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2013 3Q

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

FORM 10-Q

14 SEP 2013 12:02

(Mark One)

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

For the Quarterly Period Ended September 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	0-05807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 72-0273040
0-20371	ENTERGY GULF STATES LOUISIANA, L.L.C. (a Louisiana limited liability company) 446 North Boulevard Baton Rouge, Louisiana 70802 Telephone (800) 368-3749 74-0662730	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 446 North Boulevard Baton Rouge, Louisiana 70802 Telephone (800) 368-3749 75-3206126	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777

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

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

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

	Large accelerated filer	Accelerated filer	Non- accelerated filer	Smaller reporting company
Entergy Corporation	√			
Entergy Arkansas, Inc.			√	
Entergy Gulf States Louisiana, L.L.C.			√	
Entergy Louisiana, LLC			√	
Entergy Mississippi, Inc.			√	
Entergy New Orleans, Inc.			√	
Entergy Texas, Inc.			√	
System Energy Resources, Inc.			√	

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

Common Stock Outstanding

Entergy Corporation

(\$0.01 par value)

Outstanding at October 31, 2013

178,319,275

Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2012 and the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

ENTERGY CORPORATION AND SUBSIDIARIES
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FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation and the Registrant Subsidiaries each makes statements as a registrant concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “will,” “could,” “project,” “believe,” “anticipate,” “intend,” “expect,” “estimate,” “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 those factors discussed or incorporated by reference in (a) Item 1A. Risk Factors in the Form 10-K, (b) Management’s Financial Discussion and Analysis in the Form 10-K and in this report, and (c) the following factors (in addition to others described elsewhere in this combined report and in subsequent securities filings):

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs;
- the termination of Entergy Arkansas’s and Entergy Mississippi’s participation in the System Agreement in December 2013 and November 2015, respectively, the termination of Entergy Texas’s participation in the System Agreement after expiration of the recently proposed 60-month notice period or such other period as approved by the FERC, and the potential for other Entergy operating companies to terminate participation in the System Agreement by providing notice pursuant to the recently proposed 60-month notice period or such other period as approved by the FERC in its pending proceeding and/or by seeking an amendment to the System Agreement that would allow for an Entergy operating company to terminate its participation in less than 96 months;
- regulatory and operating challenges and uncertainties associated with the Utility operating companies’ proposal to move to the MISO RTO;
- risks associated with the proposed spin-off and subsequent merger of Entergy’s electric transmission business into a subsidiary of ITC Holdings Corp., including the risk that Entergy and the Utility operating companies may not be able to timely satisfy the conditions or obtain the approvals required to complete such transaction or such approvals may contain material restrictions or conditions, and the risk that if completed, the transaction may not achieve its anticipated results;
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC;
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including with respect to the planned or potential shutdown of nuclear generating facilities owned or operated by the Entergy Wholesale Commodities business, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications of nuclear generating facilities;
- the performance of and deliverability of power from Entergy’s generation resources, including the capacity factors at its nuclear generating facilities;
- Entergy’s ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- prices for power generated by Entergy’s merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward, or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants;

FORWARD-LOOKING INFORMATION (Concluded)

- the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts;
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities;
- changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, greenhouse gases, mercury, and other regulated air emissions, and changes in costs of compliance with environmental and other laws and regulations;
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal;
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;
- effects of climate change;
- changes in the quality and availability of water supplies and the related regulation of water use and diversion;
- Entergy's ability to manage its capital projects and operation and maintenance costs;
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms;
- the economic climate, and particularly economic conditions in Entergy's Utility service area and the Northeast United States and events that could influence economic conditions in those areas;
- the effects of Entergy's strategies to reduce tax payments;
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute share repurchase programs, and fund investments and acquisitions;
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria;
- changes in inflation and interest rates;
- the effect of litigation and government investigations or proceedings;
- changes in technology, including with respect to new, developing, or alternative sources of generation;
- the potential effects of threatened or actual terrorism, cyber attacks or data security breaches, including increased security costs, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;
- Entergy's ability to attract and retain talented management and directors;
- changes in accounting standards and corporate governance;
- declines in the market prices of marketable securities and resulting funding requirements for Entergy's defined benefit pension and other postretirement benefit plans;
- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of or cost to decommission nuclear plant sites;
- the effectiveness of Entergy's risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;
- factors that could lead to impairment of long-lived assets; and
- the ability to successfully complete merger, acquisition, or divestiture plans, regulatory or other limitations imposed as a result of merger, acquisition, or divestiture, and the success of the business following a merger, acquisition, or divestiture.

DEFINITIONS

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

<u>Abbreviation or Acronym</u>	<u>Term</u>
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASLB	Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Texas	Entergy Texas, Inc., a company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Wholesale Commodities (EWC)	Entergy's non-utility business segment primarily comprised of the ownership and operation of six nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by those plants to wholesale customers
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2012 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
IRS	Internal Revenue Service
ISO	Independent System Operator

DEFINITIONS (Concluded)

<u>Abbreviation or Acronym</u>	<u>Term</u>
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LPSC	Louisiana Public Service Commission
MISO	Midcontinent Independent System Operator, Inc., a regional transmission organization
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatts
MWh	Megawatt-hour(s)
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned and operated
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
Palisades	Palisades Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Pilgrim	Pilgrim Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
PPA	Purchased power agreement or power purchase agreement
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.
River Bend	River Bend Station (nuclear), owned by Entergy Gulf States Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
SMEPA	South Mississippi Electric Power Association, which owns a 10% interest in Grand Gulf
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather

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 operates a small natural gas distribution business. As discussed in more detail in "**Plan to Spin Off the Utility's Transmission Business**," herein and in the Form 10-K, in December 2011, Entergy entered into an agreement to spin off its transmission business and merge it with a newly-formed subsidiary of ITC Holdings Corp.
- The **Entergy Wholesale Commodities** business segment includes the ownership and operation of six nuclear power plants located in the northern United States and the sale of the electric power produced by those plants to wholesale customers. In August 2013, Entergy announced plans to close and decommission Vermont Yankee. The plant is expected to cease power production in the fourth quarter 2014 after its current fuel cycle. This business also provides services to other nuclear power plant owners. Entergy Wholesale Commodities also owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Results of Operations

Third Quarter 2013 Compared to Third Quarter 2012

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the third quarter 2013 to the third quarter 2012 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)			
3rd Quarter 2012 Consolidated Net Income (Loss)	\$300,506	\$86,772	(\$44,608)	\$342,670
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	120,042	(607)	1,756	121,191
Other operation and maintenance expenses	50,999	19,157	3,950	74,106
Asset impairment	-	291,505	-	291,505
Taxes other than income taxes	3,186	4,529	186	7,901
Depreciation and amortization	17,907	25,540	(38)	43,409
Other income	(4,093)	1,491	1,376	(1,226)
Interest expense	5,300	1,150	(3,196)	3,254
Other expenses	3,612	2,616	-	6,228
Income taxes	(16,852)	(164,013)	(27,085)	(207,950)
3rd Quarter 2013 Consolidated Net Income (Loss)	\$352,303	(\$92,828)	(\$15,293)	\$244,182

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

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

In the fourth quarter 2012, Entergy moved two subsidiaries from Parent & Other to the Entergy Wholesale Commodities segment to improve the alignment of certain intercompany items and income tax activity. The prior period financial information in this Form 10-Q has been restated to reflect this change.

As discussed in more detail in Note 11 to the financial statements, third quarter 2013 results of operations includes \$291.5 million (\$183.7 million after-tax) of impairment and other related charges to write down the carrying value of Vermont Yankee and related assets to their fair values.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the third quarter 2013 to the third quarter 2012:

	<u>Amount</u> (In Millions)
2012 net revenue	\$1,508
Retail electric price	67
Fuel recovery	15
Volume/weather	10
Decommissioning trust	8
Net wholesale revenue	6
Hurricane Rita regulatory asset adjustment	6
Grand Gulf recovery	4
Other	4
2013 net revenue	<u>\$1,628</u>

The retail electric price variance is primarily due to:

- a formula rate plan increase at Entergy Louisiana, effective January 2013, which includes an increase relating to the Waterford 3 steam generator replacement project, which was placed in service in December 2012. The net income effect of the formula rate plan increase is limited to a portion representing an allowed return on equity with the remainder offset by costs included in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes;
- the recovery of Hinds plant costs through the power management rider at Entergy Mississippi, as approved by the MPSC, effective with the first billing cycle of 2013. The net income effect of the Hinds plant cost recovery is limited to a portion representing an allowed return on equity on the net plant investment with the remainder offset by the Hinds plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes;
- an increase in the capacity acquisition rider at Entergy Arkansas, as approved by the APSC, effective with the first billing cycle of December 2012, relating to the Hot Spring plant acquisition. The net income effect of the Hot Spring plant cost recovery is limited to a portion representing an allowed return on equity on the net plant investment with the remainder offset by the Hot Spring plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes; and
- an increase in the energy efficiency rider, as approved by the APSC, effective July 2013. Energy efficiency revenues are offset by costs included in other operation and maintenance expenses and have no effect on net income.

These increases are partially offset by a temporary increase in 2012 in the storm cost recovery rider at Entergy Mississippi, as approved by the MPSC for a five-month period effective August 2012. The increase in revenues in 2012 was offset by costs included in other operation and maintenance expenses and had no effect on net income. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The fuel recovery variance is primarily due to:

- an adjustment to deferred fuel costs recorded in the third quarter 2012 in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of this PUCT rate order;
- the expiration of the Evangeline gas contract on January 1, 2013; and
- the deferral of increased capacity costs that will be recovered through fuel adjustment clauses.

The volume/weather variance is primarily due to an increase of 342 GWh, or 1%, in weather-adjusted usage primarily in the industrial sector and an increase in sales volume in the unbilled sales period. This was partially offset by the effect of less favorable weather on residential and commercial sales in the third quarter 2013 as compared to the same period in the prior year. The increase in industrial sales was primarily due to growth in the chemicals and refining segments.

The decommissioning trust variance is primarily due to lower regulatory charges resulting from a decrease in interest earned on ANO and River Bend decommissioning trust investments in 2013 in accordance with regulatory treatment. There is no effect on net income as this interest is reflected in other income.

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

The Hurricane Rita regulatory asset adjustment was recorded in third quarter 2012 in accordance with the rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

The Grand Gulf recovery variance is primarily due to increased recovery of higher costs resulting from the Grand Gulf uprate.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the third quarter 2013 to the third quarter 2012:

	Amount
	(In Millions)
2012 net revenue	\$495
Nuclear realized price changes	(2)
Nuclear volume	5
Other	(4)
2013 net revenue	\$494

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$1 million in the third quarter 2013 compared to the third quarter 2012 primarily due to:

- lower energy prices, substantially offset by higher capacity prices;
- the exercise of resupply options in the third quarter 2012 provided for in purchase power agreements whereby Entergy Wholesale Commodities may elect to supply power from another source when the plant is not running. Amounts related to the exercise of resupply options are included in the GWh billed in the table below; and
- higher volume in its nuclear fleet resulting from fewer unplanned and refueling outage days in 2013 as compared to the same period in 2012.

Following are key performance measures for Entergy Wholesale Commodities for the third quarter 2013 and 2012:

	2013	2012
Owned capacity	6,612	6,612
GWh billed	11,630	12,002
Average realized revenue per MWh	\$53.22	\$51.88
<u>Entergy Wholesale Commodities Nuclear Fleet</u>		
Capacity factor	94%	90%
GWh billed	10,274	10,480
Average realized revenue per MWh	\$53.16	\$52.27
Refueling outage days:		
FitzPatrick	-	15

Realized Revenue per MWh Trend for Entergy Wholesale Commodities Nuclear Plants

The economic downturn and negative trends in the energy commodity markets have resulted over the past few years in lower natural gas prices and lower market prices for electricity in the New York and New England power regions, which is where five of the six Entergy Wholesale Commodities nuclear power plants are located. Entergy Wholesale Commodities's nuclear business experienced a decrease in realized price per MWh to \$50.29 in 2012 from \$54.73 in 2011 and \$59.16 in 2010. These price trends present a challenging economic situation for the Entergy Wholesale Commodities plants. The challenge is greater for some of these plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the investment required to maintain the safety and integrity of the plants. If, in the future, economic conditions or regulatory activity no longer support the continued operation of a plant by Entergy it could adversely affect Entergy's results of operations through impairment charges, increased depreciation rates, transitional costs, or accelerated decommissioning costs.

On August 27, 2013, Entergy announced its plan to close and decommission Vermont Yankee. Vermont Yankee is expected to cease power production in the fourth quarter 2014 after its current fuel cycle. This decision was approved by the Board in August 2013. The decision to shut down the plant was primarily due to sustained low natural gas and wholesale energy prices, the high cost structure of the plant, and lack of a market structure that adequately compensates merchant nuclear plants for their environmental and fuel diversity benefits in the region in which the plant operates. See Note 11 to the financial statements herein for discussion of related impairment charges recorded during the third quarter 2013.

Impairment of long-lived assets and nuclear decommissioning costs, and the factors that influence these items, are both discussed in detail in the Form 10-K in "Critical Accounting Estimates." See also the discussion below in "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" regarding Entergy Wholesale Commodities nuclear plant operating license and related activity.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$519 million for the third quarter 2012 to \$570 million for the third quarter 2013 primarily due to:

- an increase of \$25 million in compensation and benefits costs primarily due to a decrease in the discount rates used to determine net periodic pension and other postretirement benefit costs and a settlement charge, recognized in September 2013, related to the payment of lump sum benefits out of the non-qualified pension plan. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates**" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- an increase of \$8 million in fossil-fueled generation expenses primarily due to the acquisitions of the Hot Spring plant by Entergy Arkansas and the Hinds plant by Entergy Mississippi in November 2012. Costs related to the Hot Spring and Hinds plants are recovered through the capacity acquisition rider and power management rider, respectively, as previously discussed;
- an increase of \$8 million resulting from implementation and severance costs in 2013 related to the human capital management strategic imperative. See "**Human Capital Management Strategic Imperative**" below for further discussion;
- an increase of approximately \$7 million as a result of the deferral or capitalization of storm restoration costs in the third quarter 2012 for Hurricane Isaac, which hit the Utility's service area in August 2012; and
- an increase of \$3 million in energy efficiency costs at Entergy Arkansas. These costs are recovered through an energy efficiency rider and have no effect on net income.

These increases were partially offset by a temporary increase in 2012 of \$10 million in storm damage accruals, as approved by the MPSC for a five-month period effective August 2012.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Hot Spring and Hinds plant acquisitions in 2012 and the completion of the Waterford 3 steam generator replacement project and the Grand Gulf uprate project in 2012.

Entergy Wholesale Commodities

The asset impairment variance is due to \$291.5 million (\$183.7 million after-tax) of impairment and other related charges in the third quarter 2013 to write down the carrying value of Vermont Yankee and related assets to their fair values. See Note 11 to the financial statements herein for further discussion of these charges.

Other operation and maintenance expenses increased from \$245 million for the third quarter 2012 to \$264 million for the third quarter 2013 primarily due to an increase of \$23 million in compensation and benefits costs primarily due to a decrease in the discount rates used to determine net periodic pension and other postretirement benefit costs and a settlement charge, recognized in September 2013, related to the payment of lump sum benefits out of the non-qualified pension plan. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates**" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs.

Depreciation and amortization expenses increased primarily due to an adjustment in 2012 resulting from a final court decision in the Entergy Nuclear Indian Point 2 lawsuit against the U.S. Department of Energy related to spent nuclear fuel disposal. The effects of recording the proceeds from the judgment reduced the plant in service balances with a corresponding \$19 million reduction to previously-recorded depreciation expense.

Income Taxes

The effective income tax rate was 9.1% for the third quarter 2013. The difference in the effective income tax rate for the third quarter 2013 versus the statutory rate of 35% was primarily due to lower state income taxes resulting from a state deferred tax adjustment and the reversal of a state valuation allowance. Also contributing to the lower rate was the reversal of a portion of the provision for uncertain tax positions.

The effective income tax rate was 40.4% for the third quarter 2012. The difference in the effective income tax rate versus the statutory rate of 35% for the third quarter 2012 was primarily due to state income taxes.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the nine months ended September 30, 2013 to the nine months ended September 30, 2012 showing how much the line item increased or (decreased) in comparison to the prior period:

	<u>Utility</u>	<u>Entergy Wholesale Commodities</u>	<u>Parent & Other (a)</u>	<u>Entergy</u>
		(In Thousands)		
2012 Consolidated Net Income (Loss)	\$676,244	(\$18,420)	(\$91,311)	\$566,513
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	456,728	(20,372)	5,929	442,285
Other operation and maintenance expenses	145,648	21,650	10,745	178,043
Asset impairment	-	(64,019)	-	(64,019)
Taxes other than income taxes	21,246	7,201	158	28,605
Depreciation and amortization	60,986	25,944	(100)	86,830
Other income	(12,213)	(1,547)	1,761	(11,999)
Interest expense	22,078	(3,687)	5,314	23,705
Other expenses	12,204	48,149	-	60,353
Income taxes	177,903	(76,395)	2,554	104,062
2013 Consolidated Net Income (Loss)	<u>\$680,694</u>	<u>\$818</u>	<u>(\$102,292)</u>	<u>\$579,220</u>

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

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

In the fourth quarter 2012, Entergy moved two subsidiaries from Parent & Other to the Entergy Wholesale Commodities segment to improve the alignment of certain intercompany items and income tax activity. The prior period financial information in this Form 10-Q has been restated to reflect this change.

As discussed in more detail in Note 11 to the financial statements herein and Note 1 to the financial statements in the Form 10-K, results of operations for the nine months ended September 30, 2013 and September 30, 2012 include \$291.5 million (\$183.7 million after-tax) and \$355.5 million (\$223.5 million after-tax), respectively, of impairment and other related charges to write down the carrying value of Vermont Yankee and related assets to their fair values. Also, net income for Utility for the nine months ended September 30, 2012 was significantly affected by a settlement with the IRS related to the income tax treatment of the Louisiana Act 55 financing of the Hurricane Katrina and Hurricane Rita storm costs, which resulted in a reduction in income tax expense. The net income effect was

partially offset by a regulatory charge, which reduced net revenue in 2012, associated with the storm costs settlement to reflect the obligation to customers with respect to the settlement. See Note 3 to the financial statements in the Form 10-K for additional discussion of the tax settlement and savings obligation.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the nine months ended September 30, 2013 to the nine months ended September 30, 2012:

	<u>Amount</u> (In Millions)
2012 net revenue	\$3,765
Retail electric price	190
Louisiana Act 55 financing savings obligation	167
Grand Gulf recovery	70
Fuel recovery	30
MISO deferral	12
Volume/weather	(7)
Other	(5)
2013 net revenue	<u>\$4,222</u>

The retail electric price variance is primarily due to:

- the recovery of Hinds plant costs through the power management rider at Entergy Mississippi, as approved by the MPSC, effective with the first billing cycle of 2013. The net income effect of the Hinds plant cost recovery is limited to a portion representing an allowed return on equity on the net plant investment with the remainder offset by the Hinds plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes;
- a formula rate plan increase at Entergy Louisiana, effective January 2013, which includes an increase relating to the Waterford 3 steam generator replacement project, which was placed in service in December 2012. The net income effect of the formula rate plan increase is limited to a portion representing an allowed return on equity with the remainder offset by costs included in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes;
- an increase in the capacity acquisition rider at Entergy Arkansas, as approved by the APSC, effective with the first billing cycle of December 2012, relating to the Hot Spring plant acquisition. The net income effect of the Hot Spring plant cost recovery is limited to a portion representing an allowed return on equity on the net plant investment with the remainder offset by the Hot Spring plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes;
- an annual base rate increase at Entergy Texas, effective July 2012, as a result of the PUCT's order in the November 2011 rate case that was issued in September 2012; and
- increases in the energy efficiency rider, as approved by the APSC, effective July 2013 and July 2012. Energy efficiency revenues are offset by costs included in other operation and maintenance expenses and have no effect on net income.

These increases are partially offset by a temporary increase in 2012 in the storm cost recovery rider at Entergy Mississippi, as approved by the MPSC for a five-month period effective August 2012. The increase in revenues in 2012 was offset by costs included in other operation and maintenance expenses and had no effect on net income. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge recorded in the second quarter 2012 because Entergy Gulf States Louisiana and Entergy Louisiana are sharing with customers the savings from an IRS settlement related to the uncertain tax position regarding the Hurricane Katrina and Hurricane Rita Louisiana Act 55 financing. See Note 3 to the financial statements in the Form 10-K for additional discussion of the tax settlement and savings obligation.

The Grand Gulf recovery variance is primarily due to increased recovery of higher costs resulting from the Grand Gulf uprate.

The fuel recovery variance is primarily due to:

- an adjustment to deferred fuel costs recorded in the third quarter 2012 in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of this PUCT rate order;
- the expiration of the Evangeline gas contract on January 1, 2013; and
- the deferral of increased capacity costs that will be recovered through fuel adjustment clauses.

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

The volume/weather variance is primarily due to less favorable weather on residential and commercial sales for the nine months ended September 30, 2013 as compared to the same period in the prior year and a decrease of 154 GWh, or 0.2%, in weather-adjusted usage, partially offset by an increase in sales volume in the unbilled sales period.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the nine months ended September 30, 2013 to the nine months ended September 30, 2012:

	<u>Amount</u> (In Millions)
2012 net revenue	\$1,391
Nuclear volume	(50)
Mark-to-Market	(13)
Nuclear realized price changes	54
Other	(12)
2013 net revenue	<u>\$1,370</u>

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by approximately \$21 million in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- lower volume in its nuclear fleet resulting from more unplanned and refueling outage days in 2013 as compared to the same period in 2012;
- the exercise of resupply options provided for in purchase power agreements whereby Entergy Wholesale Commodities may elect to supply power from another source when the plant is not running. Amounts related to the exercise of resupply options are included in the GWh billed in the table below; and
- the effect of lower power prices on electricity derivative instruments that are not designated as hedges. See Note 8 to the financial statements herein for discussion of derivative instruments.

These decreases were substantially offset by higher capacity prices.

Following are key performance measures for Entergy Wholesale Commodities for the nine months ended September 30, 2013 and 2012:

	2013	2012
Owned capacity	6,612	6,612
GWh billed	33,189	34,957
Average realized revenue per MWh	\$52.95	\$49.84
<u>Entergy Wholesale Commodities Nuclear Fleet</u>		
Capacity factor	86%	88%
GWh billed	29,309	30,744
Average realized revenue per MWh	\$52.37	\$50.42
Refueling outage days:		
FitzPatrick	-	15
Indian Point 2	-	28
Indian Point 3	28	-
Palisades	-	34
Pilgrim	45	-
Vermont Yankee	27	-

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$1,531 million for the nine months ended September 30, 2012 to \$1,677 million for the nine months ended September 30, 2013 primarily due to:

- an increase of \$49 million in compensation and benefits costs primarily due to a decrease in the discount rates used to determine net periodic pension and other postretirement benefit costs and a settlement charge, recognized in September 2013, related to the payment of lump sum benefits out of the non-qualified pension plan. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates**" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- an increase of \$37 million in fossil-fueled generation expenses primarily due to the acquisitions of the Hot Spring plant by Entergy Arkansas and the Hinds plant by Entergy Mississippi in November 2012. Costs related to the Hot Spring and Hinds plants are recovered through the capacity acquisition rider and power management rider, respectively, as previously discussed. Also contributing to the increases is an overall higher scope of work done during plant outages as compared to the prior year;
- an increase of \$17 million in nuclear expenses, primarily due to higher labor costs, including higher contract labor;
- an increase of \$12 million in energy efficiency costs at Entergy Arkansas. These costs are recovered through an energy efficiency rider and have no effect on net income;
- an increase of \$11 million resulting from costs related to the generator stator incident at ANO, including an offset for expected insurance proceeds. See "**ANO Damage and Outage**" below for further discussion of the ANO incident;
- the prior year deferral, as approved by the LPSC and the FERC, of costs related to the transition and implementation of joining the MISO RTO, which reduced 2012 expenses by \$10 million; and
- an increase of \$9 million resulting from implementation and severance costs in 2013 related to the human capital management strategic imperative. See "**Human Capital Management Strategic Imperative**" below for further discussion.

Taxes other than income taxes increased primarily due to an increase in ad valorem taxes, primarily due to the Hot Spring and Hinds plant acquisitions in 2012, as well as an increase in local franchise taxes resulting from higher residential and commercial revenues as compared with prior year.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Hot Spring and Hinds plant acquisitions in 2012 and the completion of the Waterford 3 steam generator replacement project and the Grand Gulf uprate project in 2012. Also contributing to the increase is an increase in depreciation rates as a result of the rate order approved by the PUCT in September 2012.

Interest expense increased primarily due to net debt issuances by certain of the Utility operating companies. See Note 5 to the financial statements in the Form 10-K and Note 4 herein for more details of long-term debt activity.

Entergy Wholesale Commodities

Other operation and maintenance expenses increased from \$726 million for the nine months ended September 30, 2012 to \$748 million for the nine months ended September 30, 2013 primarily due to an increase of \$29 million in compensation and benefits costs primarily due to a decrease in the discount rates used to determine net periodic pension and other postretirement benefit costs and a settlement charge, recognized in September 2013, related to the payment of lump sum benefits out of the non-qualified pension plan. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates**" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs.

Depreciation and amortization expenses increased primarily due to an adjustment in 2012 resulting from a final court decision in the Entergy Nuclear Indian Point 2 lawsuit against the U.S. Department of Energy related to spent nuclear fuel disposal. The effects of recording the proceeds from the judgment reduced the plant in service balances with a corresponding \$19 million reduction to previously-recorded depreciation expense.

The asset impairment variance is due to impairment and other related charges of \$355.5 million (\$223.5 million after-tax) recorded in first quarter 2012 and \$291.5 million (\$183.7 million after-tax) recorded in third quarter 2013 to write down the carrying value of Vermont Yankee and related assets to their fair values. See Note 1 to the financial statements in the Form 10-K and Note 11 to the financial statements herein for further discussion of these charges.

Other expenses increased primarily due to a credit to decommissioning expense of \$49 million in the second quarter 2012 resulting from a reduction in the decommissioning cost liability for a plant as a result of a revised decommissioning cost study. See "**Critical Accounting Estimates – Nuclear Decommissioning Costs**" in the Form 10-K for further discussion.

Income Taxes

The effective income tax rate was 27% for the nine months ended September 30, 2013. The difference in the effective income tax rate for the nine months ended September 30, 2013 versus the statutory rate of 35% was primarily due to the reversal of a portion of the provision for uncertain tax positions, lower state income taxes resulting from a state deferred tax adjustment and the reversal of a state valuation allowance, and book and tax differences related to the allowance for equity funds used during construction, partially offset by certain book and tax differences related to utility plant items. See Note 10 to the financial statements herein for further discussion of income taxes.

The effective income tax rate was 16.3% for the nine months ended September 30, 2012. The difference in the effective income tax rate versus the statutory rate of 35% for the nine months ended September 30, 2012 was related to (1) an IRS settlement on how to treat the Louisiana Act 55 Financing of the Hurricane Katrina and Hurricane Rita storm costs, as discussed further in Note 3 to the financial statements in the Form 10-K; and (2) a unanimous court decision from the U.S. Court of Appeals for the Fifth Circuit affirming an earlier decision of the U.S. Tax Court holding that Entergy was entitled to claim a credit against its U.S. tax liability for the U.K. windfall tax that it paid, both of which enabled Entergy to reverse provisions for uncertain tax positions. See Note 3 to the financial statements in the Form 10-K and Note 10 to the financial statements herein for further discussion of the settlement and tax credit.

Plan to Spin Off the Utility's Transmission Business

See the Form 10-K for a discussion of Entergy's plan to spin off its transmission business and merge it with a newly formed subsidiary of ITC Holdings Corp. On April 16, 2013, the ITC shareholders approved the ITC merger proposals. On June 28, 2013, Entergy and ITC mutually agreed to extend the term of the Merger Agreement to December 31, 2013, after which it may be terminated by either party if the transaction has not been consummated. The transaction is not expected to close in 2013, and a revised closing date in 2014 has not been settled upon. Pursuant to the Merger Agreement, and subject to the terms and conditions set forth therein, Entergy will distribute the TransCo common units to its shareholders, excluding any TransCo common units contributed to an exchange trust if Entergy makes the exchange trust election. At Entergy's election, it may distribute the TransCo common units by means of a pro rata dividend in a spin-off or pursuant to an exchange offer in a split-off, or a combination of a split-off and a spin-off (the Distribution). On July 24, 2013, Mid South TransCo LLC (TransCo) filed a registration statement with the SEC on Forms S-1/S-4 under which the Distribution would occur by means of a combination of a split-off and a spin-off.

Filings with Retail Regulators

See the Form 10-K for a discussion of the applications that each of the Utility operating companies has filed with their respective retail regulators seeking approval for the proposal to spin off and merge the transmission business with ITC.

In each retail jurisdiction, the Utility operating companies and ITC have offered certain commitments for consideration should the retail regulators deem it appropriate to impose conditions on the approval of the transaction, including a commitment to mitigate certain effects on customer rates for a period of at least five years. In the offered commitments, the Utility operating companies and ITC proposed an initial five-year period of wholesale rebates and retail rate mitigation totaling \$134.0 million for Entergy Arkansas customers, \$48.6 million for Entergy Gulf States Louisiana customers, \$59.5 million for Entergy Louisiana customers, \$74.1 million for Entergy Mississippi customers, \$20.0 million for Entergy New Orleans customers, and \$69.6 million for Entergy Texas customers. The share of the rate mitigation to be borne will vary by Utility operating company, but the Utility is expected to bear, on an aggregate basis, over the initial five-year period, approximately 65% to 70% of the wholesale rebates and retail rate mitigation, with ITC expected to bear the remainder. At the end of the first five years following the close of the transaction, the economic and performance benefits of ITC's ownership will be measured and verified by an independent auditor to determine if they offset the ownership cost increase resulting from ITC's weighted average cost of capital. If the benefits exceed such costs, rate mitigation will cease. If they do not, wholesale rebates and retail rate mitigation will continue until the benefits exceed these costs.

The Utility operating companies have offered the following additional retail rate mitigation to address the effects of moving to a forward test year: \$6.9 million for Entergy Arkansas customers, \$5.4 million for Entergy Gulf States Louisiana customers, \$7.2 million for Entergy Louisiana customers, \$6.7 million for Entergy Mississippi customers, \$0.4 million for Entergy New Orleans customers, and \$13.1 million for Entergy Texas customers. Lastly, Entergy Texas customers will also experience net avoided costs of \$10.0 million due to the effects of eliminating transmission cost allocation under the Entergy System Agreement. Entergy Gulf States Louisiana and Entergy Louisiana customers will also experience net avoided costs of \$4.1 million and \$12.2 million, respectively, due to the effects of both eliminating transmission cost allocation under the Entergy System Agreement and moving to MISO's transmission pricing zone structure.

These proposed commitments may change as the regulatory proceedings progress.

In April 2013 the LPSC staff, APSC staff, and other parties filed testimony in the proceedings pending at the LPSC and APSC, respectively, identifying concerns with the proposed transaction and concluding that the transaction in its current form does not satisfy the applicable criteria for approval. The LPSC staff testimony also included a comprehensive set of conditions should the LPSC determine that the transaction is in the public interest. Conditions were also recommended by the Arkansas Attorney General should the APSC consider approving the transaction. In April and May 2013 various parties and the PUCT staff respectively filed testimony in the PUCT proceeding identifying concerns with the proposed transaction and concluding that the transaction in its current form does not

satisfy the applicable criteria for approval. Certain parties also included a comprehensive set of conditions should the PUCT determine that the transaction is in the public interest. In May 2013 the City Council advisors filed testimony identifying concerns with the proposed transaction and concluding that the transaction in its current form does not satisfy the applicable criteria for approval. In June 2013 the Mississippi Public Utilities Staff and other parties filed testimony in the MPSC proceeding identifying concerns with the proposed transaction and concluding that the transaction in its current form does not satisfy the applicable criteria for approval. The Mississippi Public Utilities Staff also included a comprehensive set of conditions should the MPSC determine that the transaction is in the public interest.

The PUCT hearing on the joint application was held before the ALJs in May 2013. In July 2013 the ALJs issued a proposal for decision that recommended the denial of the joint application. The ALJs further recommended that if the PUCT approved the joint application, the PUCT impose certain conditions on Entergy Texas and ITC. Exceptions to the proposal for decision were filed in July 2013, and on August 9, 2013, the PUCT granted the applicants' motion to withdraw the application with an opportunity to file a new application in the future that would include evidence not in the record considered by the ALJs. In September 2013 the applicants filed their updated application with the PUCT, including a request for a decision by December 2013. The PUCT has adopted a procedural schedule that sets a hearing on the merits for this matter before the Commissioners on November 21-22, 2013. A final order is not expected until January 2014.

The APSC postponed a previously-scheduled July 9, 2013 hearing to allow the parties to pursue more details regarding the rate mitigation commitments described above. In August 2013 in response to a motion to suspend the procedural schedule in light of the withdrawal of the application in Texas, the APSC issued an order cancelling a re-scheduled September 2013 evidentiary hearing and ordering the applicants to file monthly status reports (beginning in October 2013) regarding the applications in the other retail jurisdictions. The order also provided that the parties should work together to establish a schedule that would permit the APSC to conduct the evidentiary hearing, deliberate and develop a final ruling, if reasonably possible, by the end of 2013. Beginning on October 1, 2013, the applicants began filing the requested status reports. The evidentiary hearing in Arkansas has not yet been re-scheduled.

LPSC hearings were held in July 2013. At its July 31, 2013 meeting, the LPSC voted to allow a 45-day discovery period regarding the mitigation commitments offered by the Utility operating companies and ITC. On August 21, 2013, the LPSC proceeding was suspended pending the LPSC's receipt of notice that the applicants have filed a new application in Texas. After providing notice of the filing of the updated application in Texas, a revised LPSC procedural schedule was set that calls for an additional round of testimony and briefing to conclude by November 8, 2013.

In the MPSC proceeding, the parties filed reply briefs and responses to proposed orders on September 25, 2013. Entergy Mississippi and ITC also submitted filings on that day that indicated whether they would comply with conditions proposed by the Mississippi Public Utilities Staff. There is no procedural deadline by which the MPSC must issue a decision in this matter.

On October 10, 2013, the City Council granted a motion to suspend the proceeding in light of the withdrawal and re-filing of the Texas application. The City Council ordered the parties to develop a revised agreed procedural schedule within 14 days or submit proposed alternate schedules thereafter for consideration by the City Council. Pursuant to the City Council's directive, the parties have agreed to a revised procedural schedule that provides for the advisors and intervenors to submit supplemental surrebuttal testimony on December 20, 2013, an evidentiary hearing (paper only), and supporting briefs by all parties to be filed on December 27, 2013.

Because Entergy Arkansas also owns limited transmission facilities in Missouri, on February 14, 2013, Entergy Arkansas together with ITC and related parties filed an application out of an abundance of caution with the Missouri Public Service Commission pertaining to the ITC transaction. On April 18, 2013, the Missouri Public Service Commission consolidated for purposes of a hearing Entergy Arkansas's separate MISO case that is related to Entergy Arkansas's notice of its intent to integrate into MISO with the Entergy and ITC case that is related to the proposal to spin off and merge the transmission business with ITC. The hearing before the Missouri Public Service Commission took place in June 2013, and post-hearing briefs were filed in July and early August 2013. The Missouri Public Service Commission has not issued an order in the ITC proceeding and has delayed further consideration of the matter pending procedural developments in the retail jurisdictions.

Filings with the FERC

See the Form 10-K for a discussion of the series of filings with the FERC made by Entergy, ITC, and certain of their subsidiaries to obtain regulatory approvals related to the proposed transfer to ITC subsidiaries of the transmission assets owned by the Utility operating companies.

On September 24, 2012, ITC and Entergy filed a joint application with the FERC seeking all necessary approvals under sections 203 and 205 of the Federal Power Act and the necessary declaration under section 305(a) of the Federal Power Act. On June 20, 2013, the FERC issued an order authorizing the transactions under section 203 of the Federal Power Act, and also issued a declaration that section 305(a) of the Federal Power Act is not implicated by the transactions because the concerns underlying section 305(a) of the Federal Power Act are not present in the transactions. The FERC order also stated that the exchange trust election will not undermine or interfere with the independence of ITC. The FERC order rejected, without prejudice, the request to extend by six months the deadline for new employees of ITC to dispose of their Entergy common stock.

The FERC issued a separate order on June 20, 2013, addressing the rate formula proposed by ITC in the September 24, 2012 application, as well as certain ancillary agreements also submitted for FERC's approval with the application. In that order, the FERC summarily approved certain aspects of ITC's rate proposal, such as the 12.38% return on equity, a capital structure of 60% equity/40% debt, and use of a forward-looking formula rate. However, the FERC found that other aspects of the rate proposal raised issues of material fact that cannot be resolved based on the record before the FERC, and thus ordered hearing and settlement judge procedures. The FERC also accepted certain transaction-related agreements for filing, but included the transition services agreements and certain other ancillary agreements in the ordered hearing and settlement judge procedures. The FERC consolidated the issues set for hearing and settlement judge procedures with two other Section 205 proceedings related to the transactions: (1) a proposed ratemaking treatment for certain pension and post-retirement welfare plan costs that relate to the Entergy employees that will become employees of ITC; and (2) the Attachment O formula rate templates filed by Entergy Services, on behalf of the Utility operating companies, on February 15, 2013, which includes the basis for the initial charges to be collected by the new operating subsidiaries of ITC post-closing, as well as the rates proposed to apply under the MISO Tariff in the event the transactions fail to close and Entergy retains its transmission assets.

On June 20, 2013, the FERC also issued an order accepting MISO's proposed amendment to the MISO Tariff to enable the integration of the new ITC Operating Companies' transmission facilities into MISO prior to the Utility operating companies becoming market participants in MISO. In addition, on June 20, 2013, the FERC issued an order accepting Entergy Services's application under the Federal Power Act section 205 to cancel System Agreement Service Schedule MSS-2 (Transmission Equalization) effective upon closing of the ITC transaction.

On July 22, 2013, various parties filed requests for rehearing of the FERC orders issued on June 20, 2013. Settlement discussions are ongoing with respect to the matters the FERC set for hearing in the June 20, 2013 orders.

In October 2012, Entergy, ITC, and certain subsidiaries submitted filings with the FERC to obtain regulatory approvals under Federal Power Act section 204 for the various financings being undertaken as part of the transaction. On May 16, 2013, the FERC issued an order authorizing the proposed financings for the ITC Transaction under Federal Power Act section 204 subject to the closing of the transaction, including authorization until October 31, 2013, for the Utility operating companies to provide credit support in the form of guarantees of borrowings during the transaction. The Utility operating companies will apply to FERC for renewal of that authority through 2014 to facilitate transaction closing.

Other Filings

In July 2012, Entergy Corporation submitted a request to the Internal Revenue Service seeking a private letter ruling substantially to the effect that certain requirements for the tax-free treatment of the distribution of the transmission business are met. In May 2013, Entergy obtained IRS rulings regarding the tax-free treatment of certain aspects of the transactions. While the May 2013 IRS rulings provide sufficient guidance for Entergy to execute the spin-merge in a tax-free manner, Entergy requested additional IRS rulings regarding certain other aspects of the transactions during the third quarter 2013. In September 2012, Entergy submitted an application to the NRC for approval of certain nuclear plant license transfers and amendments as part of the steps to complete the spin-off and merger. In May 2013 the NRC issued orders approving the license transfers and amendments.

On December 14, 2012, Entergy and ITC filed the required notifications under the Hart-Scott-Rodino Act with the Federal Trade Commission and the Department of Justice related to Entergy's plan to spin off its transmission business and merge it with a newly formed subsidiary of ITC Holdings Corp. The waiting period under the Hart-Scott-Rodino Act expired on January 14, 2013. The ability to close the transaction based on the December 14, 2012 premerger notification filings expires on January 14, 2014, however, and Entergy and ITC are in the process of preparing new notifications to allow for a closing after January 14, 2014.

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

See the Form 10-K for a discussion of the NRC operating licenses for Indian Point 2 and Indian Point 3 and the NRC license renewal applications in process for these plants. Following are updates to the discussion regarding the NRC proceedings and related New York State proceedings.

The original expiration date of the NRC license for Indian Point Unit 2 was September 28, 2013. Indian Point Unit 2 has now entered its "period of extended operation" after expiration of the plant's initial license term under "timely renewal," which is a federal statutory rule of general applicability providing for extension of a license for which a renewal application has been timely filed with the licensing agency. The Indian Point license renewal application qualifies for timely renewal protection because it met NRC regulatory standards for timely filing.

In August 2013, Riverkeeper filed with the ASLB a proposed amended Endangered Species Act contention alleging that NRC Staff's supplemental Final Supplemental Environmental Impact Statement (FSEIS) issued in June 2013 did not document sufficient consultation between NRC Staff and the National Marine Fisheries Service regarding endangered species. Entergy and NRC Staff have filed answers in opposition. Riverkeeper's proposed amended contention and Entergy's motion to dismiss Riverkeeper's original admitted contention on endangered species are pending before the ASLB.

Hearings were held in July 2013 before NYSDEC ALJs on environmental issues related to Indian Point's wedgewire screen proposal for "best technology available." The ALJs have issued no partial decisions on the several issues that have been litigated during the past two years and have not announced a schedule for doing so.

The New York State Department of Environmental Conservation (NYSDEC) has taken the position that Indian Point must obtain a new state-issued Clean Water Act Section 401 water quality certification as part of the license renewal process. Entergy submitted its application for a water quality certification to the NYSDEC in April 2009, with a reservation of rights regarding the applicability of Section 401 in this case. After Entergy submitted certain additional information in response to NYSDEC requests, in February 2010 the NYSDEC staff determined that Entergy's water quality certification application was complete. In April 2010 the NYSDEC staff issued a proposed

notice of denial of Entergy's water quality certification application (the Notice). NYSDEC staff's Notice triggered an administrative adjudicatory hearing before NYSDEC ALJs on the proposed Notice. The NYSDEC staff decision does not restrict Indian Point operations, but the issuance of a certification is potentially required prior to NRC issuance of renewed unit licenses. In June 2011, Entergy filed notice with the NRC that the NYSDEC, the agency that would issue or deny a water quality certification for the Indian Point license renewal process, has taken longer than one year to take final action on Entergy's application for a water quality certification and, therefore, has waived its opportunity to require a certification under the provisions of Section 401 of the Clean Water Act. The NYSDEC has notified the NRC that it disagrees with Entergy's position and does not believe that it has waived the right to require a certification. The NYSDEC ALJs overseeing the agency's certification adjudicatory process stated in a ruling issued in July 2011 that while the waiver issue is pending before the NRC, the NYSDEC hearing process will continue on selected issues. The judges held a Legislative Hearing (agency public comment session) and an Issues Conference (pre-trial conference) in July 2010. Issue-by-issue hearings before the NYSDEC ALJs began in October 2011 and are expected to continue, on an episodic basis, into 2014 and perhaps longer. After hearings and briefing on all issues, the ALJs will issue a recommended decision to the Commissioner or his delegate, who will then issue the final agency decision. A party to the proceeding can appeal the decision of the Commissioner to state court.

In addition, the consistency of Indian Point's operations with New York State's coastal management policies must be resolved to the extent required by the Coastal Zone Management Act (CZMA). Entergy has undertaken three independent initiatives to resolve CZMA issues. First, on July 24, 2012, Entergy filed a supplement to the Indian Point license renewal application currently pending before the NRC. The supplement states that, based on applicable federal law and in light of prior reviews by the State of New York, the NRC may issue the requested renewed operating licenses for Indian Point without the need for an additional consistency review by the State of New York under the CZMA. On July 30, 2012, Entergy filed a motion for declaratory order with the ASLB seeking confirmation of its position that no further CZMA consistency determination is required before the NRC may issue renewed licenses. On April 5, 2013, the State of New York and Riverkeeper filed answers opposing Entergy's motion. The State of New York also filed a cross-motion for declaratory order seeking confirmation that Indian Point had not been previously reviewed, and that only the New York State Department of State (NYSDOS) could conduct a CZMA review for NRC license renewal purposes. On April 15, 2013, the NRC Staff filed answers recommending the ASLB deny both Entergy's and the State of New York's motions for declaratory order. On June 12, 2013, the ASLB denied Entergy's and the State of New York's motions, without prejudice, on the ground that consultation on the matter of previous review among the NRC, Entergy (as applicant), and the State of New York had not taken place, as the ASLB determined to be required. There is no prescribed schedule or deadline for the consultation process.

Second, Entergy filed with the NYSDOS in November 2012 a petition for declaratory order that Indian Point is grandfathered under either of two criteria prescribed by the New York Coastal Management Program (NYCMP), which sets forth the state coastal policies applied in a CZMA consistency review. NYSDOS denied the motion by order dated January 2013. Entergy filed a petition for judicial review of NYSDOS's decision with the New York State Supreme Court for Albany County in March 2013. NYSDOS filed an opposition and oral argument was held in September 2013 on Entergy's petition for judicial review. It is uncertain when the court will act on the petition for review. The losing party may file an appeal as of right with the next level state appellate court.

Third, on December 17, 2012, Entergy filed with NYSDOS a consistency determination explaining why Indian Point satisfies all applicable NYCMP policies. Entergy included in the consistency determination a "reservation of rights" clarifying that Entergy does not concede NYSDOS's right to conduct a new CZMA review for Indian Point. The six-month federal deadline for state decision on a consistency determination runs from the date the submission is complete. On January 16, 2013, NYSDOS notified Entergy that it deemed the consistency determination incomplete because it did not include the final version of a further supplement to the FSEIS that was targeted for subsequent issuance by NRC staff. On June 28, 2013, NYSDOS notified Entergy that NYSDOS had received a copy of the final version of the FSEIS on June 20, 2013, and that NYSDOS's review of the Indian Point consistency determination had begun on June 20, 2013. In October 2013, Entergy and NYSDOS executed a stay agreement that extends the deadline for NYSDOS to decide Indian Point's CZMA consistency certification to March 22, 2014.

ANO Damage and Outage

On March 31, 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 turbine building serves both ANO 1 and 2 and is a non-radiological area of the plant. ANO 2 reconnected to the grid on April 28, 2013 and ANO 1 reconnected to the grid on August 7, 2013. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment is currently estimated to be approximately \$100 million. 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. Each of the Utility operating companies has recovery mechanisms in place designed to recover its prudently-incurred fuel and purchased power costs.

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

In the second quarter 2013, Entergy Arkansas recorded an insurance receivable of \$50 million based on the minimum amount that it expects to receive from NEIL. This \$50 million receivable offset approximately \$35 million of capital spending, \$13 million of operation and maintenance expense, and \$2 million of incremental deferred refueling outage costs incurred for the recovery through September 30, 2013. As of September 30, 2013, Entergy Arkansas has incurred approximately \$33 million in capital spending, \$11 million in operation and maintenance expense, and \$1 million in incremental deferred refueling outage costs in excess of its recorded insurance receivable.

Human Capital Management Strategic Imperative

Entergy is engaged in a strategic imperative that is intended to optimize the organization through a process known as human capital management. In July 2013 management completed a comprehensive review of Entergy's organization design and processes. This effort resulted in a new internal organization structure, which management expects to result in the elimination of approximately 800 employee positions. Costs associated with this phase of human capital management, primarily implementation costs, severance expenses, and the effect on benefit plan expense, are expected to be in the range of \$145 million to \$185 million. The majority of these costs are expected to be incurred by the end of 2013 and approximately \$18 million has been incurred as of September 30, 2013.

Entergy Solutions District Energy Sales Agreement

Entergy Solutions District Energy, a business wholly-owned by Entergy in the Entergy Wholesale Commodities segment, owns and operates district energy assets serving the business districts in Houston and New Orleans. In August 2013, Entergy signed agreements to sell Entergy Solutions District Energy for approximately \$130 million, subject to adjustments. Entergy Solutions District Energy's book value as of September 30, 2013 was approximately \$100 million. The sale is expected to close in 2013.

Liquidity and Capital Resources

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

Capital Structure

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

	September 30, 2013	December 31, 2012
Debt to capital	58.4%	58.7%
Effect of excluding the securitization bonds	(1.6%)	(1.8%)
Debt to capital, excluding securitization bonds (a)	56.8%	56.9%
Effect of subtracting cash	(0.8%)	(1.1%)
Net debt to net capital, excluding securitization bonds (a)	56.0%	55.8%

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

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in March 2018. Entergy Corporation has the ability to issue letters of credit against 50% of the total borrowing capacity of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of September 30, 2013:

Capacity (a)	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$150	\$8	\$3,342

(a) The capacity decreases to \$3,490 million in March 2017.

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

See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation commercial paper program. In July 2013 the Board increased the commercial paper program limit to \$1.5 billion. As of September 30, 2013, Entergy Corporation had approximately \$1,016 million of commercial paper outstanding.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital**," that sets forth the amounts of planned construction and other capital investments by operating segment for 2013 through 2015. Following are updates to the discussion in the Form 10-K.

Capital Investment Plan Preliminary Estimate for 2014-2016

Entergy is developing its capital investment plan for 2014 through 2016 and currently anticipates that the Utility will make \$5.8 billion in capital investments during that period and that Entergy Wholesale Commodities will make \$1.0 billion in capital investments during that period. In addition to routine capital spending to maintain operations, the Utility capital investment plan includes specific investments and initiatives such as the Ninemile Point Unit 6 self-build project; NRC post-Fukushima requirements for the Utility nuclear fleet; potential scrubbers at the White Bluff plant to meet pending Arkansas state requirements under the Clean Air Visibility Rule and compliance with the EPA's Mercury and Air Toxic Standard rule; and transmission spending to support economic development projects, reliability, and new compliance requirements. The Entergy Wholesale Commodities capital investment plan includes significant projects required to continue the operation of the current generation fleet including component replacements, software, and security; NYPA value sharing; and dry cask storage, license renewal, and NRC post-Fukushima requirements for the Entergy Wholesale Commodities nuclear fleet.

Dividends

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon Entergy's earnings, financial strength, and future investment opportunities. At its October 2013 meeting, the Board declared a dividend of \$0.83 per share, which is the same quarterly dividend per share that Entergy has paid since the second quarter 2010.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the nine months ended September 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
	(In Millions)	
Cash and cash equivalents at beginning of period	\$533	\$694
Cash flow provided by (used in):		
Operating activities	2,199	2,220
Investing activities	(2,058)	(2,323)
Financing activities	(309)	159
Net increase (decrease) in cash and cash equivalents	<u>(168)</u>	<u>56</u>
Cash and cash equivalents at end of period	<u>\$365</u>	<u>\$750</u>

Operating Activities

Net cash provided by operating activities decreased by approximately \$21 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- an increase of \$65 million in income tax payments;
- an increase of \$46 million in spending on nuclear refueling outages in 2013 as compared to the same period in prior year;
- approximately \$27 million in spending related to the generator stator incident at ANO, as discussed previously;
- higher deferred fuel refunds in 2013 as compared to the same period in prior year; and
- an increase of approximately \$12 million in storm restoration spending in 2013 resulting from the Arkansas December 2012 winter storm and Hurricane Isaac.

These decreases in cash flow were partially offset by:

- higher Utility net revenues in 2013 resulting from additional generation investments made in 2012;
- a decrease of \$65 million in pension contributions, substantially offset by an increase of \$50 million in lump sum retirement payments out of the non-qualified pension plan. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates**" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding;
- proceeds of \$72 million received in 2013 from the U.S. Department of Energy resulting from litigation regarding the storage of spent nuclear fuel. The litigation is discussed in more detail in Part II, Item 5, "Spent Nuclear Fuel"; and
- a refund of \$31 million, including interest, paid to AmerenUE in June 2012. The FERC ordered Entergy Arkansas to refund to AmerenUE the rough production cost equalization payments previously collected. See Note 2 to the financial statements in the Form 10-K for further discussion of the FERC order.

Investing Activities

Net cash used in investing activities decreased by \$265 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- the withdrawal of a total of \$260 million from storm reserve escrow accounts in 2013, primarily by Entergy Gulf States Louisiana and Entergy Louisiana, after Hurricane Isaac. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of Hurricane Isaac;
- a decrease in construction expenditures, primarily in the Utility business, resulting from spending in 2012 on the uprate project at Grand Gulf, substantially offset by storm restoration spending in 2013 resulting from the Arkansas December 2012 winter storm and Hurricane Isaac, spending in 2013 on the Ninemile 6 self-build project, and spending in 2013 related to the generator stator incident at ANO, as discussed previously; and
- \$72.2 million of System Energy first mortgage bond proceeds deposited with a trustee in September 2012 and used in October 2012 for the redemption of another series of first mortgage bonds.

The decrease was partially offset by:

- a change in collateral deposit activity, reflected in the "Increase in other investments" line on the Consolidated Statement of Cash Flows, as Entergy returned net deposits of \$49 million in 2013 and received net deposits of \$16 million in 2012. Entergy Wholesale Commodities's forward sales contracts are discussed in the "**Market and Credit Risk Sensitive Instruments**" section below; and
- proceeds of \$21 million received in 2013 compared to proceeds of \$109 million in 2012 from the U.S. Department of Energy resulting from litigation regarding the storage of spent nuclear fuel. The litigation is discussed in more detail in Part II, Item 5, "Spent Nuclear Fuel."

Financing Activities

Financing activities used \$309 million in net cash for the nine months ended September 30, 2013 compared to providing \$159 million in net cash for the nine months ended September 30, 2012 primarily due to:

- long-term debt activity using approximately \$180 million of cash in 2013 compared to providing \$260 million of cash in 2012. Included in the long-term debt activity is \$645 million in 2013 and \$605 million in 2012 for the repayment of borrowings on the Entergy Corporation long-term credit facility. Entergy Corporation issued \$351 million of commercial paper in 2013 and \$154 million in 2012, in part, to repay borrowings on its long-term credit facility;
- a net decrease of \$72 million in short-term borrowings by the nuclear fuel company variable interest entities;
- \$51 million in proceeds from the sale to a third party in 2012 of a portion of Entergy Gulf States Louisiana's investment in Entergy Holdings Company's Class A preferred membership interests; and
- the repayment of \$50 million in borrowings on Entergy Louisiana's credit facility in 2012.

For details of long-term debt activity and Entergy's commercial paper program in 2013 see Note 4 to the financial statements herein.

Rate, Cost-recovery, and Other Regulation

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

State and Local Rate Regulation and Fuel-Cost Recovery

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

Federal Regulation

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

System Agreement

Utility Operating Company Notices of Termination of System Agreement Participation

As discussed in the Form 10-K, in February 2009, Entergy Arkansas and Entergy Mississippi filed with the FERC their notices of cancellation to terminate their participation in the System Agreement, effective December 18, 2013 and November 7, 2015, respectively. In November 2009 the FERC accepted the notices of cancellation and determined that Entergy Arkansas and Entergy Mississippi are permitted to withdraw from the System Agreement following the 96-month notice period without payment of a fee or the requirement to otherwise compensate the remaining Utility operating companies as a result of withdrawal. In February 2011 the FERC denied the LPSC's and the City Council's rehearing requests. In September and October 2012 the U.S. Court of Appeals for the D.C. Circuit denied the LPSC's and the City Council's appeals of the FERC decisions. In January 2013 the LPSC and the City Council filed a petition for a writ of certiorari with the U.S. Supreme Court. On May 13, 2013, the U.S. Supreme Court denied the petition for a writ of certiorari filed by the LPSC and the City Council seeking review of the D.C. Circuit's decision to affirm the FERC's orders accepting the notices of cancellation filed by Entergy Arkansas and Entergy Mississippi and determining that Entergy Arkansas and Entergy Mississippi are permitted to withdraw from the System Agreement following the 96-month notice period without payment of a fee or the requirement to otherwise compensate the remaining Utility operating companies as a result of withdrawal.

In November 2012 the Utility operating companies filed amendments to the System Agreement with the FERC pursuant to section 205 of the Federal Power Act. The LPSC, MPSC, PUCT, and City Council filed protests at the FERC regarding the amendments and other aspects of the Utility operating companies' future operating arrangements, including requests that the continued viability of the System Agreement in MISO (among other issues) be set for hearing by the FERC. On March 12, 2013, the Utility operating companies filed an answer to the protests. The answer proposed, among other things, that: (1) the FERC allow the System Agreement revisions to go into effect as of December 19, 2013, without a hearing and for an initial two-year transition period; (2) no later than October 18, 2013, Entergy Services submit a filing pursuant to section 205 of the Federal Power Act that provides Entergy Texas's notice of cancellation to terminate participation in the System Agreement and responds to the PUCT's position that Entergy Texas be allowed to terminate its participation prior to the end of the mandatory 96-month notice period; and (3) at least six months prior to the end of the two-year transition period, Entergy Services submits an additional filing under section 205 of the Federal Power Act that addresses the allocation of MISO charges and credits among the Utility operating companies that remain in the System Agreement. The answer further provided that prior to the filing which was to be made no later than October 18, 2013, Entergy Services, Entergy Texas, and Entergy would exercise reasonable best efforts to engage the Utility operating companies and their retail regulators in searching for a consensual means of allowing Entergy Texas to exit the System Agreement prior to the end of the mandatory 96-month notice period. The matter remains pending at the FERC.

On October 11, 2013 the Utility operating companies filed with the FERC to amend the System Agreement changing the notice period for an operating company to terminate its participation in the System Agreement from ninety-six months to sixty months. The proposed amendment also clarifies that the revised notice period will apply to any written notice of termination provided by an operating company on or after October 12, 2013. On October 18, 2013, Entergy Texas provided notice to terminate its participation in the System Agreement effective after expiration of the proposed 60-month notice period or such other period as approved by FERC. The proposed amendment and Entergy Texas's termination notice are without prejudice to continuing efforts among affected operating companies and their retail regulators to search for a consensual means of allowing Entergy Texas an early exit from the System Agreement, which could be different from that proposed in the October 11, 2013 FERC filing. Comments on both filings are due in November 2013.

Entergy's Proposal to Join MISO

See the Form 10-K for a discussion of the Utility operating companies' proposal to join MISO. Following are updates to that discussion.

On April 8, 2013, the APSC issued an order resolving the outstanding issues in Entergy Arkansas's change of control docket and granted Entergy Arkansas's application subject to the conditions set forth in the APSC's October 2012 order. On May 23, 2013, the FERC issued an order accepting the changes to Appendix K of the MISO Transmission Owners Agreement proposed by MISO and a majority of the MISO transmission owners to implement MISO governance enhancements consistent with the APSC's October 2012 order.

Because Entergy Arkansas also owns limited transmission facilities in Missouri, on March 21, 2013, Entergy Arkansas responded to attempts by certain parties to raise issues before the Missouri Public Service Commission pertaining to Entergy Arkansas's integration into MISO by filing a notice that it was joining MISO. On October 9, 2013, the Missouri Public Service Commission issued an order approving Entergy Arkansas's integration of its Missouri transmission assets into MISO, subject to conditions. The order includes conditions, however, that are beyond Entergy Arkansas's control to satisfy and that concern wholesale tariffs that fall within the exclusive jurisdiction of the FERC. Among other things, the order requires Entergy Arkansas and ITC Midwest to hold harmless non-MISO Missouri retail customers from increased costs due to the integration of Entergy Arkansas's Missouri transmission facilities into MISO. Entergy Arkansas is evaluating the Missouri Public Service Commission's order and determining appropriate next steps, including seeking rehearing of that order. The order is limited, however, to the 87 miles of Entergy Arkansas transmission facilities located in Missouri that are used to provide only interstate transmission service in Missouri; Entergy Arkansas does not have any retail customers in Missouri. Entergy Arkansas plans to proceed with integration of its non-Missouri assets into the MISO RTO on December 19, 2013, as approved by the APSC. Assuming the Missouri Public Service Commission's order remains

in force in its current form, Entergy Arkansas will not transfer functional control of its Missouri transmission facilities to MISO on December 19, 2013. In that event, transmission service over the Missouri transmission facilities will be provided for a period of time by Entergy Arkansas under a FERC-jurisdictional open access transmission tariff, not the MISO tariff. Entergy Arkansas filed with FERC the open access transmission tariff for its Missouri transmission assets on October 15, 2013, and requested an effective date of December 19, 2013, the date of the Utility operating companies' planned MISO integration. On October 16, 2013, Entergy Arkansas and MISO jointly filed an agreement that provides for coordination between the Entergy Arkansas tariff and the MISO tariff with respect to transmission service request processing, transmission rates, congestion management, data submission, and other matters.

On January 23, 2013, Entergy Arkansas filed with the APSC a Motion to Discontinue Activities Necessary to Operate as a True Stand-Alone Electric Utility, with supporting testimony, in which Entergy Arkansas requested an order from the APSC authorizing it to drop the stand-alone option by March 1, 2013. On April 8, 2013, the APSC issued an order granting Entergy Arkansas's motion.

On September 18, 2013, the APSC issued an order directing Entergy Arkansas and MISO to appear and show cause why the APSC should not find that Entergy Arkansas and MISO are in violation of certain conditions in a previous order in the proceeding. The APSC directed Entergy Arkansas to demonstrate its earlier commitment to comply with the conditions by affirming that Entergy Arkansas would comply with five directives enumerated in the show cause order relating to the manner in which Entergy Arkansas conducts transmission planning. On October 8, 2013, Entergy Arkansas and MISO submitted testimony in compliance with the show cause order. In its compliance testimony, Entergy Arkansas specifically affirmed its intent to comply with the five directives set forth in the show cause order and provided detail regarding the manner in which it would comply with those directives.

On April 3, 2013, the PUCT staff filed a study performed by its independent consultant assessing Entergy Texas's January 2013 updated analysis of the effect of termination of certain purchased power agreements on Entergy Texas's costs upon Entergy Texas's exit from the System Agreement. While the independent consultant study concluded that the adjustments made in Entergy Texas's updated analysis were analytically correct, the consultant also recommended further study regarding the effect of the termination of the purchased power agreements on the benefits associated with Entergy Texas joining MISO. On April 5, 2013, Entergy Texas filed a response to the consultant study, noting a number of errors in the analysis and recommending against any further study of this matter. At the direction of the PUCT, Entergy Texas subsequently agreed to fund further analysis, to be performed by a different independent consultant for the PUCT, regarding the effects of termination of these purchased power agreements. On August 6, 2013, the report of the PUCT's second independent consultant regarding the effects of termination of these purchased power agreements was filed with the PUCT as part of a larger report addressing the results of the consultant's comprehensive analysis of Entergy Texas's transition to operations post-exit of the System Agreement. The report concluded (consistent with Entergy Texas's updated analysis) that under both the "Foundation Case" capacity price forecast and the high capacity price sensitivity that were performed, Entergy Texas and its customers would be better off on a present-value basis if these purchased power agreements terminate. Under the low capacity price sensitivity, there was a net cost to Entergy Texas customers if these purchased power agreements terminate. Consistent with the requirements of the PUCT conditional order approving the change in control to MISO, Entergy Texas gave notice of cancellation to terminate its participation in the System Agreement on October 18, 2013.

In April 2012 the FERC conditionally accepted MISO's proposal related to the allocation of transmission upgrade costs in connection with the transition and integration of the Utility operating companies into MISO. In November 2012 the FERC issued an order denying the requests for rehearing of the April 2012 order, and conditionally accepting MISO's May 2012 compliance filing, subject to a further compliance filing due within 30 days of the date of the November 2012 order. In December 2012, MISO and the MISO Transmission Owners submitted to FERC a request for rehearing and proposed revisions to the MISO Tariff in compliance with FERC's November 2012 order. On July 11, 2013, the FERC issued an order conditionally accepting MISO's compliance filing and granting in part and denying in part the request for rehearing.

On February 15, 2013, Entergy Services, on behalf of the Utility operating companies, made a filing with the FERC requesting to adopt the standard Attachment O formula rate template used by transmission owners to establish transmission rates within MISO. The filing proposed four transmission pricing zones for the Utility operating companies, one for Entergy Arkansas, one for Entergy Mississippi, one for Entergy Texas, and one for Entergy Louisiana, Entergy Gulf States Louisiana, and Entergy New Orleans. On June 20, 2013, the FERC issued an order accepting the use of four transmission pricing zones, consolidated the proposed revisions to the Attachment O templates in this proceeding with certain other proceedings related to the ITC transaction, and set for hearing and settlement judge procedures those issues of material fact that FERC decided could not be resolved based on the existing record. Several parties, including the City Council, filed requests for rehearing of the June 2013 order.

Also on February 15, 2013, MISO and Entergy Arkansas and Entergy Mississippi filed with the FERC proposed revisions to Attachment P of the MISO Tariff, to list the existing transmission and related agreements between each of Entergy Arkansas and Entergy Mississippi and each of their counterparties as grandfathered agreements. On May 31, 2013, the FERC issued an order accepting the proposed revisions, effective December 19, 2013, as requested.

In March 2013 the FERC issued an order conditionally accepting MISO's proposed tariff changes related to the allocation of long-term transmission rights and auction revenue rights, subject to a further compliance filing. The amendments are intended to address the anticipated integration of the Utility operating companies, as well as other load-serving entities and transmission-owning utilities, into the MISO RTO. In April 2013, MISO made the required compliance filing. The FERC issued a letter order in September 2013 accepting MISO's compliance filing.

FERC Reliability Standards Investigation

On March 19, 2013, the FERC issued an order approving a settlement between Entergy Services and the FERC Enforcement Staff (the Staff) arising from the Staff's November 20, 2012 "Notice of Alleged Violations" which stated that the Staff had concluded that Entergy Services's practices in certain areas violated various requirements of the North American Electric Reliability Corporation reliability standards. Under the terms of the settlement, Entergy Services neither admits nor denies the alleged violations, but agrees to pay a civil penalty of \$975,000 and undertake certain mitigation activities agreed to during discussions with Staff.

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities's core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and sells energy in the day ahead or spot markets. In addition to selling the energy produced by its plants, Entergy Wholesale Commodities sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities's forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, put and/or call options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivity are provided to show potential variations. While the sensitivity reflects the minimum, it does not reflect the total maximum upside potential from higher market prices. The information contained in the table below 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's current forward capacity and generation contracts as well as total revenue projections based on market prices as of September 30, 2013 (2013 represents the remainder of the year):

Entergy Wholesale Commodities Nuclear Portfolio

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Energy</u>						
Percent of planned generation under contract (a):						
Unit-contingent (b)	45%	21%	15%	16%	14%	14%
Unit-contingent with availability guarantees (c)	13%	16%	14%	14%	15%	3%
Firm LD (d)	24%	64%	23%	-%	-%	-%
Offsetting positions (e)	-%	(20)%	-%	-%	-%	-%
Total	<u>82%</u>	<u>81%</u>	<u>52%</u>	<u>30%</u>	<u>29%</u>	<u>17%</u>
Planned generation (TWh) (f) (g)	11	40	35	36	35	35
Average revenue per MWh on contracted volumes:						
Minimum	\$43	\$44	\$44	\$50	\$51	\$56
Expected based on market prices as of September 30, 2013	\$44	\$47	\$48	\$50	\$52	\$56
Sensitivity: +/- \$10 per MWh market price change	\$43-\$46	\$44-\$50	\$44-\$53	\$50-\$53	\$51-\$54	\$56
<u>Capacity</u>						
Percent of capacity sold forward (h):						
Bundled capacity and energy contracts (i)	16%	16%	18%	18%	18%	18%
Capacity contracts (j)	<u>53%</u>	<u>19%</u>	<u>15%</u>	<u>15%</u>	<u>6%</u>	<u>-%</u>
Total	<u>69%</u>	<u>35%</u>	<u>33%</u>	<u>33%</u>	<u>24%</u>	<u>18%</u>
Planned net MW in operation (g)	5,011	5,011	4,406	4,406	4,406	4,406
Average revenue under contract per kW per month (applies to capacity contracts only)	\$3.0	\$2.4	\$3.2	\$3.4	\$3.6	\$-
<u>Total Nuclear Energy and Capacity Revenues (m)</u>						
Expected sold and market total revenue per MWh	\$47	\$51	\$50	\$50	\$50	\$51
Sensitivity: +/- \$10 per MWh market price change	\$44-\$51	\$47-\$55	\$44-\$57	\$43-\$57	\$43-\$57	\$44-\$59

Entergy Wholesale Commodities Non-Nuclear Portfolio

	2013	2014	2015	2016	2017	2018
<u>Energy</u>						
Percent of planned generation under contract (a):						
Cost-based contracts (k)	33%	34%	35%	34%	32%	33%
Firm LD (d)	5%	6%	7%	6%	6%	7%
Total	38%	40%	42%	40%	38%	40%
Planned generation (TWh) (f) (l)	2	6	6	6	6	6
<u>Capacity</u>						
Percent of capacity sold forward (h):						
Cost-based contracts (k)	24%	24%	24%	24%	26%	26%
Bundled capacity and energy contracts (i)	8%	8%	8%	8%	8%	8%
Capacity contracts (j) (n)	53%	53%	53%	53%	23%	-%
Total	85%	85%	85%	85%	57%	34%
Planned net MW in operation (l)	1,052	1,052	1,052	1,052	977	977

- (a) Percent of planned generation output sold or purchased forward under contracts, forward physical contracts, forward financial contracts, or options that mitigate price uncertainty that may require regulatory approval or approval of transmission rights.
- (b) Transaction under which power is supplied from a specific generation asset; if the asset is not operating, seller is generally not liable to buyer for any damages.
- (c) A sale of power on a unit-contingent basis coupled with a guarantee of availability provides for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.
- (d) Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset) or settles financially on notional quantities; if a party fails to deliver or receive energy, defaulting party must compensate the other party as specified in the contract, a portion of which may be capped through the use of risk management products.
- (e) Transactions for the purchase of energy, generally to offset a firm LD transaction.
- (f) Amount of output expected to be generated by Entergy Wholesale Commodities resources considering plant operating characteristics, outage schedules, and expected market conditions that affect dispatch.
- (g) Assumes NRC license renewals for plants whose current licenses expire within five years. Assumes shutdown of Vermont Yankee in the fourth quarter 2014 and uninterrupted normal operation at remaining plants. NRC license renewal applications are in process for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations) and Indian Point 3 (December 2015). For a discussion regarding the shutdown of the Vermont Yankee plant, see "**Impairment of Long-Lived Assets**" in Note 11 to the financial statements herein. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "**Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants**" above.
- (h) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
- (i) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
- (j) A contract for the sale of an installed capacity product in a regional market.
- (k) Contracts priced in accordance with cost-based rates, a ratemaking concept used for the design and development of rate schedules to ensure that the filed rate schedules recover only the cost of providing the service; these contracts are on owned non-utility resources located within Entergy's Utility service area, which do not operate under market-based rate authority. The percentage sold assumes approval of long-term transmission rights.

- (l) Non-nuclear planned generation and net MW in operation include purchases from affiliated and non-affiliated counterparties under long-term contracts and exclude energy and capacity from Entergy Wholesale Commodities's wind investment and from the 544 MW Ritchie plant that is not planned to operate.
- (m) Includes expectations for the new New York ISO Lower Hudson Valley capacity zone starting in May 2014.
- (n) The increase from the amount reported in the Form 10-K in capacity contracts sold in 2016 and 2017 is due to prorated MWs from Rhode Island State Energy Center offsetting Vermont Yankee commitments in ISO New England forward capacity auction #7.

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 September 30, 2013 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of \$43 million for the remainder of 2013. A negative \$10 per MWh change in the annual average energy price in the markets based on September 30, 2013 market conditions would have a corresponding effect on pre-tax net income of (\$26) million for the remainder of 2013.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities's power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary is required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of collateral to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At September 30, 2013, based on power prices at that time, Entergy had liquidity exposure of \$200 million under the guarantees in place supporting Entergy Wholesale Commodities transactions, \$20 million of guarantees that support letters of credit, and \$9 million of posted cash collateral. As of September 30, 2013, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$110 million for a \$1 per MMBtu increase in gas prices in both the short-and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of September 30, 2013, Entergy would have been required to provide approximately \$79 million of additional cash or letters of credit under some of the agreements.

As of September 30, 2013, substantially all of the counterparties or their guarantors for 100% of the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2017 have public investment grade credit ratings.

Nuclear Matters

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

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

In the first quarter 2013, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for a nuclear site as a result of a revised decommissioning cost study. The revised estimate resulted in a \$46.6 million reduction in the decommissioning cost liability, along with a corresponding reduction in the related asset retirement cost asset.

In the third quarter 2013, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Vermont Yankee as a result of a revised decommissioning cost study. The revised estimate resulted in a \$58 million increase in the decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset. The increase in the estimated decommissioning cost liability resulted from the change in expectation regarding the timing of decommissioning cash flows due to the decision to cease operations of the plant. See Note 11 to the financial statements herein for further discussion of the Vermont Yankee plant.

Assuming the end of Vermont Yankee operations in the fourth quarter 2014, the amount required to meet the NRC minimum for decommissioning financial assurance for license termination is \$566 million. The Vermont Yankee decommissioning trust had a balance of approximately \$584 million as of September 30, 2013, excluding the \$40 million guarantee by Entergy Corporation to satisfy NRC requirements following the 2009 review of financial assurance levels. Filings with the NRC for planned shutdown activities will determine whether any other financial assurance may be required and will specifically address funding for spent fuel management, which will be required until the federal government takes possession of the fuel and removes it from the site, per its current obligations.

New Accounting Pronouncements

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

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2013	2012	2013	2012
	(In Thousands, Except Share Data)			
OPERATING REVENUES				
Electric	\$2,704,800	\$2,320,360	\$6,831,290	\$6,039,752
Natural gas	26,113	23,557	113,315	93,444
Competitive businesses	621,046	619,643	1,754,436	1,732,624
TOTAL	3,351,959	2,963,560	8,699,041	7,865,820
OPERATING EXPENSES				
Operating and Maintenance				
Fuel, fuel-related expenses, and gas purchased for resale	818,254	596,270	1,818,194	1,572,265
Purchased power	392,545	336,552	1,251,418	966,816
Nuclear refueling outage expenses	64,758	62,582	191,940	184,288
Asset impairment and related charges	291,505	-	291,505	355,524
Other operation and maintenance	839,348	765,242	2,437,801	2,259,758
Decommissioning	60,848	56,796	179,342	126,641
Taxes other than income taxes	156,950	149,049	452,934	424,329
Depreciation and amortization	325,149	281,740	923,541	836,711
Other regulatory charges	13,708	24,477	22,914	162,509
TOTAL	2,963,065	2,272,708	7,569,589	6,888,841
OPERATING INCOME	388,894	690,852	1,129,452	976,979
OTHER INCOME				
Allowance for equity funds used during construction	17,676	18,396	46,675	70,986
Interest and investment income	23,430	24,490	102,277	94,767
Miscellaneous - net	(10,214)	(10,768)	(36,992)	(41,794)
TOTAL	30,892	32,118	111,960	123,959
INTEREST EXPENSE				
Interest expense	157,504	155,800	466,422	452,162
Allowance for borrowed funds used during construction	(6,453)	(8,003)	(18,432)	(27,877)
TOTAL	151,051	147,797	447,990	424,285
INCOME BEFORE INCOME TAXES	268,735	575,173	793,422	676,653
Income taxes	24,553	232,503	214,202	110,140
CONSOLIDATED NET INCOME	244,182	342,670	579,220	566,513
Preferred dividend requirements of subsidiaries	4,332	5,582	14,247	16,108
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	\$239,850	\$337,088	\$564,973	\$550,405
Earnings per average common share				
Basic	\$1.35	\$1.90	\$3.17	\$3.11
Diluted	\$1.34	\$1.89	\$3.16	\$3.10
Dividends declared per common share	\$0.83	\$0.83	\$2.49	\$2.49
Basic average number of common shares outstanding	178,283,721	177,517,846	178,170,339	177,184,464
Diluted average number of common shares outstanding	178,652,210	177,975,075	178,520,063	177,636,549

See Notes to Financial Statements

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>(In Thousands)</u>			
Net Income	\$244,182	\$342,670	\$579,220	\$566,513
Other comprehensive income (loss)				
Cash flow hedges net unrealized losses				
(net of tax benefit of (\$17,199), (\$57,231), (\$43,803), and (\$40,012))	(31,663)	(106,138)	(80,048)	(68,793)
Pension and other postretirement liabilities				
(net of tax expense of \$10,301, \$3,643, \$22,055, and \$17,998)	15,430	6,197	35,004	29,524
Net unrealized investment gains				
(net of tax expense of \$20,819, \$29,657, \$65,805, and \$67,046)	46,300	38,430	94,644	70,512
Foreign currency translation				
(net of tax expense (benefit) of \$380, \$170, (\$25), and \$224)	706	315	(47)	416
Other comprehensive income (loss)	<u>30,773</u>	<u>(61,196)</u>	<u>49,553</u>	<u>31,659</u>
Comprehensive Income	274,955	281,474	628,773	598,172
Preferred dividend requirements of subsidiaries	<u>4,332</u>	<u>5,582</u>	<u>14,247</u>	<u>16,108</u>
Comprehensive Income Attributable to Entergy Corporation	<u>\$270,623</u>	<u>\$275,892</u>	<u>\$614,526</u>	<u>\$582,064</u>

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	2013	2012
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	\$579,220	\$566,513
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	1,472,985	1,293,667
Deferred income taxes, investment tax credits, and non-current taxes accrued	174,052	111,228
Asset impairment and related charges	291,505	355,524
Changes in working capital:		
Receivables	(273,876)	(162,015)
Fuel inventory	16,421	(9,063)
Accounts payable	(80,626)	143,596
Prepaid taxes and taxes accrued	(6,150)	44,625
Interest accrued	(25,586)	(24,752)
Deferred fuel costs	(43,419)	(40,192)
Other working capital accounts	(81,315)	(131,374)
Changes in provisions for estimated losses	(247,560)	(17,479)
Changes in other regulatory assets	173,164	49,250
Changes in other regulatory liabilities	290,965	237,627
Changes in pensions and other postretirement liabilities	(48,814)	(75,104)
Other	8,493	(122,263)
Net cash flow provided by operating activities	2,199,459	2,219,788
INVESTING ACTIVITIES		
Construction/capital expenditures	(1,781,208)	(1,868,690)
Allowance for equity funds used during construction	49,411	73,497
Nuclear fuel purchases	(398,456)	(412,912)
Payment for purchase of plant	-	(645)
Changes in securitization account	(3,702)	(2,036)
NYPA value sharing payment	(71,736)	(72,000)
Payments to storm reserve escrow account	(5,882)	(7,009)
Receipts from storm reserve escrow account	260,279	17,884
Increase in other investments	(43,656)	(69,995)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	21,034	109,105
Proceeds from nuclear decommissioning trust fund sales	1,063,711	1,416,697
Investment in nuclear decommissioning trust funds	(1,147,571)	(1,507,123)
Net cash flow used in investing activities	(2,057,776)	(2,323,227)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	2013	2012
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	2,925,997	2,289,494
Mandatorily redeemable preferred membership units of subsidiary	-	51,000
Treasury stock	20,720	56,602
Retirement of long-term debt	(3,106,226)	(2,029,016)
Changes in credit borrowings and commercial paper - net	310,042	247,845
Dividends paid:		
Common stock	(445,031)	(441,292)
Preferred stock	(14,469)	(15,497)
Net cash flow provided by (used in) financing activities	<u>(308,967)</u>	<u>159,136</u>
Effect of exchange rates on cash and cash equivalents	<u>47</u>	<u>(416)</u>
Net increase (decrease) in cash and cash equivalents	(167,237)	55,281
Cash and cash equivalents at beginning of period	<u>532,569</u>	<u>694,438</u>
Cash and cash equivalents at end of period	<u><u>\$365,332</u></u>	<u><u>\$749,719</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$435,161	\$422,142
Income taxes	\$107,560	\$42,472

See Notes to Financial Statements

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$102,949	\$112,992
Temporary cash investments	262,383	419,577
Total cash and cash equivalents	365,332	532,569
Securitization recovery trust account	49,741	46,040
Accounts receivable:		
Customer	753,033	568,871
Allowance for doubtful accounts	(33,482)	(31,956)
Other	170,620	161,408
Accrued unbilled revenues	377,588	303,392
Total accounts receivable	1,267,759	1,001,715
Deferred fuel costs	119,338	150,363
Accumulated deferred income taxes	84,059	306,902
Fuel inventory - at average cost	197,409	213,831
Materials and supplies - at average cost	906,119	928,530
Deferred nuclear refueling outage costs	245,992	243,374
System agreement cost equalization	6,256	16,880
Prepayments and other	247,585	242,922
TOTAL	3,489,590	3,683,126
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	44,418	46,738
Decommissioning trust funds	4,627,774	4,190,108
Non-utility property - at cost (less accumulated depreciation)	260,076	256,039
Other	185,959	436,234
TOTAL	5,118,227	4,929,119
PROPERTY, PLANT AND EQUIPMENT		
Electric	42,662,320	41,944,567
Property under capital lease	933,058	935,199
Natural gas	361,441	353,492
Construction work in progress	1,599,127	1,365,699
Nuclear fuel	1,560,176	1,598,430
TOTAL PROPERTY, PLANT AND EQUIPMENT	47,116,122	46,197,387
Less - accumulated depreciation and amortization	19,548,683	18,898,842
PROPERTY, PLANT AND EQUIPMENT - NET	27,567,439	27,298,545
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	860,169	742,030
Other regulatory assets (includes securitization property of \$844,601 as of September 30, 2013 and \$914,751 as of December 31, 2012)	4,750,482	5,025,912
Deferred fuel costs	172,202	172,202
Goodwill	377,172	377,172
Accumulated deferred income taxes	66,349	37,748
Other	922,496	936,648
TOTAL	7,148,870	7,291,712
TOTAL ASSETS	\$43,324,126	\$43,202,502

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$206,260	\$718,516
Notes payable and commercial paper	1,106,039	796,002
Accounts payable	900,131	1,217,180
Customer deposits	366,151	359,078
Taxes accrued	327,569	333,719
Accumulated deferred income taxes	35,095	13,109
Interest accrued	159,078	184,664
Deferred fuel costs	21,995	96,439
Obligations under capital leases	2,717	3,880
Pension and other postretirement liabilities	53,822	95,900
System agreement cost equalization	6,256	25,848
Other	253,915	261,986
TOTAL	3,439,028	4,106,321
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	8,330,667	8,311,756
Accumulated deferred investment tax credits	266,547	273,696
Obligations under capital leases	32,814	34,541
Other regulatory liabilities	1,189,579	898,614
Decommissioning and asset retirement cost liabilities	3,702,881	3,513,634
Accumulated provisions	115,507	362,226
Pension and other postretirement liabilities	3,719,150	3,725,886
Long-term debt (includes securitization bonds of \$910,026 as of September 30, 2013 and \$973,480 as of December 31, 2012)	12,275,492	11,920,318
Other	563,499	577,910
TOTAL	30,196,136	29,618,581
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	186,511	186,511
EQUITY		
Common Shareholders' Equity:		
Common stock, \$.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2013 and in 2012	2,548	2,548
Paid-in capital	5,362,424	5,357,852
Retained earnings	9,825,653	9,704,591
Accumulated other comprehensive loss	(243,530)	(293,083)
Less - treasury stock, at cost (76,446,813 shares in 2013 and 76,945,239 shares in 2012)	5,538,644	5,574,819
Total common shareholders' equity	9,408,451	9,197,089
Subsidiaries' preferred stock without sinking fund	94,000	94,000
TOTAL	9,502,451	9,291,089
TOTAL LIABILITIES AND EQUITY	\$43,324,126	\$43,202,502

See Notes to Financial Statements

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	Common Shareholders' Equity					Accumulated Other Comprehensive Income (Loss)	Total
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings		
	(In Thousands)						
Balance at December 31, 2011	\$94,000	\$2,548	(\$5,680,468)	\$5,360,682	\$9,446,960	(\$168,452)	\$9,055,270
Consolidated net income (a)	16,108	-	-	-	550,405	-	566,513
Other comprehensive income	-	-	-	-	-	31,659	31,659
Common stock issuances related to stock plans	-	-	95,857	(7,163)	-	-	88,694
Common stock dividends declared	-	-	-	-	(441,506)	-	(441,506)
Preferred dividend requirements of subsidiaries (a)	(16,108)	-	-	-	-	-	(16,108)
Balance at September 30, 2012	<u>\$94,000</u>	<u>\$2,548</u>	<u>(\$5,584,611)</u>	<u>\$5,353,519</u>	<u>\$9,555,859</u>	<u>(\$136,793)</u>	<u>\$9,284,522</u>
Balance at December 31, 2012	\$94,000	\$2,548	(\$5,574,819)	\$5,357,852	\$9,704,591	(\$293,083)	\$9,291,089
Consolidated net income (a)	14,247	-	-	-	564,973	-	579,220
Other comprehensive income	-	-	-	-	-	49,553	49,553
Common stock issuances related to stock plans	-	-	36,175	4,572	-	-	40,747
Common stock dividends declared	-	-	-	-	(443,911)	-	(443,911)
Preferred dividend requirements of subsidiaries (a)	(14,247)	-	-	-	-	-	(14,247)
Balance at September 30, 2013	<u>\$94,000</u>	<u>\$2,548</u>	<u>(\$5,538,644)</u>	<u>\$5,362,424</u>	<u>\$9,825,653</u>	<u>(\$243,530)</u>	<u>\$9,502,451</u>

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2013 and 2012 include \$9.3 million and \$11.1 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.

ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Nine Months Ended September 30, 2013 and 2012
(Unaudited)

Description	Three Months Ended		Increase/ (Decrease)	%
	2013	2012 (Dollars in Millions)		
Utility Electric Operating Revenues:				
Residential	\$1,140	\$1,019	\$121	12
Commercial	720	627	93	15
Industrial	673	536	137	26
Governmental	60	54	6	11
Total retail	2,593	2,236	357	16
Sales for resale	46	45	1	2
Other	66	39	27	69
Total	\$2,705	\$2,320	\$385	17
Utility Billed Electric Energy				
Sales (GWh)				
Residential	11,359	11,605	(246)	(2)
Commercial	8,393	8,433	(40)	-
Industrial	11,038	10,748	290	3
Governmental	648	668	(20)	(3)
Total retail	31,438	31,454	(16)	-
Sales for resale	667	834	(167)	(20)
Total	32,105	32,288	(183)	(1)
Entergy Wholesale Commodities:				
Operating Revenues	\$623	\$627	(\$4)	(1)
Billed Electric Energy Sales (GWh)	11,630	12,002	(372)	(3)

Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012 (Dollars in Millions)		
Utility Electric Operating Revenues:				
Residential	\$2,620	\$2,366	\$254	11
Commercial	1,817	1,653	164	10
Industrial	1,815	1,531	284	19
Governmental	165	149	16	11
Total retail	6,417	5,699	718	13
Sales for resale	145	105	40	38
Other	269	236	33	14
Total	\$6,831	\$6,040	\$791	13
Utility Billed Electric Energy				
Sales (GWh)				
Residential	27,080	27,305	(225)	(1)
Commercial	21,498	21,994	(496)	(2)
Industrial	31,264	31,114	150	-
Governmental	1,814	1,852	(38)	(2)
Total retail	81,656	82,265	(609)	(1)
Sales for resale	1,887	2,402	(515)	(21)
Total	83,543	84,667	(1,124)	(1)
Entergy Wholesale Commodities:				
Operating Revenues	\$1,771	\$1,755	\$16	1
Billed Electric Energy Sales (GWh)	33,189	34,957	(1,768)	(5)

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy and the Registrant Subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition, except as otherwise discussed in the Form 10-K or in this report. Entergy discusses regulatory proceedings in Note 2 to the financial statements in the Form 10-K and herein, discusses tax proceedings in Note 3 to the financial statements in the Form 10-K and Note 10 to the financial statements herein, and discusses proceedings involving Vermont Yankee in Note 1 to the financial statements in the Form 10-K and in Note 11 to the financial statements herein.

ANO Damage and Outage

On March 31, 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 turbine building serves both ANO 1 and 2 and is a non-radiological area of the plant. ANO 2 reconnected to the grid on April 28, 2013 and ANO 1 reconnected to the grid on August 7, 2013. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment is currently estimated to be approximately \$100 million. 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. Each of the Utility operating companies has recovery mechanisms in place designed to recover its prudently-incurred fuel and purchased power costs.

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

In the second quarter 2013, Entergy Arkansas recorded an insurance receivable of \$50 million based on the minimum amount that it expects to receive from NEIL. This \$50 million receivable offset approximately \$35 million of capital spending, \$13 million of operation and maintenance expense, and \$2 million of incremental deferred refueling outage costs incurred for the recovery through September 30, 2013. As of September 30, 2013, Entergy Arkansas has incurred approximately \$33 million in capital spending, \$11 million in operation and maintenance expense, and \$1 million in incremental deferred refueling outage costs in excess of its recorded insurance receivable.

Baxter Wilson Plant Event

On September 11, 2013, Entergy Mississippi's Baxter Wilson (Unit 1) power plant experienced a significant unplanned outage event. The cause of the event is currently under investigation. Entergy Mississippi is still in the process of assessing the nature and extent of the damage to the unit. The current estimate of costs to return the unit to service, however, is in the range of \$25 million to \$30 million. This estimate and return to service schedule may change as restorative activities occur. The costs necessary to return the plant to service are expected to be incurred during the fourth quarter 2013 through the second quarter 2014. Entergy Mississippi believes that the damage is covered by its property insurance policy, subject to a \$20 million deductible.

Nuclear Insurance

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

Conventional Property Insurance

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

Employment Litigation

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 and third parties not selected for open positions. These actions include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations Board; claims of retaliation; and claims for or regarding benefits under various Entergy Corporation sponsored plans. Entergy and the Registrant Subsidiaries are responding to these lawsuits and proceedings and deny liability to the claimants.

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

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

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

Regulatory Assets

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

Fuel and Purchased Power Cost Recovery

Entergy Louisiana

In April 2010 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through the fuel adjustment clause by Entergy Louisiana for the period from 2005 through 2009. The LPSC Staff issued its audit report in January 2013. The LPSC staff recommended that Entergy Louisiana refund approximately \$1.9 million, plus interest, to customers and realign the recovery of approximately \$1 million from Entergy Louisiana's fuel adjustment clause to base rates. The recommended refund was made by Entergy Louisiana in May 2013 in the form of a credit to customers through its fuel adjustment clause filing. Two parties have intervened in the proceeding. A procedural schedule has been established for the identification of issues by the intervenors and for Entergy Louisiana to submit comments regarding the LPSC Staff report and any issues raised by intervenors. One intervenor is seeking further proceedings regarding certain issues it raised in its comments on the LPSC Staff report. Entergy Louisiana has filed responses to both the LPSC Staff report and the issues raised by the intervenor. As required by the procedural schedule, a joint status report was submitted in October 2013 by the parties. That report requests that a status conference be convened by the ALJ to address open issues, including whether further proceedings will be required. A status conference has been scheduled for December 5, 2013.

Entergy Texas

In November 2012, Entergy Texas filed a pleading seeking a PUCT finding that special circumstances exist for limited cost recovery of capacity costs associated with two purchased power agreements until such time that these costs are included in base rates or a purchased capacity recovery rider or other recovery mechanism. In March 2013 the PUCT Staff and intervenors filed a joint motion to dismiss Entergy Texas's application seeking special circumstances recovery of these capacity costs. Entergy Texas filed to withdraw this case without prejudice and the judge granted the request in June 2013.

At the April 11, 2013 open meeting, the PUCT Commissioners discussed their view that a purchased power capacity rider was good public policy. The PUCT issued an order on May 28, 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 due to the pending base rate case filed with the PUCT in September 2013, but will continue to evaluate the benefits of utilizing the new rider to recover future capacity costs.

Retail Rate Proceedings

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

Filings with the APSC (Entergy Arkansas)

Retail Rates

2013 Base Rate Filing

In March 2013, Entergy Arkansas filed with the APSC for a general change in rates, charges, and tariffs. Recognizing that the final structure of Entergy Arkansas's transmission business has not been determined, the filing presents two alternative scenarios for the APSC to establish the appropriate level of rates for Entergy Arkansas. In the primary scenario, which assumes that Entergy Arkansas will transition to MISO in December 2013, Entergy Arkansas requests a rate increase of \$174 million, including \$49 million of revenue being transferred from collection in riders to base rates. The alternate scenario, which also assumes completion of the proposed spin-merge of the transmission business with ITC, reflects a \$218 million total rate increase request. Both scenarios propose a new transmission rider and a capacity cost recovery rider. The filing requests a 10.4% return on common equity. In September 2013 Entergy Arkansas filed testimony reflecting an updated rate increase request of \$145 million in the primary scenario, with no change to its requested return on common equity of 10.4%. Hearings in the proceeding began in October 2013, and an APSC decision is pending. New rates are expected to become effective by January 2014.

Filings with the LPSC

Retail Rates - Electric

(Entergy Gulf States Louisiana)

In November 2011 the LPSC approved a one-year extension of Entergy Gulf States Louisiana's formula rate plan. In May 2012, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2011 test year. The filing reflected an 11.94% earned return on common equity, which is above the earnings bandwidth and would indicate a \$6.5 million cost of service rate decrease was necessary under the formula rate plan. The filing also reflected a \$22.9 million rate decrease for the incremental capacity rider. Subsequently, in August 2012, Entergy Gulf States Louisiana submitted a revised filing that reflected an earned return on common equity of 11.86% indicating a \$5.7 million cost of service rate decrease is necessary under the formula rate plan. The revised filing also indicates that a reduction of \$20.3 million should be reflected in the incremental capacity rider. The rate reductions were implemented, subject to refund, effective for bills rendered the first billing cycle of September 2012. Subsequently, in December 2012, Entergy Gulf States Louisiana submitted a revised evaluation report that reflects expected retail jurisdictional cost of \$16.9 million for the first-year capacity charges for the purchase from Entergy Louisiana of one-third of Acadia Unit 2 capacity and energy. This rate change was implemented effective with the first billing cycle of January 2013. The 2011 test year filings, as revised, were approved by the LPSC in February 2013. In April 2013, Entergy Gulf States Louisiana submitted a revised evaluation report increasing the incremental capacity rider by approximately \$7.3 million to reflect the cost of an additional capacity contract.

See Note 2 to the financial statements in the Form 10-K for a discussion of the base rate case filed by Entergy Gulf States Louisiana with the LPSC in February 2013. In April 2013 the LPSC established a procedural schedule providing for hearings in November 2013, with a decision by the LPSC expected in 2014. On July 26, 2013, with the concurrence of Entergy Gulf States Louisiana based upon an expected 60-day delay of the procedural schedule, the ALJ suspended the procedural schedule pending resolution of the appeal by Entergy Gulf States Louisiana, Entergy Louisiana and the LPSC staff regarding the ALJ's denial of a motion to consolidate the rate cases of Entergy Gulf States Louisiana and Entergy Louisiana. At an August 2013 meeting the LPSC rejected the proposed consolidation. The base rate case is currently scheduled for an evidentiary hearing in February 2014. An extension of the deadline for the filing of the staff's and intervenors' testimony was granted to allow for settlement negotiations, which are ongoing.

(Entergy Louisiana)

In November 2011 the LPSC approved a one-year extension of Entergy Louisiana's formula rate plan. In May 2012, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2011 test year. The filing reflected a 9.63% earned return on common equity, which is within the earnings bandwidth and results in no cost of service rate change under the formula rate plan. The filing also reflected an \$18.1 million rate increase for incremental capacity costs. In August 2012, Entergy Louisiana submitted a revised filing that reflects an earned return on common equity of 10.38%, which is still within the earnings bandwidth, resulting in no cost of service rate change. The revised filing also indicates that an increase of \$15.9 million should be reflected in the incremental capacity rider. The rate change was implemented, subject to refund, effective for bills rendered the first billing cycle of September 2012. Subsequently, in December 2012, Entergy Louisiana submitted a revised evaluation report that reflects two items: 1) a \$17 million reduction for the first-year capacity charges for the purchase by Entergy Gulf States Louisiana from Entergy Louisiana of one-third of Acadia Unit 2 capacity and energy, and 2) an \$88 million increase for the first-year retail revenue requirement associated with the Waterford 3 replacement steam generator project, which was in-service in December 2012. These rate changes were implemented, subject to refund, effective with the first billing cycle of January 2013. In April 2013, Entergy Louisiana and the LPSC staff filed a joint report resolving the 2011 test year formula rate plan and recovery related to the Grand Gulf uprate. This report was approved by the LPSC in April 2013. With completion of the Waterford 3 replacement steam generator project, the LPSC is conducting 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. A procedural schedule for the prudence review has not yet been established.

See Note 2 to the financial statements in the Form 10-K for a discussion of the base rate case filed by Entergy Louisiana with the LPSC in February 2013. In April 2013 the LPSC established a procedural schedule providing for hearings in December 2013, with a decision by the LPSC expected in 2014. On July 26, 2013, with the concurrence of Entergy Louisiana based upon an expected 60-day delay of the procedural schedule, the ALJ suspended the procedural schedule pending resolution of the appeal by Entergy Gulf States Louisiana, Entergy Louisiana and the LPSC staff regarding the ALJ's denial of a motion to consolidate the rate cases of Entergy Gulf States Louisiana and Entergy Louisiana. At an August 2013 meeting the LPSC rejected the proposed consolidation. A new procedural schedule was established calling for an evidentiary hearing in December 2013. Entergy Louisiana submitted an opposed motion to modify the procedural schedule to allow for settlement negotiations, which are ongoing. The motion was granted and the evidentiary hearing has been rescheduled to occur in January 2014.

Retail Rates - Gas (Entergy Gulf States Louisiana)

In January 2013, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2012. The filing showed an earned return on common equity of 11.18%, which resulted in a \$43 thousand rate reduction. In March 2013 the LPSC Staff issued its proposed findings and recommended two adjustments. The first is to normalize property insurance expense, and the second is to modify the return on equity for gas operations to reflect the return on equity that ultimately is approved by the LPSC in the investigation previously initiated by the LPSC to review the return on equity for Louisiana gas utilities. Entergy Gulf States Louisiana and the LPSC Staff reached agreement regarding the LPSC Staff's proposed adjustments. As reflected in an unopposed joint report of proceedings filed by Entergy Gulf States Louisiana and the LPSC Staff on May 16, 2013, Entergy Gulf States Louisiana accepted, with modification, the LPSC Staff's proposed adjustment to property insurance expense and agreed to: (1) a three-year extension of the gas rate stabilization plan with a midpoint return on equity of 9.95%, with a first year midpoint reset; (2) dismissal of the docket initiated by the LPSC to evaluate the allowed return on equity for Entergy Gulf States Louisiana's gas rate stabilization plan; and (3) presentation to the LPSC by November 2014 by Entergy Gulf States Louisiana and the LPSC Staff of their recommendation for implementation of an infrastructure rider to recover expenditures associated with strategic plant investment. The LPSC approved the agreement in May 2013.

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan Filings

In March 2013, Entergy Mississippi submitted its formula rate plan 2012 test year filing. The filing requested a \$36.3 million revenue increase to reset Entergy Mississippi's return on common equity to 10.55%, which is a point within the formula rate plan bandwidth. On June 6, 2013, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation, in which both parties agreed that the MPSC should approve a \$22.3 million rate increase for Entergy Mississippi which, with other adjustments reflected in the stipulation, would have the effect of resetting Entergy Mississippi's return on common equity to 10.59% when adjusted for performance under the formula rate plan. In August 2013 the MPSC approved the joint stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff authorizing the rate increase effective with September 2013 bills. Additionally, the MPSC authorized Entergy Mississippi to defer approximately \$1.2 million in MISO-related implementation costs incurred in 2012 along with other MISO-related implementation costs to be incurred in 2013.

Filings with the City Council

(Entergy Louisiana)

In March 2013, Entergy Louisiana filed a rate case for the Algiers area, which is in New Orleans and is regulated by the City Council. Entergy Louisiana is requesting a rate increase of \$13 million over three years, including a 10.4% return on common equity and a formula rate plan mechanism identical to its LPSC request. Hearings are scheduled for April 2014. New rates are currently expected to become effective in second quarter 2014.

(Entergy New Orleans)

As discussed in the Form 10-K, in May 2012, Entergy New Orleans filed its electric and gas formula rate plan evaluation reports for the 2011 test year. In August 2013 the City Council unanimously approved a settlement of all issues in the formula rate plan proceeding. Pursuant to the terms of the settlement, Entergy New Orleans implemented an approximately \$1.625 million net decrease to the electric rates that were in effect prior to the electric rate increase implemented in October 2012, with no change in gas rates. Entergy New Orleans is in the process of refunding to customers approximately \$6.0 million over the four-month period from September 2013 through December 2013 to make the electric rate decrease effective as of the first billing cycle of October 2012. Entergy New Orleans had previously recorded provisions for the majority of the refund to customers, but recorded an additional \$1.1 million provision in second quarter 2013 as a result of the settlement.

Filings with the PUCT (Entergy Texas)

2013 Rate Case

In September 2013, Entergy Texas filed a rate case requesting a \$38.6 million base rate increase reflecting a 10.4% return on common equity based on an adjusted test year ending March 31, 2013. The rate case also proposed (1) a rough production cost equalization adjustment rider recovering Entergy Texas's payment to Entergy New Orleans to achieve rough production cost equalization based on calendar year 2012 production costs, (2) a rate case expense rider recovering the cost of the 2013 rate case and certain costs associated with previous rate cases, and (3) a transmission cost recovery factor rider recovering any differences in transmission costs and rate mitigation compared to those included in base rates to the extent the proposed spin-merge transaction with ITC Holdings Corp. is completed. The rate case filing also includes a request to reconcile \$0.9 billion of fuel and purchased power costs and fuel revenues covering the period July 2011 through March 2013. The fuel reconciliation also reflects special circumstances fuel cost recovery of approximately \$22 million of purchased power capacity costs. A procedural schedule has been set that includes staff testimony due in December 2013 and hearings in January 2014. If approved, new rates could go into effect as early as April 2014.

System Agreement Cost Equalization Proceedings

See Note 2 to the financial statements in the Form 10-K for a discussion of the proceedings regarding the System Agreement. Following are updates to that discussion.

Rough Production Cost Equalization Rates

2007 Rate Filing Based on Calendar Year 2006 Production Costs

See Note 2 to the financial statements in the Form 10-K for a discussion of this proceeding. On October 16, 2013, the FERC issued two orders related to this proceeding. The first order provided clarification with regard to the derivation of the ratio that should be used to functionalize net operating loss carryforwards for purposes of the annual bandwidth filings. The second order denied Entergy's request for rehearing of the FERC's prior determination that interest should be included on recalculated payment and receipt amounts required in this particular proceeding due to the length of time that had passed.

2008 Rate Filing Based on Calendar Year 2007 Production Costs

See Note 2 to the financial statements in the Form 10-K for a discussion of this proceeding. In March 2013 the LPSC filed a petition for review with the U.S. Court of Appeals for the Fifth Circuit seeking appellate review of the FERC's earlier orders addressing the ALJ's initial decision.