, amounts payable no later than the 15<sup>th</sup> day of the third month following the end of the taxable year of Grantee's System Company Employer in which such Restricted Units are no longer subject to a substantial risk of forfeiture), or (ii) under the exclusion for involuntary separation pay provided in Treasury Regulations Section 1.409A-1(b)(9)(iii). To the extent that deferred compensation subject to the requirements of Code Section 409A becomes payable under this Agreement to Grantee at a time when Grantee is a "specified employee" (within the meaning of Code Section 409A), any such payments shall be delayed by six months to the extent necessary to comply with the requirements of Code Section 409A(a)(2)(B). Entergy makes no representation that any or all of the payments or benefits described in the Plan or this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment.

8. **Restricted Units Nontransferable.** Restricted Units awarded pursuant to this Agreement may not be sold, exchanged, pledged, transferred, assigned, or otherwise encumbered, hypothecated or disposed of by Grantee (or any beneficiary) other than by will or laws of descent and distribution, and any such purported Transfer shall be null and void ab initio.

9. **Withholding Taxes.** Entergy will use the "net shares method" to satisfy any tax withholding obligation in respect of the Restricted Units, which means Entergy will reduce the number of Shares in respect of any vested Restricted Units otherwise payable to Grantee under the terms and conditions of the Agreement by the number of vested Shares with a value necessary to cover up to the maximum amount of such obligation in any applicable jurisdiction. In no event shall Entergy or any other System Company have any liability to Grantee for Grantee's individual income tax liability, for withholding or failing to withhold taxes, or for remitting or failing to remit taxes

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with respect to Grantee's income, including, without limitation, in the event that Grantee is subject to penalty tax pursuant to Code Section 409A.

10. **Governing Law/Court Proceedings.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state. Any suit, action or proceeding arising out of, or with respect to this Agreement, its enforcement, breach, or interpretation, shall be brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, and the Company and Grantee hereby submit to the exclusive jurisdiction of such court (and its appellate court, whether or not located in the State of Delaware) for the purpose of any such suit, action, or proceeding. The Company and Grantee hereby irrevocably waive (i) any objections which each may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of Delaware, County of New Castle, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and (iii) any right to a jury trial.

11. **Amendments.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Grantee and such officer as may be specifically designated by the Committee. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. **Rights as a Shareholder.** Neither Grantee nor any of Grantee's successors in interest shall have any rights as a shareholder of Entergy with respect to any Restricted Units, including without limitation the right to any dividends or dividend equivalents.

13. **Agreement Not a Contract of Employment.** Grantee's employment with Grantee's System Company Employer shall remain at-will. Neither the Plan, the granting of the Restricted Units, this Agreement nor any other action taken pursuant to the Plan or this Agreement shall constitute or be evidence of any agreement or understanding, express or implied, that Grantee has a right to continue as an employee of any System Company Employer for any period of time or at any specific rate of compensation.

14. **Notices.** For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by United States registered mail, return receipt requested, postage prepaid, if to Grantee, to Grantee's last known address as shown in the personnel records of Grantee's System Company Employer, and if to Entergy or Grantee's System Company Employer, to the following address shown below or thereafter to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

If to Entergy or Grantee's System Company Employer, by hand delivery or email to:

Entergy Services, LLC  
Attention: General Counsel  
639 Loyola Avenue, 28<sup>th</sup> Floor  
New Orleans, LA 70113-3125

15. **Confidentiality and Restrictive Covenants.** In consideration of the grant to Grantee of the Restricted Units set forth herein, Grantee hereby agrees as follows:

(a) **Confidential Information.** Grantee acknowledges that the System Companies have unique methods and processes for the generation, transmission and distribution and sale of energy products, which give them a competitive advantage, including strategic and non-public plans for their products, geographic and customer markets, and for marketing, distributing and selling their products. Grantee further acknowledges that Grantee has held a position of confidence and trust with respect to the System Companies and that Grantee has and will acquire additional detailed

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knowledge of the System Companies' unique and confidential methods of doing business and plans for the future. Grantee acknowledges that Entergy and the System Companies are expending and will continue to expend substantial amounts of time, money and effort to develop effective business and regulatory strategies, methodologies and technology. Grantee also acknowledges that the System Companies have a compelling business interest in protecting the System Companies' Confidential Information (as defined below) and that the System Companies would be seriously and irreparably damaged by the disclosure of Confidential Information. Grantee therefore agrees that, from the date of Grantee's execution of this Agreement and during Grantee's employment or other service with any System Company and at all times thereafter, Grantee shall hold in a fiduciary capacity for the benefit of the System Companies and, other than as authorized in writing by the General Counsel of the Company or as required by law, in the proper performance of Grantee's duties and responsibilities, or as otherwise provided in this Section 15, Grantee shall not disclose, directly or indirectly, to any person or entity or use for any purpose other than the furtherance of Grantee's responsibilities to Entergy and any other System Company, any Confidential Information. For purposes of this Agreement, "Confidential Information" means information that is not generally known by persons outside the System Companies and could not easily be determined or learned by someone outside the System Companies, including without limitation, any and all information and knowledge, whether or not explicitly designated as confidential and whether or not reduced to writing, regarding (i) the System Companies' utility business, including, without limitation, the generation, transmission, brokering, marketing, distribution, sale and delivery of electric power or generation capacity (through regulated utilities or otherwise), and its natural gas distribution business, (ii) the Entergy Wholesale Commodities business, including, without limitation, the ownership, development, management or operation of power plants and power generation facilities (including, without limitation, nuclear power plants) and the provision of operations and management services (including decommissioning services) with respect to power plants and the sale of the electric power produced by the System Companies' operating plants to wholesale customers, (iii) the System Companies' proprietary methods and methodology, technical data, trade secrets, know-how, research and development information, product plans, customer lists, specific information relating to products, services and customers or prospective customers (including, but not limited to, customers or prospective customers of the System Companies with whom Grantee becomes acquainted during Grantee's relationship with Entergy or any System Company), books and records of the System Companies, corporate and strategic relationships, suppliers, markets, computer software, computer software development, inventions, processes, formulae, technology, designs, drawings, technical information, source codes, engineering information, hardware configuration information, and matters of a business nature such as information regarding marketing, costs, pricing, finances, financial models and projections, billings, new or existing business or economic development plans, initiatives, and opportunities, or any other similar business information made available to Grantee prior to or during Grantee's employment with a System Company or otherwise in connection with Grantee's relationship with any System Company and (iv) any attorney-client privileged information of a System Company. Confidential Information shall also include non-public information concerning any director, officer, employee, shareholder, or partner of any System Company. Grantee agrees that Grantee's obligation not to disclose or use Confidential Information, and Grantee's obligation, detailed below, to return and, upon Grantee's termination of employment with all System Companies, not to retain materials and tangible property described in this Section 15 shall also extend to such types of information, materials and tangible property of customers of and suppliers to the System Companies and to other third parties, in each case who may have disclosed or entrusted the same to Grantee or to any System Company during Grantee's employment with any System Company.

(b) Non-Competition. At all times during Grantee's employment or service with any System Company Employer and for one (1) year following the termination for any reason of Grantee's employment by or service with Grantee's last System Company Employer (the "Non-Compete Period"), Grantee will not engage in Competing Employment. For purposes of this Section 15, "Competing Employment" means working for, providing services to or otherwise directly or indirectly assisting (whether or not for compensation) any person, entity or business which directly or indirectly competes with any part of the System Company business, and such employment or services involves products, services and business activities that are the same as or similar to those Grantee provided to a System Company, or as to which Grantee had access to Confidential Information, in the two years preceding Grantee's termination of employment or service with all System Companies. Grantee agrees that it is reasonable for the restriction contained in this paragraph to apply in each and every county, province, state, city, parish or other political subdivision or territory of the United States in which any System Company engages in any business activity, or otherwise distributes, licenses or sells its products or services, including, without limitation, Arkansas, Connecticut, District of Columbia,

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Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, New York, Texas, and Vermont and any other state in which any System Company engages in business at any time and, with respect to the State of Louisiana, means the following Parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, La Salle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Point Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, St. Charles, St. Helena, Saint James, Saint John the Baptist, Saint Landry, Saint Martin, Saint Mary, Saint Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn (the "Restricted Territory"). Notwithstanding the foregoing, if Grantee's employment is terminated by any System Company Employer without Cause, the covenant not to compete set forth in this Section 15(b) shall apply only for as long as the System Company Employer continues to pay Grantee, in accordance with the System Company Employer's regular payroll practices and schedule, Grantee's bi-weekly base salary in effect on the effective date of the termination of Grantee's employment, less any applicable tax withholdings and ordinary deductions (such payments, the "Non-Compete Payments"), but in no such event for longer than the Non-Compete Period. In any instance where a System Company Employer has the right to elect to make Non-Compete Payments, such System Company Employer must notify Grantee in writing of such election, and the duration for which it elects to make Non-Compete Payments, within ten (10) business days following the termination of Grantee's employment from the System Company. If the System Company elects to make the Non-Compete Payments for less than the full Non-Compete Period, Grantee shall be free to join a competitor after Grantee ceases receiving the Non-Compete Payments. For the purposes of clarity, in the event of Grantee's termination for Cause or voluntary resignation, Grantee shall be subject to the restrictions set forth in this Section 15(b) without any requirement that Grantee's System Company Employer pay Grantee any Non-Compete Payments.

(c) Non-Solicitation. Grantee agrees that, while Grantee is employed by any System Company and during the Non-Compete Period (or, if later, the last day Grantee is scheduled to receive cash severance payments from Grantee's System Company Employer pursuant to any severance plan or other agreement), except in the good faith performance of Grantee's duties to the System Companies, Grantee shall not, other than as authorized in writing by the General Counsel of the Company: (i) directly or indirectly, solicit or seek to hire or identify for potential hiring (whether on Grantee's own behalf or on behalf of any other person, entity or organization) any person who is at that time (or was during the prior six (6) months) an employee or consultant of any System Company, or (ii) within the Restricted Territory, directly or indirectly solicit the trade, business or patronage of any clients, customers or vendors or prospective clients, customers or vendors of any System Company to provide competing products or services or advise, or assist such clients, customers or vendors or prospective clients, customers or vendors in any way modify their relationship with any System Company. The foregoing non-solicitation (1) shall not be violated by general advertising not targeted at the forgoing persons or entities; (2) shall not apply to solicitation of persons involuntarily terminated from System Company employment; and (3) shall only apply to persons or entities (A) who reported directly or indirectly to Grantee; (B) with whom Grantee had material contact while at a System Company; or (C) about whom or which Grantee possessed (i) information regarding quality of performance while they were employed by a System Company, which information Grantee would not otherwise have except for the position Grantee held with a System Company, or (ii) Confidential Information.

(d) Non-Disparagement. Grantee agrees that, to the fullest extent permitted by applicable law, Grantee will not at any time (whether during or after Grantee's employment or service with any System Company), other than in the proper performance of Grantee's duties, publish or communicate to any person or entity any "Disparaging" (as defined below) remarks, comments or statements concerning any System Company or any of their respective directors, officers, shareholders, employees, agents, attorneys, successors and assigns. "Disparaging" remarks, comments or statements are those that are intended to, or could be construed in a manner so as to, impugn, discredit, injure or impair the business, reputation, character, honesty, integrity, judgment, morality or business acumen or abilities of the individual or entity being disparaged.

(e) System Company Property. All tangible materials, equipment, devices, documents, copies of documents, data compilations (in whatever form), software programs, and electronically created or stored materials that Grantee receives or creates in the course of employment with a System Company are and shall remain the property of the System Company, and Grantee shall immediately return (and/or cooperate in the supervised deletion of) such

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property to Grantee's System Company Employer upon the termination of Grantee's employment, for whatever reason. The obligation to return property and documents extends to anything received or made during and as a result of employment by a System Company, regardless of whether it was received from a System Company or a third party, such as an actual or potential vendor or customer, and regardless of whether a document contains Confidential Information. The only documents not subject to the obligation to return are documents directly relating to Grantee's compensation and benefits, such as Grantee's pay stubs and benefit plan information.

(f) Violation of the Restrictive Covenant Section. In the event that Grantee violates any provision of this Section 15, the time periods set forth in those paragraphs shall be extended for the period of time Grantee remains in violation of the provisions, to the greatest extent allowed by applicable law. The provisions of Section 15(a) - (e) hereof are, and shall be construed as, independent covenants, and no claimed or actual breach of any contractual or legal duty by any System Company shall excuse or terminate Grantee's obligations hereunder or preclude any System Company from obtaining injunctive relief for Grantee's violation, or threatened violation, of any of those provisions. Grantee also agrees to indemnify and hold the System Companies harmless from any and all losses (including, but not limited to, reasonable attorney's fees and other expenses incurred to enforce this Agreement) suffered by any System Company as a result of any violation or threatened violation of any of Grantee's representations, warranties, covenants or undertakings set forth in this Agreement (in addition to any other remedies available to the System Companies set forth in Section 15(i) below), provided that a System Company is found to be the prevailing party in any such action.

(g) Exclusions. Notwithstanding anything else in this Section 15 or in this Agreement to the contrary:

(i) the restrictive covenants in this Section 15 are not intended to restrict Grantee from cooperating with any investigation or proceeding initiated by the Nuclear Regulatory Commission ("NRC") or any other federal or state regulatory agency. Further, Grantee may make disclosure (i) to exercise Grantee's rights as a whistleblower under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Securities and Exchange Commission Rule 21F-17(a) or any other federal or state law providing whistleblower rights; (ii) to the extent necessary when providing safety-related or other information to the NRC on matters within the NRC's regulatory jurisdiction; (iii) when participating in "protected activities", as defined in Section 211 of the Energy Reorganization Act of 1974 and in C.F.R. Part 50.7; (iv) when engaging in activities protected by the National Labor Relations Act or any similar federal or state law; or (v) when required to do so by a court of law, or by any governmental agency or administrative or legislative body with jurisdiction to order Grantee to divulge, disclose or make accessible such information. With the exception of Confidential Information subject to the attorney-client privilege, Grantee shall have no obligation to seek prior approval of any System Company or to inform any System Company of such disclosure. This Agreement does not limit Grantee's ability to communicate, without notice to any System Company, with any governmental agencies or otherwise participate in any investigation or proceeding that may be conducted by any governmental agency, or to collect a reward in connection with any whistleblower information provided to a government agency.

(ii) *Defend Trade Secrets Act Immunity Notice* . Pursuant to the Defend Trade Secrets Act of 2016, non-compliance with the disclosure provisions of this Agreement shall not subject Grantee to criminal or civil liability under any Federal or State trade secret law for the disclosure of a System Company trade secret: (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney in confidence solely for the purpose of reporting or investigating a suspected violation of law; (B) in a complaint or other document filed in a lawsuit or other proceeding, provided that any complaint or document containing the trade secret is filed under seal; or (C) to an attorney representing Grantee in a lawsuit for retaliation by any System Company for reporting a suspected violation of law or to use the trade secret information in that court proceeding, provided that any document containing the trade secret is filed under seal and Grantee does not disclose the trade secret, except pursuant to court order.

(h) Restrictive Covenants Contained in Other Agreements. Notwithstanding any provision contained herein to the contrary, to the extent that Grantee is or becomes subject to any other agreement that contains

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restrictive covenants that are different from the restrictive covenants contained in this agreement, the restrictive covenants set forth in such other agreement shall supplement, and shall not replace, the restrictive covenants herein.

(i) **Enforcement.** Grantee hereby agrees that the covenants set forth in this Section 15 are reasonable with respect to their scope, duration, and geographical area. Grantee further agrees and acknowledges that the restrictions contained in Section 15 do not and would not unreasonably impose limitations on Grantee's ability to earn a living. If any court or other tribunal determines that any term or provision of Sections 15 is overbroad or otherwise invalid or unenforceable, Grantee and Entergy hereby agree that such court or tribunal shall have the power and obligation to narrow or otherwise reform the unenforceable term or provision, including to delete, replace, or add specific words or phrases, but only to the narrowest extent necessary to render the provision valid and enforceable (provided that in no event shall the length of any restrictive covenant or its scope be extended or expanded), and this Agreement shall be fully enforceable as so modified. Grantee's agreement to the restrictions provided for in this Agreement and Entergy's agreement to grant the Award are mutually dependent consideration. Therefore, notwithstanding any other provision to the contrary in this Agreement, if (i) the enforceability of any material restriction applicable to Grantee as provided for in this Section 15 is challenged and found unenforceable by a court or other tribunal or (ii) Grantee breaches any of the provisions of Section 15, then Entergy shall have the right to terminate this Agreement and recover from Grantee all Shares paid to Grantee pursuant to this Agreement and, if Grantee has sold, transferred, or otherwise disposed of any Shares received in respect of the Restricted Units, an amount equal to the aggregate Fair Market Value of such Shares on the date on which such Common Stock was paid to Grantee pursuant to this Agreement. This provision shall be construed as a return of consideration or ill-gotten gains due to the failure of Grantee's promises and consideration under the Agreement, and not as a liquidated damages clause. In addition, in the event of Entergy's termination of this Agreement, Grantee shall immediately forfeit all unvested Restricted Units and all vested and unpaid Restricted Units. Grantee further hereby agrees that, in the event of a breach by Grantee of any of the provisions of Sections 15(a), (b), (c) (d) or (e), monetary damages shall not constitute a sufficient remedy. Consequently, in the event of any such breach or threatened breach, Entergy or a System Company may, in addition to and without prejudice to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof, in each case without the requirement of posting a bond or proving actual damages and without having to demonstrate that money damages would be inadequate. Grantee acknowledges (i) that Grantee has carefully read this Agreement and has given careful consideration to the restraints imposed upon Grantee by this Agreement, and Grantee is in full accord as to their necessity for the reasonable and proper protection of Confidential Information of the System Companies and their relationships with customers, suppliers and other business partners and (ii) that Grantee is informed in writing hereby that Grantee has a right to the advice of legal counsel and should consult with an attorney of Grantee's choice with regard to this Agreement, and Grantee has been provided ample opportunity to seek out and consult with such counsel.

(j) For purposes of this Section 15, "System Company" shall include Entergy and all other System Companies. Grantee and Entergy agree that each System Company is an intended third-party beneficiary of this Section 15 and further agree that each System Company is entitled to enforce the provisions of this Section 15 in accordance with its terms. Notwithstanding anything to the contrary in this Agreement, the terms and conditions of the restrictive covenants set forth in this Section 15 shall survive the termination of this Agreement and shall remain in full force according to their respective terms and conditions.

(k) In the twelve (12) months following the termination of Grantee's employment with Grantee's last System Company Employer, in the event Grantee seeks or obtains employment or another business affiliation with any person or entity other than a System Company, Grantee agrees to notify the Company in writing, as far in advance as is reasonably practicable, but in no event less than two weeks prior to Grantee's proposed commencement of employment, of the details of such employment or business affiliation. Grantee also agrees to show these restrictive covenant provisions to any prospective employer, and Grantee consents to any System Company showing these provisions to any third party believed by a System Company to be a prospective or actual employer of Grantee, or a receiver of services from Grantee, and to insisting on Grantee's compliance with these terms. Grantee's obligations under this Section 15 will expire on that date which is twelve months after the end of Grantee's employment with all System Companies (or, if later, the last date as of which Grantee is scheduled to receive separation payments from any System Company pursuant to a severance plan or other agreement).

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16. **Validity.** Except as specifically provided in Section 15(i) of this Agreement, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

17. **Payment in Error.** To the maximum extent permitted by applicable law, in the event that a payment is made to Grantee or Grantee's successor (whether in cash, stock or other property) in error that exceeds the amount to which Grantee and Grantee's successor is entitled pursuant to the terms and conditions of this Agreement or the Plan, including without limitation Section 28 thereof (such excess amount, an "Excess Payment"), Grantee or Grantee's successor will repay to Entergy, and Entergy shall have the right to recoup from Grantee or Grantee's successor such Excess Payment by notifying Grantee or Grantee's successor in writing of the nature and amount of such Excess Payment together with (i) demand for direct repayment to Entergy by Grantee or Grantee's successor in the amount of such Excess Payment or (ii) reduction of any amount(s) owed to Grantee or Grantee's successor by Entergy or any other System Company by the amount of the Excess Payment.

18. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

19. **Waivers.** Any term or provision of this Agreement may only be waived by a System Company. Any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized Company officer. The failure of any System Company to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any System Company thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

20. **Policies.** Without limiting Section 17 of the Agreement, the Restricted Units shall be subject to all applicable Entergy policies, including without limitation those relating to hedging and recoupment of compensation, as they may be in effect from time to time.

21. **No Fractional Shares.** Any fractional Share to be distributed shall be settled in cash and applied to satisfy tax withholding requirements. The Company will not pay out any fractional Shares.

22. **Authority of the Committee.** The Committee or its delegate shall have full authority and discretion to interpret and construe the terms of the Plan and this Agreement. The determination of the Committee as to any such matter of interpretation or construction shall be final, binding and conclusive.

23. **Headings.** The titles and headings of the sections in this Agreement are for convenience of reference only, do not form part of this Agreement, and shall not affect the construction of this Agreement.

24. **Electronic Signature.** Electronic signature of this Agreement shall have the same validity and effect as a signature affixed by hand.

25. **Entire Agreement.** This Agreement (including the Plan) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior undertakings and agreements between the Company and its Affiliates and Grantee with respect to the subject matter hereof.

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**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement, which is effective as of the Effective Date.

**ENERGY CORPORATION**

\_\_\_\_\_  
By:

Date: \_\_\_\_\_

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Agreement and to all the terms and provisions of the Plan herein incorporated by reference. The undersigned Grantee further acknowledges that the Plan and Plan Prospectus are available to Grantee on Entergy's internal Web page under Our Company, Human Resources, Money & Finances, Compensation, Equity (<https://entergy.sharepoint.com/sites/myhra/myBenefits/Pages/Compensation.aspx>).

Grantee

Date: \_\_\_\_\_

### Subsidiaries of Entergy Corporation as of December 31, 2019

Certain subsidiaries, which if considered in the aggregate as a single subsidiary would not constitute a significant subsidiary as of December 31, 2019, have been omitted.

Name of Company	State of Incorporation
Entergy Corporation	Delaware
Entergy Utility Affiliates Holdings, Inc.	Texas
Entergy Utility Affiliates, LLC	Texas
Entergy Utility Holding Company, LLC	Texas
Entergy Holdings Company LLC	Delaware
Entergy Arkansas, LLC	Texas
Arkansas Power & Light Company, LLC	Arkansas
Entergy Arkansas Restoration Funding, LLC	Delaware
Entergy Louisiana, LLC	Texas
Entergy Holdings Company LLC	Delaware
Prudential Oil & Gas L.L.C.	Texas
Gulf States Utilities Company	Texas
Varibus L.L.C.	Texas
Southern Gulf Railway LLC	Texas
Entergy Louisiana Investment Recovery Funding I, L.L.C.	Louisiana
Louisiana Power & Light Company, LLC	Delaware
Entergy New Orleans, LLC	Texas
Entergy New Orleans Storm Recovery Funding I, L.L.C.	Louisiana
New Orleans Public Service Inc.	Louisiana
Entergy Mississippi, LLC	Texas
Jackson Gas Light Company	Mississippi
Entergy Power & Light Company	Mississippi
The Light, Heat and Water Company of Jackson, Mississippi	Mississippi
Mississippi Power & Light Company	Mississippi
Entergy Utility Assets Holdings, Inc.	Texas
Entergy Louisiana Properties, LLC	Texas
System Fuels, Inc.	Louisiana
Entergy Utility Assets, LLC	Texas
Entergy Utility Holding Company, LLC	Texas
Entergy Holdings Company LLC	Delaware
Entergy Arkansas, LLC	Texas
Arkansas Power & Light Company, LLC	Arkansas
Entergy Arkansas Restoration Funding, LLC	Delaware
Entergy Louisiana, LLC	Texas
Entergy Holdings Company LLC	Delaware
Prudential Oil & Gas L.L.C.	Texas
Gulf States Utilities Company	Texas
Varibus L.L.C.	Texas
Southern Gulf Railway LLC	Texas
Entergy Louisiana Investment Recovery Funding I, L.L.C.	Louisiana
Louisiana Power & Light Company, LLC	Delaware
Entergy New Orleans, LLC	Texas
Entergy New Orleans Storm Recovery Funding I, L.L.C.	Louisiana

New Orleans Public Service Inc.	Louisiana
Entergy Mississippi, LLC	Texas
Jackson Gas Light Company	Mississippi
Entergy Power & Light Company	Mississippi
The Light, Heat and Water Company of Jackson, Mississippi	Mississippi
Mississippi Power & Light Company	Mississippi
Entergy Utility Group, Inc.	Texas
System Fuels, Inc.	Louisiana
Entergy Utility Holding Company, LLC	Texas
Entergy Holdings Company LLC	Delaware
Entergy Arkansas, LLC	Texas
Arkansas Power & Light Company, LLC	Arkansas
Entergy Arkansas Restoration Funding, LLC	Delaware
Entergy Louisiana, LLC	Texas
Entergy Holdings Company LLC	Delaware
Prudential Oil & Gas L.L.C.	Texas
Gulf States Utilities Company	Texas
Varibus L.L.C.	Texas
Southern Gulf Railway LLC	Texas
Entergy Louisiana Investment Recovery Funding I, L.L.C.	Louisiana
Louisiana Power & Light Company, LLC	Delaware
Entergy New Orleans, LLC	Texas
Entergy New Orleans Storm Recovery Funding I, L.L.C.	Louisiana
New Orleans Public Service Inc.	Louisiana
Entergy Mississippi, LLC	Texas
Jackson Gas Light Company	Mississippi
Entergy Power & Light Company	Mississippi
The Light, Heat and Water Company of Jackson, Mississippi	Mississippi
Mississippi Power & Light Company	Mississippi
Entergy Utility Holding Company, LLC	Texas
Entergy Holdings Company LLC	Delaware
Entergy Arkansas, LLC	Texas
Arkansas Power & Light Company, LLC	Arkansas
Entergy Arkansas Restoration Funding, LLC	Delaware
Entergy Louisiana, LLC	Texas
Entergy Holdings Company LLC	Delaware
Prudential Oil & Gas L.L.C.	Texas
Gulf States Utilities Company	Texas
Varibus L.L.C.	Texas
Southern Gulf Railway LLC	Texas
Entergy Louisiana Investment Recovery Funding I, L.L.C.	Louisiana
Louisiana Power & Light Company, LLC	Delaware
Entergy New Orleans, LLC	Texas
Entergy New Orleans Storm Recovery Funding I, L.L.C.	Louisiana
New Orleans Public Service Inc.	Louisiana
Entergy Mississippi, LLC	Texas
Jackson Gas Light Company	Mississippi
Entergy Power & Light Company	Mississippi
The Light, Heat and Water Company of Jackson, Mississippi	Mississippi
Mississippi Power & Light Company	Mississippi
Entergy Texas, Inc.	Texas
Entergy Texas Restoration Funding, LLC	Delaware



Entergy Gulf States Reconstruction Funding I, LLC	Delaware
Prudential Oil & Gas L.L.C.	Texas
Southern Gulf Railway LLC	Texas
System Energy Resources, Inc.	Arkansas
Entergy Services Holding, Inc.	Delaware
Entergy Services, LLC	Louisiana
Entergy Account Services, LLC	Delaware
Entergy Operations, Inc.	Delaware
Entergy Enterprises, Inc.	Louisiana
Entergy Nuclear, Inc.	Delaware
TLG Services, Inc.	Connecticut
Entergy Nuclear PFS Company	Delaware
Entergy Nuclear Potomac Company	Delaware
Entergy Finance Holding, Inc.	Arkansas
Entergy Nuclear Holding Company # 1	Delaware
Entergy Nuclear New York Investment Company, LLC	Delaware
Entergy Nuclear Indian Point 3, LLC	Delaware
Entergy Northeast Holdings, LLC	Delaware
Entergy Power Marketing Assets, LLC	Delaware
Entergy Nuclear Power Marketing, LLC	Delaware
Entergy Nuclear Holding Company # 2	Delaware
Entergy Nuclear Operations, Inc.	Delaware
Entergy Nuclear Fuels Company	Delaware
Entergy Nuclear Vermont Finance Company	Delaware
Entergy Nuclear Holding Company, LLC	Delaware
Entergy Nuclear Midwest Investment Company, LLC	Delaware
Entergy Nuclear Palisades, LLC	Delaware
Entergy Nighthawk GP, LLC	Delaware
Entergy Nighthawk LP, LLC	Delaware
Entergy Nuclear Holding Company # 3, LLC	Delaware
Entergy Nuclear Indian Point 2, LLC	Delaware
Entergy Nuclear Nebraska, LLC	Delaware
Entergy Nuclear Vermont Investment Company, LLC	Delaware
Vermont Yankee Asset Retirement Management, LLC	Delaware
Entergy Power Marketing Holding I, Inc.	Delaware
Entergy Power Marketing Properties, LLC	Delaware
Entergy Power Marketing Holding II, Inc.	Delaware
Entergy Amalgamated Competitive Holdings, LLC	Delaware
Entergy Power Operations U.S. Inc.	Delaware
Entergy Power Gas Operations, LLC	Delaware
EWO Wind II, LLC	Delaware
Entergy Power Ventures, LLC	Delaware
EWO Marketing, LLC	Delaware
EAM Nelson Holding, LLC	Delaware
EK Holding III, LLC	Delaware
Entergy Power Investment Holding, Inc.	Delaware
Entergy Asset Management, Inc.	Delaware
Entergy Power, LLC	Delaware
Entergy International Holdings, LLC	Delaware
Entergy Global, LLC	Arkansas
Entergy International LTD LLC	Delaware

February 20, 2020

TO: Kimberly A. Fontan  
Daniel T. Falstad

Re: Power of Attorney - Form 10-K

Entergy Corporation, referred to herein as the Company, will file with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 2019, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The Company and the undersigned persons, in their respective capacities as directors and/or officers of the Company, as specified in Attachment I, do each hereby make, constitute and appoint Kimberly A. Fontan and Daniel T. Falstad and each of them, their true and lawful Attorneys (with full power of substitution) for each of the undersigned and in his or her name, place and stead to sign and cause to be filed with the Securities and Exchange Commission the aforementioned Annual Report on Form 10-K and any amendments thereto.

Yours very truly,

ENTERGY CORPORATION

By: /s/ Leo P. Denault  
Leo P. Denault  
Director, Chairman of the Board  
and Chief Executive Officer

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/s/ John R. Burbank  
John R. Burbank  
Director

/s/ Alexis M. Herman  
Alexis M. Herman  
Director

/s/ Patrick J. Condon  
Patrick J. Condon  
Director

/s/ M. Elise Hyland  
M. Elise Hyland  
Director

/s/ Leo P. Denault  
Leo P. Denault  
Director, Chairman of the Board and  
Chief Executive Officer

/s/ Stuart L. Levenick  
Stuart L. Levenick  
Director

/s/ Kirkland H. Donald  
Kirkland H. Donald  
Director

/s/ Blanche L. Lincoln  
Blanche L. Lincoln  
Director

/s/ Philip L. Frederickson  
Philip L. Frederickson  
Director

/s/ Karen A. Puckett  
Karen A. Puckett  
Director

/s/ Andrew S. Marsh  
Andrew S. Marsh  
Executive Vice President and Chief  
Financial Officer

**Entergy Corporation**

Chairman of the Board and Chief Executive Officer - Leo P. Denault (principal executive officer)

Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - John R. Burbank, Patrick J. Condon, Leo P. Denault, Kirkland H. Donald, Philip L. Frederickson, Alexis M. Herman, M. Elise Hyland, Stuart L. Levenick, Blanche L. Lincoln and Karen A. Puckett

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February 20, 2020

TO: Kimberly A. Fontan  
Daniel T. Falstad

Re: Power of Attorney - Form 10-K

Entergy Arkansas, LLC., Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas, Inc. and System Energy Resources, Inc. (collectively referred to herein as the Companies) will each file with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 2019, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

The Companies and the undersigned persons, in their respective capacities as directors and/or officers of the Companies, as specified in Attachment I, do each hereby make, constitute and appoint Kimberly A. Fontan and Daniel T. Falstad and each of them, their true and lawful Attorneys (with full power of substitution) for each of the undersigned and in his or her name, place and stead to sign and cause to be filed with the Securities and Exchange Commission the aforementioned Annual Report on Form 10-K and any amendments thereto.

Yours very truly,

ENTERGY ARKANSAS, LLC  
ENTERGY LOUISIANA, LLC  
ENTERGY MISSISSIPPI, LLC  
ENTERGY NEW ORLEANS, LLC  
ENTERGY TEXAS, INC.  
SYSTEM ENERGY RESOURCES, INC.

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/s/ A. Christopher Bakken, III  
A. Christopher Bakken, III  
Director of System Energy Resources, Inc.

/s/ Steven C. McNeal  
Steven C. McNeal  
Director of System Energy Resources, Inc.

/s/ Haley R. Fisackerly  
Haley R. Fisackerly  
Director, Chairman of the Board, President and Chief  
Executive Officer of Entergy Mississippi, LLC

/s/ Sallie T. Rainer  
Sallie T. Rainer  
Director, Chair of the Board of Directors, President and Chief  
Executive Officer of Entergy Texas, Inc.

/s/ Paul D. Hinnenkamp  
Paul D. Hinnenkamp  
Director of Entergy Arkansas, LLC, Entergy Louisiana, LLC,  
Entergy Mississippi, LLC, Entergy New Orleans, LLC and  
Entergy Texas, Inc.

/s/ David D. Ellis  
David D. Ellis  
Director, Chairman of the Board, President and Chief  
Executive Officer of Entergy New Orleans, LLC

/s/ Andrew S. Marsh  
Andrew S. Marsh  
Director, Executive Vice President and Chief Financial Officer  
of Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy  
Mississippi, LLC, Entergy New Orleans, LLC, Entergy Texas,  
Inc. and System Energy Resources, Inc.

/s/ Laura R. Landreaux  
Laura R. Landreaux  
Director, Chair of the Board of Directors, President and Chief  
Executive Officer of Entergy Arkansas, LLC

/s/ Phillip R. May, Jr.  
Phillip R. May, Jr.  
Director, Chairman of the Board, President and Chief  
Executive Officer of Entergy Louisiana, LLC

/s/ Roderick K. West  
Roderick K. West  
Director of Entergy Arkansas, LLC, Entergy Louisiana, LLC,  
Entergy Mississippi, LLC, Entergy New Orleans, LLC and  
Entergy Texas, Inc.

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

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**Entergy Arkansas, LLC**

Chair of the Board of Directors, President and Chief Executive Officer - Laura R. Landreaux (principal executive officer)  
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Laura R. Landreaux, Andrew S. Marsh and Roderick K. West

**Entergy Louisiana, LLC**

Chairman of the Board, President and Chief Executive Officer - Phillip R. May, Jr. (principal executive officer)  
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Andrew S. Marsh, Phillip R. May, Jr. and Roderick K. West

**Entergy Mississippi, LLC**

Chairman of the Board, President and Chief Executive Officer - Haley R. Fisackerly (principal executive officer)  
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Haley R. Fisackerly, Paul D. Hinnenkamp, Andrew S. Marsh and Roderick K. West

**Entergy New Orleans, LLC**

Chairman of the Board, President and Chief Executive Officer - David D. Ellis (principal executive officer)  
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - David D. Ellis, Paul D. Hinnenkamp, Andrew S. Marsh and Roderick K. West

**Entergy Texas, Inc.**

Chair of the Board of Directors, President and Chief Executive Officer - Sallie T. Rainer (principal executive officer)  
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - Paul D. Hinnenkamp, Andrew S. Marsh, Sallie T. Rainer and Roderick K. West

**System Energy Resources, Inc.**

Chairman of the Board, President and Chief Executive Officer - Roderick K. West (principal executive officer)  
Executive Vice President and Chief Financial Officer - Andrew S. Marsh (principal financial officer)

Directors - A. Christopher Bakken, III, Andrew S. Marsh, Steven C. McNeal and Roderick K. West

CERTIFICATIONS

I, Leo P. Denault, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Leo P. Denault

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Leo P. Denault  
Chairman of the Board and Chief Executive Officer  
of Entergy Corporation

Date: February 21, 2020



**CERTIFICATIONS**

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and  
Chief Financial Officer of Entergy Corporation

Date: February 21, 2020

**CERTIFICATIONS**

I, Laura R. Landreaux, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Arkansas, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Laura R. Landreaux

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Laura R. Landreaux  
Chair of the Board, President, and  
Chief Executive Officer of Entergy Arkansas, LLC

Date: February 21, 2020

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Arkansas, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Arkansas, LLC

Date: February 21, 2020

CERTIFICATIONS

I, Phillip R. May, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Louisiana, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Phillip R. May, Jr.

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Phillip R. May, Jr.  
Chairman of the Board, President, and Chief Executive  
Officer of Entergy Louisiana, LLC

Date: February 21, 2020

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Louisiana, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Louisiana, LLC

Date: February 21, 2020

CERTIFICATIONS

I, Haley R. Fisackerly, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Mississippi, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Haley R. Fisackerly

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Haley R. Fisackerly  
Chairman of the Board, President, and  
Chief Executive Officer  
of Entergy Mississippi, LLC

Date: February 21, 2020

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Mississippi, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Mississippi, LLC

Date: February 21, 2020

CERTIFICATIONS

I, David D. Ellis, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy New Orleans, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David D. Ellis

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David D. Ellis  
Chairman of the Board, President, and  
Chief Executive Officer of Entergy New Orleans, LLC

Date: February 21, 2020



CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy New Orleans, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer of  
Entergy New Orleans, LLC

Date: February 21, 2020

CERTIFICATIONS

I, Sallie T. Rainer, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Texas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sallie T. Rainer

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Sallie T. Rainer  
Chair of the Board, President, and  
Chief Executive Officer of Entergy Texas, Inc.

Date: February 21, 2020

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of Entergy Texas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Texas, Inc.

Date: February 21, 2020

CERTIFICATIONS

I, Roderick K. West, certify that:

1. I have reviewed this annual report on Form 10-K of System Energy Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Roderick K. West

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Roderick K. West  
Chairman of the Board, President, and Chief Executive  
Officer of System Energy Resources, Inc.

Date: February 21, 2020

CERTIFICATIONS

I, Andrew S. Marsh, certify that:

1. I have reviewed this annual report on Form 10-K of System Energy Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of System Energy Resources, Inc.

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Leo P. Denault, Chairman of the Board and Chief Executive Officer of Entergy Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Leo P. Denault

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Leo P. Denault  
Chairman of the Board and  
Chief Executive Officer  
of Entergy Corporation

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and  
Chief Financial Officer of Entergy Corporation

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Laura R. Landreaux, Chair of the Board, President, and Chief Executive Officer of Entergy Arkansas, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Laura R. Landreaux

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Laura R. Landreaux  
Chair of the Board, President, and  
Chief Executive Officer of Entergy Arkansas, LLC

Date: February 21, 2020



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Arkansas, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Arkansas, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Phillip R. May, Jr., Chairman of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Phillip R. May, Jr.

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Phillip R. May, Jr.  
Chairman of the Board, President,  
and Chief Executive Officer of Entergy Louisiana, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Louisiana, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Louisiana, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Haley R. Fisackerly, Chairman of the Board, President, and Chief Executive Officer of Entergy Mississippi, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Haley R. Fisackerly

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Haley R. Fisackerly  
Chairman of the Board, President, and Chief Executive  
Officer of Entergy Mississippi, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Mississippi, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Mississippi, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David D. Ellis, Chairman of the Board, President, and Chief Executive Officer of Entergy New Orleans, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ David D. Ellis

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David D. Ellis  
Chairman of the Board, President, and  
Chief Executive Officer of  
Entergy New Orleans, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy New Orleans, LLC (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy New Orleans, LLC

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Sallie T. Rainer, Chair of the Board, President, and Chief Executive Officer of Entergy Texas, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Sallie T. Rainer

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Sallie T. Rainer  
Chair of the Board, President, and  
Chief Executive Officer  
of Entergy Texas, Inc.

Date: February 21, 2020



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of Entergy Texas, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of Entergy Texas, Inc.

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Roderick K. West, Chairman of the Board, President, and Chief Executive Officer of System Energy Resources, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Roderick K. West

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Roderick K. West  
Chairman of the Board, President, and Chief Executive  
Officer of System Energy Resources, Inc.

Date: February 21, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew S. Marsh, Executive Vice President and Chief Financial Officer of System Energy Resources, Inc. (the “Company”), certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the Report.

/s/ Andrew S. Marsh

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Andrew S. Marsh  
Executive Vice President and Chief Financial Officer  
of System Energy Resources, Inc.

Date: February 21, 2020