

## **Part I, Item 4. Controls and Procedures**

### Disclosure Controls and Procedures

As of September 30, 2013, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) management, including their respective Principal Executive Officers (PEO) and Principal Financial Officers (PFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, each PEO and PFO has concluded that, as to the Registrant or Registrants for which they serve as PEO or PFO, the Registrant’s or Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant’s or Registrants’ disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant’s or Registrants’ management, including their respective PEOs and PFOs, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrants’ management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended September 30, 2013 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**ENTERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Plan to Spin Off the Utility's Transmission Business**

See the "**Plan to Spin Off the Utility's Transmission Business**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K and herein 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., including the planned retirement of debt and preferred securities.

**Results of Operations**

**Net Income**

**Third Quarter 2013 Compared to Third Quarter 2012**

Net income remained relatively unchanged. Higher net revenue and lower taxes other than income taxes were offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, and higher interest expense.

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

Net income decreased \$4.4 million primarily due to higher other operation and maintenance expenses, a higher effective income tax rate, higher interest expense, and higher depreciation and amortization expenses, partially offset by higher net revenue and higher other income.

**Net Revenue**

**Third Quarter 2013 Compared to Third Quarter 2012**

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the third quarter 2013 to the third quarter 2012:

	<b>Amount</b>
	<b>(In Millions)</b>
2012 net revenue	\$397.4
Retail electric price	13.8
ANO decommissioning trust	3.2
Volume/weather	(6.7)
Other	0.1
<b>2013 net revenue</b>	<b>\$407.8</b>

The retail electric price variance is primarily due to:

- an increase in the capacity acquisition rider, 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.

The ANO decommissioning trust variance is primarily due to higher regulatory credits resulting from a decrease in interest earned on decommissioning trust fund investments. There is no effect on net income as this interest is reflected in other income.

The volume/weather variance is primarily due to the effect of less favorable weather on residential and commercial sales, partially offset by an increase in sales volume in the unbilled sales period.

*Gross operating revenues and fuel and purchased power expenses*

Gross operating revenues decreased primarily due to a decrease of \$37 million in fuel cost recovery revenues as a result of lower fuel rates and the decrease related to volume/weather, as discussed above.

The decrease was partially offset by:

- an increase of \$16.8 million in gross wholesale revenues primarily due to increased sales to affiliated customers and higher prices;
- an increase of \$9.6 million due to the increase in the capacity acquisition rider, as discussed above; and
- an increase of \$4.7 million in rider revenues primarily due to an increase in the Grand Gulf rate effective January 2013.

Fuel and purchased power expenses decreased primarily due to a decrease in the recovery from customers of deferred fuel costs due to lower fuel rates. This decrease was offset by increased gas-fired generation due to an increase in demand as a result of the ANO extended outage and an increase in the average market prices of natural gas.

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

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the nine months ended September 30, 2013 to the nine months ended September 30, 2012:

	<b>Amount</b> (In Millions)
2012 net revenue	\$987.5
Retail electric price	36.6
MISO deferral	11.1
Net wholesale revenue	5.9
Volume/weather	(15.3)
Other	(3.6)
<b>2013 net revenue</b>	<b><u>\$1,022.2</u></b>

The retail electric price variance is primarily due to:

- an increase in the capacity acquisition rider, 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 and July 2012. Energy efficiency revenues are offset by costs included in other operation and maintenance expenses and have no effect on net income.

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

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

The volume/weather variance is primarily due to a decrease of 481 GWh, or 3%, in billed electricity, including the effect of less favorable weather, as compared to the prior year, on residential and commercial sales.

*Gross operating revenues, fuel and purchased power expenses, and other regulatory credits*

Gross operating revenues increased primarily due to:

- an increase of \$42.7 million in gross wholesale revenues primarily due to increased sales to affiliated customers and higher prices;
- the June 2012 AmerenUE refund of \$30.6 million, including interest, in rough production cost equalization payments collected from AmerenUE. Entergy Arkansas had previously recorded a regulatory provision for the potential refund to AmerenUE. The result of the refund in 2012 was a decrease in gross revenues with an offsetting increase in other regulatory credits. See Note 2 to the financial statements in the Form 10-K for a discussion of the FERC order in the System Agreement production cost equalization proceedings;
- an increase of \$22.9 million due to the increase in the capacity acquisition rider, as discussed above;
- an increase of \$17 million in rider revenues primarily due to an increase in the Grand Gulf rate effective January 2013;
- an increase of \$14.6 million in rider revenues due to increases in the energy efficiency rider effective July 2013 and July 2012, as discussed above; and
- an increase of \$11.3 million in rider revenues related to higher System Agreement production cost equalization payments. These revenues are offset in deferred fuel expenses. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the FERC orders in the System Agreement production cost equalization proceedings.

The increase was partially offset by a decrease of \$68.3 million in fuel cost recovery revenues as a result of lower fuel rates, and the decrease related to volume/weather, as discussed above.

Fuel and purchased power expenses increased primarily due to:

- increased purchased power costs and gas-fired generation due to an increase in demand as a result of the ANO extended outage as well as increases in the average market prices of purchased power and natural gas; and
- higher costs related to System Agreement production cost equalization payments, as discussed above.

The increase was partially offset by a decrease in the recovery from customers of deferred fuel costs.

Other regulatory credits decreased primarily due to the June 2012 refund to AmerenUE, as discussed above, and higher deferred gains in 2013 on the ANO 1 decommissioning trust fund investments. These decreases were partially offset by the deferral of MISO costs in April 2013, as discussed above.

## Other Income Statement Variances

### Third Quarter 2013 Compared to Third Quarter 2012

Other operation and maintenance expenses increased primarily due to:

- an increase of \$3.5 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 \$2.5 million in energy efficiency costs. These costs are recovered through the energy efficiency rider and have no effect on net income;
- an increase of \$2.1 million in distribution contract work primarily due to vegetation maintenance; and
- an increase of \$2.1 million in fossil-fueled generation expenses primarily due to the addition of the Hot Spring plant in November 2012, partially offset by higher plant outage costs in 2012 due to a greater scope of work.

These increases were partially offset by a decrease of \$2.8 million in nuclear generation costs primarily due to lower labor and contract costs.

Depreciation and amortization expenses increased primarily due to the acquisition of the Hot Spring plant in November 2012.

Interest expense increased primarily due to the issuance of \$200 million of 4.90% Series first mortgage bonds in December 2012, the issuance of \$250 million of 3.05% Series first mortgage bonds in May 2013, and the issuance of \$125 million of 4.75% Series first mortgage bonds in June 2013. This increase was partially offset by the retirement, at maturity, of \$300 million of 5.40% Series first mortgage bonds in August 2013.

Taxes other than income taxes decreased primarily due to a decrease in local franchise tax resulting from lower commercial and residential revenues as compared to the same period in 2012.

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

Other operation and maintenance expenses increased primarily due to:

- an increase of \$12 million in energy efficiency costs. These costs are recovered through the 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 incident;
- an increase of \$10.8 million in fossil-fueled generation expenses primarily due to the addition of the Hot Spring plant in November 2012; and
- an increase of \$8.7 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.

The increase was partially offset by:

- a decrease of \$3.4 million due to costs incurred in 2012 related to the transition and implementation of joining the MISO RTO. In April 2013, Entergy Arkansas began deferring these costs as approved by the APSC; and
- the effects of recording the final court decision in the Entergy Arkansas lawsuit against the U.S. Department of Energy related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately \$3.2 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. The spent nuclear fuel disposal litigation is discussed in more detail in Part II, Item 5, "Spent Nuclear Fuel."

Depreciation and amortization expenses increased primarily due to the acquisition of the Hot Spring plant in November 2012, partially offset by the effects of recording the final court decision in the Entergy Arkansas lawsuit against the U.S. Department of Energy related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately \$3.6 million of spent nuclear fuel storage costs previously recorded as depreciation expense. The spent nuclear fuel disposal litigation is discussed in more detail in Part II, Item 5, and "Spent Nuclear Fuel."

Interest expense increased primarily due to the issuance of \$200 million of 4.90% Series first mortgage bonds in December 2012.

Other income increased primarily due to higher realized gains in 2013 on the ANO 1 decommissioning trust fund investments. There is no effect on net income as these investment gains are offset by a corresponding amount of regulatory charges.

#### Income Taxes

The effective income tax rate was 40.6% for the third quarter 2013 and 42.3% for the nine months ended September 30, 2013. The differences in the effective income tax rates for the third quarter 2013 and the nine months ended September 30, 2013 versus the federal statutory rate of 35% were due to state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 40.4% for the third quarter 2012 and 39.5% for the nine months ended September 30, 2012. The difference in the effective income tax rate for the third quarter 2012 versus the federal statutory rate of 35% was due to state income taxes and certain book and tax differences related to utility plant items. The difference in the effective income tax rate for the nine months ended September 30, 2012 versus the federal statutory rate of 35% was due to state income taxes and certain book and tax differences related to utility plant items, partially offset by the provision for uncertain tax positions.

#### 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.

### **Liquidity and Capital Resources**

#### **Cash Flow**

Cash flows for the nine months ended September 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$34,533	\$22,599
Cash flow provided by (used in):		
Operating activities	201,757	337,920
Investing activities	(435,244)	(324,656)
Financing activities	244,017	6,759
Net increase in cash and cash equivalents	<u>10,530</u>	<u>20,023</u>
Cash and cash equivalents at end of period	<u>\$45,063</u>	<u>\$42,622</u>

#### **Operating Activities**

Net cash flow provided by operating activities decreased \$136.2 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- income tax payments of \$211.4 million in 2013 compared to income tax refunds of \$6.9 million in 2012. Entergy Arkansas had income tax payments in 2013 in accordance with the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement. The income tax payments in 2013 resulted primarily from the reversal of temporary differences for which Entergy Arkansas had previously claimed a tax deduction;
- approximately \$27 million in spending related to the generator stator incident at ANO, as discussed above; and
- \$22.6 million in storm restoration spending in 2013 resulting from the December 2012 winter storm which caused significant damage to Entergy Arkansas's distribution lines, equipment, poles and other facilities.

These decreases were offset by:

- proceeds of \$38 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";
- the timing of payments to vendors;
- a \$30.6 million June 2012 refund to AmerenUE, as discussed above; and
- a \$15.4 million decrease in pension contributions in 2013 as compared to the same period in prior year.

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

#### Investing Activities

Net cash flow used in investing activities increased \$110.6 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- approximately \$68 million in spending related to the generator stator incident at ANO, as discussed above;
- money pool activity; and
- \$39.6 million in storm restoration spending in 2013 resulting from the December 2012 winter storm.

The increase was partially offset by a decrease in transmission construction expenditures due to higher reliability work performed in 2012 and fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

Increases in Entergy Arkansas's receivable from the money pool are a use of cash flow, and Entergy Arkansas's receivable from the money pool increased by \$45.3 million for the nine months ended September 30, 2013 compared to decreasing by \$9.9 million for the nine months ended September 30, 2012. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

#### Financing Activities

Net cash flow provided by financing activities increased \$237.3 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- the issuance of \$250 million of 3.05% Series first mortgage bonds in May 2013 and \$125 million of 4.75% Series first mortgage bonds in June 2013;
- the net repayment of \$16.6 million of borrowings on the Entergy Arkansas nuclear fuel company variable interest entity credit facility compared to net borrowings of \$18.8 million in 2012; and
- borrowings on a \$250 million term loan credit facility entered into in July 2013.

The increase was partially offset by:

- the retirement, at maturity, of \$30 million 9% Series H notes by the Entergy Arkansas nuclear fuel company variable interest entity in June 2013; and
- the retirement, at maturity, of \$300 million of 5.40% Series first mortgage bonds in August 2013.



## Capital Structure

Entergy Arkansas's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy Arkansas as of September 30, 2013 is primarily due to an increase in long-term debt as a result of the issuance of \$250 million of 3.05% Series first mortgage bonds in May 2013 and \$125 million of 4.75% Series first mortgage bonds in June 2013, and borrowings on a \$250 million term loan credit facility entered into by Entergy Arkansas in July 2013.

	September 30, 2013	December 31, 2012
Debt to capital	57.3%	56.0%
Effect of excluding the securitization bonds	(1.0%)	(1.2%)
Debt to capital, excluding securitization bonds (a)	56.3%	54.8%
Effect of subtracting cash	(0.5%)	(0.4%)
Net debt to net capital, excluding securitization bonds (a)	55.8%	54.4%

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

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

## Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Arkansas's uses and sources of capital. Following are updates to the information provided in the Form 10-K. Entergy Arkansas is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$1.7 billion in capital investments during that period. In addition to routine capital spending to maintain operations, the capital investment plan includes specific investments and initiatives such as NRC post-Fukushima requirements, 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 projects.

Entergy Arkansas has obtained short-term borrowing authorization from the FERC under which it may borrow through October 2015, up to the aggregate amount, at any one time outstanding, of \$250 million. See Note 4 to the financial statements for further discussion of Entergy Arkansas's short-term borrowing limits. Entergy Arkansas has also obtained an order from the APSC authorizing long-term securities issuances through December 2015. Entergy Arkansas has also obtained long-term financing authorization from the FERC that extends through October 2015 for issuances by its nuclear fuel company variable interest entity.

Entergy Arkansas's receivables from the money pool were as follows:

<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
(In Thousands)			
\$53,375	\$8,035	\$7,487	\$17,362

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

Entergy Arkansas has a credit facility in the amount of \$150 million scheduled to expire in March 2018. Entergy Arkansas also has a \$20 million credit facility scheduled to expire in April 2014. No borrowings were outstanding under the credit facilities as of September 30, 2013. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of \$85 million scheduled to expire in June 2016. As of September 30, 2013, \$20.1 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the Entergy Arkansas nuclear fuel company variable interest entity. See Note 4 to the financial statements for additional discussion of the nuclear fuel company variable interest entity credit facility.

In January 2013, Entergy Arkansas arranged for the issuance by (i) Independence County, Arkansas of \$45 million of 2.375% Pollution Control Revenue Refinancing Bonds (Entergy Arkansas, Inc. Project) Series 2013 due January 2021, and (ii) Jefferson County, Arkansas of \$54.7 million of 1.55% Pollution Control Revenue Refunding Bonds (Entergy Arkansas, Inc. Project) Series 2013 due October 2017, each of which series is secured by a separate series of non-interest bearing first mortgage bonds of Entergy Arkansas. The proceeds of these issuances were applied to the refunding of outstanding series of pollution control revenue bonds previously issued by the respective issuers.

In May 2013, Entergy Arkansas issued \$250 million of 3.05% Series first mortgage bonds due June 2023. Entergy Arkansas used the proceeds to pay, at maturity, a portion of its \$300 million 5.40% Series first mortgage bonds due August 2013 and for general corporate purposes.

In June 2013, Entergy Arkansas issued \$125 million of 4.75% Series first mortgage bonds due June 2063. Entergy Arkansas used the proceeds to pay, at maturity, a portion of its \$300 million 5.40% Series first mortgage bonds due August 2013 and for general corporate purposes.

In June 2013, the Entergy Arkansas nuclear fuel company variable interest entity redeemed, at maturity, its \$30 million 9% Series H notes.

In July 2013, Entergy Arkansas entered into a \$250 million term loan credit facility terminating January 26, 2015 with the collateral support of a series of \$255 million non-interest bearing Entergy Arkansas first mortgage bonds. On July 31, 2013, Entergy Arkansas borrowed \$250 million against the credit facility. Entergy Arkansas used the borrowings to pay, at maturity, a portion of its \$300 million 5.40% Series first mortgage bonds due August 2013 and for general corporate purposes.

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

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel cost recovery. Following are updates to that discussion.

### **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.

### **Opportunity Sales Proceeding**

See Note 2 to the financial statements herein for an update to the discussion of the opportunity sales proceeding.

### **Federal Regulation**

See "System Agreement" and "Entergy's Proposal to Join MISO" in the "**Rate, Cost-recovery, and Other Regulation** – **Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for updates to the **Federal Regulation** discussion in the Form 10-K.

### **Nuclear Matters**

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

### **Environmental Risks**

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

### **Critical Accounting Estimates**

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

**ENTERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**  
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)		(In Thousands)	
<b>OPERATING REVENUES</b>				
Electric	\$647,671	\$656,201	\$1,698,716	\$1,633,401
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	113,523	116,026	321,373	362,954
Purchased power	131,736	145,305	369,643	318,474
Nuclear refueling outage expenses	9,403	11,891	29,031	35,441
Other operation and maintenance	147,513	140,730	438,021	406,561
Decommissioning	10,847	10,198	32,044	30,128
Taxes other than income taxes	24,303	26,676	69,073	69,073
Depreciation and amortization	58,083	55,092	172,059	165,697
Other regulatory credits - net	(5,418)	(2,553)	(14,465)	(35,478)
<b>TOTAL</b>	<b>489,990</b>	<b>503,365</b>	<b>1,416,779</b>	<b>1,352,850</b>
<b>OPERATING INCOME</b>	<b>157,681</b>	<b>152,836</b>	<b>281,937</b>	<b>280,551</b>
<b>OTHER INCOME</b>				
Allowance for equity funds used during construction	2,902	2,258	7,852	6,491
Interest and investment income	1,525	3,861	18,411	11,233
Miscellaneous - net	(629)	(496)	(2,573)	(3,139)
<b>TOTAL</b>	<b>3,798</b>	<b>5,623</b>	<b>23,690</b>	<b>14,585</b>
<b>INTEREST EXPENSE</b>				
Interest expense	23,253	20,532	69,290	61,707
Allowance for borrowed funds used during construction	(744)	(648)	(2,473)	(1,724)
<b>TOTAL</b>	<b>22,509</b>	<b>19,884</b>	<b>66,817</b>	<b>59,983</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>138,970</b>	<b>138,575</b>	<b>238,810</b>	<b>235,153</b>
Income taxes	56,393	56,024	101,031	92,973
<b>NET INCOME</b>	<b>82,577</b>	<b>82,551</b>	<b>137,779</b>	<b>142,180</b>
Preferred dividend requirements	1,718	1,718	5,155	5,155
<b>EARNINGS APPLICABLE TO COMMON STOCK</b>	<b>\$80,859</b>	<b>\$80,833</b>	<b>\$132,624</b>	<b>\$137,025</b>

See Notes to Financial Statements.

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

	2013	2012
	(In Thousands)	
<b>OPERATING ACTIVITIES</b>		
<b>Net income</b>	\$137,779	\$142,180
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	263,176	266,755
Deferred income taxes, investment tax credits, and non-current taxes accrued	99,442	97,641
Changes in assets and liabilities		
Receivables	(70,219)	(86,046)
Fuel inventory	16,740	3,130
Accounts payable	(12,996)	(144,562)
Prepaid taxes and taxes accrued	(222,118)	(9,302)
Interest accrued	(9,760)	(11,061)
Deferred fuel costs	26,672	88,097
Other working capital accounts	(12,324)	32,465
Provisions for estimated losses	200	171
Other regulatory assets	2,515	51,089
Pension and other postretirement liabilities	(25,332)	(40,976)
Other assets and liabilities	7,982	(51,661)
<b>Net cash flow provided by operating activities</b>	<u>201,757</u>	<u>337,920</u>
<b>INVESTING ACTIVITIES</b>		
Construction expenditures	(365,511)	(273,010)
Allowance for equity funds used during construction	10,587	9,002
Nuclear fuel purchases	(73,151)	(134,928)
Proceeds from sale of nuclear fuel	36,478	76,042
Proceeds from nuclear decommissioning trust fund sales	173,431	103,394
Investment in nuclear decommissioning trust funds	(178,516)	(110,520)
Changes in money pool receivable - net	(45,340)	9,875
Remittances to transition charge account	7,356	(11,987)
Payments from transition charge account	(10,849)	7,476
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	10,271	-
<b>Net cash flow used in investing activities</b>	<u>(435,244)</u>	<u>(324,656)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	716,670	-
Retirement of long-term debt	(435,896)	(5,990)
Changes in short-term borrowings - net	(16,602)	18,776
<b>Dividends paid:</b>		
Common stock	(15,000)	-
Preferred stock	(5,155)	(5,155)
Other	-	(872)
<b>Net cash flow provided by financing activities</b>	<u>244,017</u>	<u>6,759</u>
<b>Net increase in cash and cash equivalents</b>	10,530	20,023
<b>Cash and cash equivalents at beginning of period</b>	<u>34,533</u>	<u>22,599</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$45,063</u>	<u>\$42,622</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid (received) during the period for		
Interest - net of amount capitalized	\$75,022	\$68,990
Income taxes	\$211,415	(\$6,897)

See Notes to Financial Statements

**ENTERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**ASSETS**  
**September 30, 2013 and December 31, 2012**  
**(Unaudited)**

	2013	2012
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$3,342	\$9,597
Temporary cash investments	41,721	24,936
Total cash and cash equivalents	45,063	34,533
Securitization recovery trust account	7,896	4,403
Accounts receivable:		
Customer	130,206	98,036
Allowance for doubtful accounts	(28,736)	(28,343)
Associated companies	127,571	67,277
Other	71,310	71,956
Accrued unbilled revenues	97,036	72,902
Total accounts receivable	397,387	281,828
Accumulated deferred income taxes	234	72,196
Deferred fuel costs	70,633	97,305
Fuel inventory - at average cost	32,235	48,975
Materials and supplies - at average cost	151,418	148,682
Deferred nuclear refueling outage costs	41,332	38,410
Prepaid taxes	7,149	-
Prepayments and other	61,281	10,586
<b>TOTAL</b>	<b>814,628</b>	<b>736,918</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Decommissioning trust funds	669,770	600,578
Non-utility property - at cost (less accumulated depreciation)	1,666	1,671
Other	41,182	41,182
<b>TOTAL</b>	<b>712,618</b>	<b>643,431</b>
<b>UTILITY PLANT</b>		
Electric	8,883,551	8,693,659
Property under capital lease	1,088	1,154
Construction work in progress	166,903	205,982
Nuclear fuel	284,280	303,825
<b>TOTAL UTILITY PLANT</b>	<b>9,335,822</b>	<b>9,204,620</b>
Less - accumulated depreciation and amortization	4,174,124	4,104,882
<b>UTILITY PLANT - NET</b>	<b>5,161,698</b>	<b>5,099,738</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Regulatory asset for income taxes - net	75,286	80,751
Other regulatory assets (includes securitization property of \$83,856 as of September 30, 2013 and \$93,238 as of December 31, 2012)	1,224,586	1,221,636
Other	41,779	36,971
<b>TOTAL</b>	<b>1,341,651</b>	<b>1,339,358</b>
<b>TOTAL ASSETS</b>	<b>\$8,030,595</b>	<b>\$7,819,445</b>

See Notes to Financial Statements.

**ENTERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**  
**September 30, 2013 and December 31, 2012**  
**(Unaudited)**

	2013	2012
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$70,000	\$330,000
Short-term borrowings	20,133	36,735
Accounts payable:		
Associated companies	49,802	39,288
Other	140,144	200,964
Customer deposits	85,760	85,198
Taxes accrued	-	214,969
Accumulated deferred income taxes	9,794	5,927
Interest accrued	18,658	28,418
Other	63,720	45,208
<b>TOTAL</b>	<b>458,011</b>	<b>986,707</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	1,859,020	1,829,281
Accumulated deferred investment tax credits	39,456	40,947
Other regulatory liabilities	191,842	143,901
Decommissioning	712,756	680,712
Accumulated provisions	6,022	5,822
Pension and other postretirement liabilities	589,362	614,805
Long-term debt (includes securitization bonds of \$95,364 as of September 30, 2013 and \$101,547 as of December 31, 2012)	2,342,168	1,793,895
Other	18,368	27,409
<b>TOTAL</b>	<b>5,758,994</b>	<b>5,136,772</b>
Commitments and Contingencies		
Preferred stock without sinking fund	116,350	116,350
<b>COMMON EQUITY</b>		
Common stock, \$0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2013 and 2012	470	470
Paid-in capital	588,444	588,444
Retained earnings	1,108,326	990,702
<b>TOTAL</b>	<b>1,697,240</b>	<b>1,579,616</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$8,030,595</b>	<b>\$7,819,445</b>

See Notes to Financial Statements.



**ENTERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY**  
For the Nine Months Ended September 30, 2013 and 2012  
(Unaudited)

	<u>Common Equity</u>			
	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	(In Thousands)			
<b>Balance at December 31, 2011</b>	\$470	\$588,444	\$855,210	\$1,444,124
Net income	-	-	142,180	142,180
Preferred stock dividends	-	-	(5,155)	(5,155)
<b>Balance at September 30, 2012</b>	<u>\$470</u>	<u>\$588,444</u>	<u>\$992,235</u>	<u>\$1,581,149</u>
<b>Balance at December 31, 2012</b>	\$470	\$588,444	\$990,702	\$1,579,616
Net income	-	-	137,779	137,779
Common stock dividends	-	-	(15,000)	(15,000)
Preferred stock dividends	-	-	(5,155)	(5,155)
<b>Balance at September 30, 2013</b>	<u>\$470</u>	<u>\$588,444</u>	<u>\$1,108,326</u>	<u>\$1,697,240</u>

See Notes to Financial Statements

**ENTERGY ARKANSAS, INC. 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)			
Electric Operating Revenues				
Residential	\$248	\$276	(\$28)	(10)
Commercial	141	148	(7)	(5)
Industrial	131	137	(6)	(4)
Governmental	5	4	1	25
Total retail	525	565	(40)	(7)
Sales for resale				
Associated companies	89	71	18	25
Non-associated companies	19	19	-	-
Other	15	1	14	1,400
Total	\$648	\$656	(\$8)	(1)
Billed Electric Energy				
Sales (GWh)				
Residential	2,367	2,646	(279)	(11)
Commercial	1,767	1,859	(92)	(5)
Industrial	1,906	1,967	(61)	(3)
Governmental	67	72	(5)	(7)
Total retail	6,107	6,544	(437)	(7)
Sales for resale				
Associated companies	2,094	1,581	513	32
Non-associated companies	181	292	(111)	(38)
Total	8,382	8,417	(35)	-
Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012		
	(Dollars In Millions)			
Electric Operating Revenues				
Residential	\$608	\$613	(\$5)	(1)
Commercial	358	364	(6)	(2)
Industrial	328	335	(7)	(2)
Governmental	15	15	-	-
Total retail	1,309	1,327	(18)	(1)
Sales for resale				
Associated companies	267	221	46	21
Non-associated companies	56	28	28	100
Other	67	57	10	18
Total	\$1,699	\$1,633	\$66	4
Billed Electric Energy				
Sales (GWh)				
Residential	6,164	6,270	(106)	(2)
Commercial	4,503	4,682	(179)	(4)
Industrial	5,068	5,248	(180)	(3)
Governmental	182	198	(16)	(8)
Total retail	15,917	16,398	(481)	(3)
Sales for resale				
Associated companies	6,202	5,450	752	14
Non-associated companies	539	800	(261)	(33)
Total	22,658	22,648	10	-

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

**Plan to Spin Off the Utility's Transmission Business**

See the "**Plan to Spin Off the Utility's Transmission Business**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K and herein 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., including the planned retirement of debt and preferred securities.

**Results of Operations**

**Net Income**

**Third Quarter 2013 Compared to Third Quarter 2012**

Net income increased \$12.4 million primarily due to higher net revenue and a lower effective income tax rate, partially offset by higher other operation and maintenance expenses, lower other income, and higher taxes other than income taxes.

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

Net income decreased \$9.4 million primarily due to higher other operation and maintenance expenses, higher taxes other than income taxes, higher depreciation and amortization expenses, and a higher effective income tax rate, partially offset by higher net revenue.

**Net Revenue**

**Third Quarter 2013 Compared to Third Quarter 2012**

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. Following is an analysis of the change in net revenue comparing the third quarter 2013 to the third quarter 2012:

	<b><u>Amount</u></b> <b><u>(In Millions)</u></b>
2012 net revenue	\$239.3
Net wholesale revenue	5.6
Retail electric price	4.8
River Bend decommissioning trust	4.1
Volume/weather	3.8
Other	1.3
<b>2013 net revenue</b>	<b><u>\$258.9</u></b>

The net wholesale revenue variance is primarily due to higher prices.

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

The River Bend decommissioning trust variance is primarily due to the deferral of investment gains from the River Bend decommissioning trust in 2012 in accordance with regulatory treatment. The prior year gains resulted in an increase in 2012 in other income and a corresponding decrease in regulatory charges with no effect on net income.

The volume/weather variance is primarily due to an increase of 163 GWh, or 3%, in billed electricity usage in the residential, commercial, and industrial sectors. The increase in the industrial usage was driven by the chemicals industry.

*Gross operating revenues and fuel and purchased power expenses*

Gross operating revenues increased primarily due to an increase of \$61.2 million in fuel cost recovery revenues primarily due to higher fuel rates and an increase of \$51.4 million in rider revenues primarily due to System Agreement credits to customers in 2012. Entergy Gulf States Louisiana's fuel and purchased power recovery mechanism is discussed in Note 2 to the financial statements in the Form 10-K.

Fuel and purchased power expenses increased primarily due to:

- an increase in deferred fuel expense due to the timing of receipt of System Agreement payments and credits to customers and higher fuel cost recovery revenues due to higher fuel rates as compared to the prior year. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings; and
- an increase in the average market price of purchased power and increased demand.

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

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. 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:

	<b>Amount</b>
	(In Millions)
2012 net revenue	\$653.7
Louisiana Act 55 financing savings obligation	28.3
Net wholesale revenue	7.8
Other	2.0
<b>2013 net revenue</b>	<b>\$691.8</b>

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge recorded in the second quarter 2012 because Entergy Gulf States Louisiana is 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 net wholesale revenue variance is primarily due to higher prices.

*Gross operating revenues, fuel and purchased power expenses, and other regulatory charges*

Gross operating revenues increased primarily due to:

- an increase of \$138.8 million in fuel cost recovery revenues primarily due to higher fuel rates;
- an increase of \$69.5 million in rider revenues primarily due to System Agreement credits to customers in 2012; and
- an increase of \$12.3 million in gross wholesale revenues primarily due to higher prices.

Entergy Gulf States Louisiana's fuel and purchased power recovery mechanism is discussed in Note 2 to the financial statements in the Form 10-K.

Fuel and purchased power expenses increased primarily due to:

- an increase in the average market price of purchased power and increased demand; and
- an increase in deferred fuel expense due to the timing of receipt of System Agreement payments and credits to customers and higher fuel cost recovery revenues due to higher fuel rates as compared to the prior year. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings.

Other regulatory charges decreased primarily due to a regulatory charge recorded in the second quarter 2012 because Entergy Gulf States Louisiana is 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.

**Other Income Statement Variances**

Third Quarter 2013 Compared to Third Quarter 2012

Other operation and maintenance expenses increased primarily due to:

- an increase of \$5.5 million in compensation and benefits costs primarily due to a settlement charge, recognized in September 2013, related to the payment of lump sum benefits out of the non-qualified pension plan and a decrease in the discount rates used to determine net periodic pension and other postretirement benefit costs. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates**" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- an increase of \$2.3 million in loss reserves;
- an increase of \$1.8 million in nuclear generation expenses primarily due to higher labor costs;
- an increase of \$1.7 million in fossil-fueled generation expenses due to an overall higher scope of work done during plant outages as compared to the prior year; and
- several individually insignificant items.

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

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

Other operation and maintenance expenses increased primarily due to:

- an increase of \$11.4 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;
- the deferral recorded in the second quarter 2012, as approved by the LPSC and the FERC, of costs related to the transition and implementation of joining the MISO RTO, which reduced expenses by \$4.2 million in 2012;
- an increase of \$4.9 million in nuclear generation expenses primarily due to higher labor costs including higher contract labor;
- an increase of \$2.7 million in loss reserves;
- an increase of \$2.2 million in fossil-fueled generation expenses due to an overall higher scope of work done during plant outages as compared to the prior year; and
- several individually insignificant items.

Income Taxes

The effective income tax rate was 15.6% for the third quarter 2013 and 27.3% for the nine months ended September 30, 2013. The differences in the effective income tax rates for the third quarter 2013 and the nine months ended September 30, 2013 versus the federal statutory rate of 35% were due to the reversal of a portion of the provision for uncertain tax positions and book and tax differences related to the non-taxable income distributions earned on preferred membership interests, partially offset by state income taxes.

The effective income tax rate was 36.8% for the third quarter 2012 and 24.2% for the nine months ended September 30, 2012. The difference in the effective income tax rate for the third quarter 2012 versus the federal statutory rate of 35% was due to state income taxes and the provision for uncertain tax positions, partially offset by book and tax differences related to the non-taxable income distributions earned on preferred membership interests. The difference in the effective income tax rate for the nine months ended September 30, 2012 versus the federal statutory rate of 35% was due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests and the reversal of the provision for uncertain tax positions related to an IRS settlement on how to treat the Louisiana Act 55 financing of the Hurricane Katrina and Hurricane Rita storm costs, partially offset by state income taxes.

Hurricane Isaac

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Hurricane Isaac**" in the Form 10-K for a discussion of Hurricane Isaac and the damage caused to Entergy Gulf States Louisiana's service area in August 2012. In April 2013, Entergy Gulf States Louisiana and Entergy Louisiana filed a joint application with the LPSC relating to Hurricane Isaac system restoration costs. Specifically, Entergy Gulf States Louisiana requested that the LPSC determine the amount of such costs that were prudently incurred and are, thus, eligible for recovery from customers. Including carrying costs and additional storm escrow funds, Entergy Gulf States Louisiana is seeking determination that \$73.8 million in system restoration costs were prudently incurred. Entergy Gulf States Louisiana intends to replenish its storm escrow accounts to \$90 million primarily through traditional debt markets and has requested special rate treatment of any borrowings for that purpose. In May 2013, Entergy Gulf States Louisiana filed a supplemental application proposing a specific means to finance system restoration costs and related requests. Entergy Gulf States Louisiana is proposing to finance Hurricane Isaac restoration costs through Louisiana Act 55 financing, which was the same method it used for Hurricanes Katrina, Rita, Gustav, and Ike.

The LPSC Staff filed direct testimony in September 2013 concluding that Hurricane Isaac system restoration costs incurred by Entergy Gulf States Louisiana and Entergy Louisiana were reasonable and prudent, subject to proposed minor adjustments which totaled approximately 1% of each company's costs. The LPSC Staff also supported the requests to re-establish storm reserves of \$90 million for Entergy Gulf States Louisiana and \$200 million for Entergy Louisiana. One intervenor filed testimony recommending storm reserve levels of \$70 million for Entergy Gulf States Louisiana and \$100 million for Entergy Louisiana, but takes no position on the prudence of the Hurricane Isaac system restoration costs. An evidentiary hearing is scheduled in December 2013, with an LPSC decision expected in 2014.

### **Liquidity and Capital Resources**

#### **Cash Flow**

Cash flows for the nine months ended September 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$35,686	\$24,845
Cash flow provided by (used in):		
Operating activities	270,298	391,711
Investing activities	(261,281)	(145,984)
Financing activities	(43,933)	(94,008)
Net increase (decrease) in cash and cash equivalents	<u>(34,916)</u>	<u>151,719</u>
Cash and cash equivalents at end of period	<u>\$770</u>	<u>\$176,564</u>

#### **Operating Activities**

Net cash flow provided by operating activities decreased \$121.4 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- income tax payments of \$62.4 million in the nine months ended September 30, 2013. Entergy Gulf States Louisiana had income tax payments in 2013 in accordance with the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement. The payments resulted primarily from the reversal of temporary differences for which Entergy Gulf States Louisiana had previously claimed a tax deduction;
- higher nuclear refueling outage spending at River Bend. River Bend had a refueling outage in 2013 and did not have one in 2012; and
- the timing of collections from customers.

#### **Investing Activities**

Net cash flow used in investing activities increased \$115.3 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle;
- \$51 million in proceeds in 2012 from the sale of a portion of Entergy Gulf States Louisiana's investment in Entergy Holdings Company's Class A preferred membership interests to a third party;
- an increase in nuclear construction expenditures as a result of spending on nuclear projects during the River Bend refueling outage in 2013; and
- an increase in transmission construction expenditures due to additional reliability work performed in 2013.

These increases were partially offset by:

- the withdrawal of \$65.5 million from the storm reserve escrow account in 2013;
- a decrease in distribution construction expenditures due to prior year Hurricane Isaac spending; and
- a decrease in fossil-fueled generation construction expenditures as a result of decreased scope of work in 2013.

#### Financing Activities

Net cash flow used in financing activities decreased \$50.1 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- \$31 million in credit borrowings for the nine months ended September 30, 2013 compared to payments of \$29.4 million on credit borrowings for the nine months ended September 30, 2012 against the nuclear fuel company variable interest entity credit facility; and
- money pool activity.

The decrease was offset by:

- an increase of \$52.5 million in common equity distributions;
- net cash redemptions of \$5.2 million of long-term debt for the nine months ended September 30, 2013; and
- net cash issuances of \$3.4 million of long-term debt for the nine months ended September 30, 2012.

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

Increases in Entergy Gulf States Louisiana's payable to the money pool are a source of cash flow, and Entergy Gulf States Louisiana's payable to the money pool increased by \$50.8 million for the nine months ended September 30, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

#### **Capital Structure**

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

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Debt to capital	52.7%	52.3%
Effect of subtracting cash	-%	(0.6%)
Net debt to net capital	52.7%	51.7%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Gulf States Louisiana uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Gulf States Louisiana's financial condition. Entergy Gulf States Louisiana uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Gulf States Louisiana's financial condition because net debt indicates Entergy Gulf States Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.



## Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Gulf States Louisiana's uses and sources of capital. Following are updates to the information provided in the Form 10-K. Entergy Gulf States Louisiana is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$861 million in capital investments during that period. In addition to routine capital spending to maintain operations, the capital investment plan includes specific investments and initiatives such as NRC post-Fukushima requirements and transmission spending to support economic development projects, reliability, and new compliance projects.

Entergy Gulf States Louisiana obtained short-term borrowing authorization from the FERC under which it may borrow through October 2015, up to the aggregate amount, at any one time outstanding, of \$200 million. See Note 4 to the financial statements for further discussion of Entergy Gulf States Louisiana's short-term borrowing limits. Entergy Gulf States Louisiana has also obtained an order from the FERC authorizing long-term securities issuances through October 2015. Entergy Gulf States Louisiana has also obtained long-term financing authorization from the FERC that extends through October 2015 for issuances by its nuclear fuel company variable interest entity.

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

<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
(In Thousands)			
(\$57,835)	(\$7,074)	\$32,161	\$23,596

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

Entergy Gulf States Louisiana has a credit facility in the amount of \$150 million scheduled to expire in March 2018. No borrowings were outstanding under the facility as of September 30, 2013. See Note 4 to the financial statements herein for additional discussion of the credit facility.

The Entergy Gulf States Louisiana nuclear fuel company variable interest entity has a credit facility in the amount of \$100 million scheduled to expire in June 2016. As of September 30, 2013, \$31 million was outstanding on the variable interest entity credit facility. See Note 4 to the financial statements for additional discussion of the variable interest entity credit facility.

In February 2013 the Entergy Gulf States Louisiana nuclear fuel company variable interest entity issued \$70 million of 3.38% Series R notes due August 2020. The Entergy Gulf States Louisiana nuclear fuel company variable interest entity used the proceeds principally to purchase additional nuclear fuel.

In May 2013 the Entergy Gulf States Louisiana nuclear fuel company variable interest entity redeemed, at maturity, its \$75 million 5.56% Series N notes.

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

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel-cost recovery. Following are updates to that discussion.

### **Retail Rates - Electric**

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 that 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.

### **Retail Rates - Gas**

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.

### **Industrial and Commercial Customers**

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Industrial and Commercial Customers**" in the Form 10-K for a discussion of industrial and commercial customers.

### **Federal Regulation**

See "System Agreement" and "Entergy's Proposal to Join MISO" in the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for updates to the **Federal Regulation** discussion in the Form 10-K.

### **Nuclear Matters**

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

### **Environmental Risks**

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

### **Critical Accounting Estimates**

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Gulf States Louisiana's accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits.

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**INCOME STATEMENTS**  
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)		(In Thousands)	
<b>OPERATING REVENUES</b>				
Electric	\$549,123	\$425,999	\$1,428,155	\$1,201,178
Natural gas	9,208	8,452	42,492	34,251
<b>TOTAL</b>	<b>558,331</b>	<b>434,451</b>	<b>1,470,647</b>	<b>1,235,429</b>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	104,932	34,821	213,270	131,248
Purchased power	194,455	156,398	560,531	417,909
Nuclear refueling outage expenses	5,419	4,415	14,955	13,147
Other operation and maintenance	105,107	89,446	300,012	267,505
Decommissioning	4,005	3,783	11,845	11,187
Taxes other than income taxes	21,346	19,141	60,729	55,728
Depreciation and amortization	37,703	36,958	113,002	109,345
Other regulatory charges - net	80	3,928	5,080	32,536
<b>TOTAL</b>	<b>473,047</b>	<b>348,890</b>	<b>1,279,424</b>	<b>1,038,605</b>
<b>OPERATING INCOME</b>	<b>85,284</b>	<b>85,561</b>	<b>191,223</b>	<b>196,824</b>
<b>OTHER INCOME</b>				
Allowance for equity funds used during construction	2,171	1,760	5,630	6,512
Interest and investment income	9,428	13,442	34,239	33,350
Miscellaneous - net	(2,822)	(1,615)	(7,861)	(6,727)
<b>TOTAL</b>	<b>8,777</b>	<b>13,587</b>	<b>32,008</b>	<b>33,135</b>
<b>INTEREST EXPENSE</b>				
Interest expense	20,498	20,406	60,971	62,297
Allowance for borrowed funds used during construction	(690)	(652)	(2,041)	(2,516)
<b>TOTAL</b>	<b>19,808</b>	<b>19,754</b>	<b>58,930</b>	<b>59,781</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>74,253</b>	<b>79,394</b>	<b>164,301</b>	<b>170,178</b>
Income taxes	11,611	29,184	44,773	41,220
<b>NET INCOME</b>	<b>62,642</b>	<b>50,210</b>	<b>119,528</b>	<b>128,958</b>
Preferred distribution requirements and other	206	206	619	619
<b>EARNINGS APPLICABLE TO COMMON EQUITY</b>	<b>\$62,436</b>	<b>\$50,004</b>	<b>\$118,909</b>	<b>\$128,339</b>

See Notes to Financial Statements.

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**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>		<u>(In Thousands)</u>	
<b>Net Income</b>	\$62,642	\$50,210	\$119,528	\$128,958
<b>Other comprehensive income</b>				
Pension and other postretirement liabilities				
(net of tax expense of \$778, \$703, \$2,342, and \$8,247)	963	862	2,880	12,397
Other comprehensive income	963	862	2,880	12,397
<b>Comprehensive Income</b>	<u>\$63,605</u>	<u>\$51,072</u>	<u>\$122,408</u>	<u>\$141,355</u>

See Notes to Financial Statements.

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2013 and 2012**  
**(Unaudited)**

	2013	2012
	(In Thousands)	
<b>OPERATING ACTIVITIES</b>		
<b>Net income</b>	\$119,528	\$128,958
<b>Adjustments to reconcile net income to net cash flow provided by operating activities:</b>		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	165,684	158,577
Deferred income taxes, investment tax credits, and non-current taxes accrued	78,265	51,415
Changes in working capital		
Receivables	(59,583)	63,699
Fuel inventory	(1,868)	(7,747)
Accounts payable	13,921	42,149
Prepaid taxes and taxes accrued	(61,290)	67,987
Interest accrued	5,302	5,696
Deferred fuel costs	(8,867)	(91,354)
Other working capital accounts	(24,029)	(11,434)
Changes in provisions for estimated losses	(60,205)	(3,100)
Changes in other regulatory assets	31,754	(5,648)
Changes in pension and other postretirement liabilities	4,877	(3,459)
Other	66,809	(4,028)
<b>Net cash flow provided by operating activities</b>	<b>270,298</b>	<b>391,711</b>
<b>INVESTING ACTIVITIES</b>		
Construction expenditures	(205,162)	(198,785)
Allowance for equity funds used during construction	5,630	6,512
Nuclear fuel purchases	(132,083)	(41,592)
Proceeds from the sale of nuclear fuel	19,401	56,579
Payment to storm reserve escrow account	(25)	(66)
Receipts from storm reserve escrow account	65,475	3,364
Proceeds from nuclear decommissioning trust fund sales	66,152	96,653
Investment in nuclear decommissioning trust funds	(80,669)	(111,084)
Change in money pool receivable - net	-	(8,565)
Proceeds from the sale of investment	-	51,000
<b>Net cash flow used in investing activities</b>	<b>(261,281)</b>	<b>(145,984)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	69,782	74,251
Retirement of long-term debt	(75,000)	(70,840)
Change in money pool payable - net	50,761	-
Changes in credit borrowings - net	31,000	(29,400)
<b>Distributions paid:</b>		
Common equity	(119,900)	(67,400)
Preferred membership interests	(619)	(619)
Other	43	-
<b>Net cash flow used in financing activities</b>	<b>(43,933)</b>	<b>(94,008)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(34,916)</b>	<b>151,719</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,686</b>	<b>24,845</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$770</b>	<b>\$176,564</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the period for:		
Interest - net of amount capitalized	\$53,512	\$54,291
Income taxes	\$62,435	\$-

See Notes to Financial Statements.

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**BALANCE SHEETS**  
**ASSETS**  
**September 30, 2013 and December 31, 2012**  
**(Unaudited)**

	2013	2012
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$152	\$35,085
Temporary cash investments	618	601
Total cash and cash equivalents	770	35,686
Accounts receivable:		
Customer	84,146	53,480
Allowance for doubtful accounts	(793)	(711)
Associated companies	91,548	71,697
Other	17,856	18,736
Accrued unbilled revenues	61,614	51,586
Total accounts receivable	254,371	194,788
Deferred fuel costs	7,919	-
Fuel inventory - at average cost	28,835	26,967
Materials and supplies - at average cost	122,664	121,289
Deferred nuclear refueling outage costs	31,598	5,953
Prepaid taxes	40,269	-
Prepayments and other	7,692	7,911
<b>TOTAL</b>	494,118	392,594
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investment in affiliate preferred membership interests	289,664	289,664
Decommissioning trust funds	537,624	477,391
Non-utility property - at cost (less accumulated depreciation)	172,098	165,410
Storm reserve escrow account	21,534	86,984
Other	14,046	13,404
<b>TOTAL</b>	1,034,966	1,032,853
<b>UTILITY PLANT</b>		
Electric	7,388,971	7,279,953
Natural gas	141,912	135,723
Construction work in progress	127,322	125,448
Nuclear fuel	208,839	146,768
<b>TOTAL UTILITY PLANT</b>	7,867,044	7,687,892
Less - accumulated depreciation and amortization	4,076,376	4,003,385
<b>UTILITY PLANT - NET</b>	3,790,668	3,684,507
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Regulatory asset for income taxes - net	171,006	171,051
Other regulatory assets	377,944	409,653
Deferred fuel costs	100,124	100,124
Other	13,611	12,337
<b>TOTAL</b>	662,685	693,165
<b>TOTAL ASSETS</b>	\$5,982,437	\$5,803,119

See Notes to Financial Statements.

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**BALANCE SHEETS**  
**LIABILITIES AND EQUITY**  
**September 30, 2013 and December 31, 2012**  
**(Unaudited)**

	2013	2012
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$-	\$75,000
Accounts payable:		
Associated companies	162,647	89,377
Other	80,160	97,509
Customer deposits	51,348	48,265
Taxes accrued	-	21,021
Accumulated deferred income taxes	48,902	22,249
Interest accrued	30,739	25,437
Deferred fuel costs	-	948
Pension and other postretirement liabilities	8,120	7,803
Gas hedge contracts	1,261	2,620
Other	13,047	11,999
<b>TOTAL</b>	<b>396,224</b>	<b>402,228</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	1,463,685	1,403,195
Accumulated deferred investment tax credits	76,049	78,312
Other regulatory liabilities	143,209	103,444
Decommissioning and asset retirement cost liabilities	397,399	380,822
Accumulated provisions	37,025	97,230
Pension and other postretirement liabilities	420,780	416,220
Long-term debt	1,543,608	1,442,429
Long-term payables - associated companies	28,168	29,510
Other	91,381	66,725
<b>TOTAL</b>	<b>4,201,304</b>	<b>4,017,887</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Preferred membership interests without sinking fund	10,000	10,000
Member's equity	1,437,258	1,438,233
Accumulated other comprehensive loss	(62,349)	(65,229)
<b>TOTAL</b>	<b>1,384,909</b>	<b>1,383,004</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$5,982,437</b>	<b>\$5,803,119</b>

See Notes to Financial Statements.



ENTERGY GULF STATES LOUISIANA, L.L.C.  
STATEMENTS OF CHANGES IN EQUITY  
For the Nine Months Ended September 30, 2013 and 2012  
(Unaudited)

		Common Equity		
	Preferred Membership Interests	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total
		(In Thousands)		
Balance at December 31, 2011	\$10,000	\$1,393,386	(\$69,610)	\$1,333,776
Net income	-	128,958	-	128,958
Member contribution	-	1,000	-	1,000
Other comprehensive income	-	-	12,397	12,397
Distributions declared on common equity	-	(67,400)	-	(67,400)
Distributions declared on preferred membership interests	-	(619)	-	(619)
Other	-	(114)	-	(114)
Balance at September 30, 2012	\$10,000	\$1,455,211	(\$57,213)	\$1,407,998
Balance at December 31, 2012	\$10,000	\$1,438,233	(\$65,229)	\$1,383,004
Net income	-	119,528	-	119,528
Other comprehensive income	-	-	2,880	2,880
Distributions declared on common equity	-	(119,900)	-	(119,900)
Distributions declared on preferred membership interests	-	(619)	-	(619)
Other	-	16	-	16
Balance at September 30, 2013	\$10,000	\$1,437,258	(\$62,349)	\$1,384,909

See Notes to Financial Statements

**ENTERGY GULF STATES LOUISIANA, L.L.C.**  
**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)			
Electric Operating Revenues:				
Residential	\$158	\$119	\$39	33
Commercial	123	90	33	37
Industrial	137	89	48	54
Governmental	6	5	1	20
Total retail	424	303	121	40
Sales for resale				
Associated companies	102	103	(1)	(1)
Non-associated companies	11	9	2	22
Other	12	11	1	9
Total	\$549	\$426	\$123	29
Billed Electric Energy				
Sales (GWh).				
Residential	1,740	1,718	22	1
Commercial	1,514	1,500	14	1
Industrial	2,337	2,210	127	6
Governmental	59	61	(2)	(3)
Total retail	5,650	5,489	161	3
Sales for resale:				
Associated companies	1,940	2,295	(355)	(15)
Non-associated companies	245	229	16	7
Total	7,835	8,013	(178)	(2)

Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$356	\$295	\$61	21
Commercial	314	258	56	22
Industrial	379	287	92	32
Governmental	16	14	2	14
Total retail	1,065	854	211	25
Sales for resale:				
Associated companies	283	281	2	1
Non-associated companies	33	23	10	43
Other	47	43	4	9
Total	\$1,428	\$1,201	\$227	19
Billed Electric Energy				
Sales (GWh):				
Residential	3,982	4,019	(37)	(1)
Commercial	3,923	4,003	(80)	(2)
Industrial	6,772	6,741	31	-
Governmental	172	174	(2)	(1)
Total retail	14,849	14,937	(88)	(1)
Sales for resale				
Associated companies	4,858	5,858	(1,000)	(17)
Non-associated companies	642	673	(31)	(5)
Total	20,349	21,468	(1,119)	(5)

# ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

## MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

### Plan to Spin Off the Utility's Transmission Business

See the "Plan to Spin Off the Utility's Transmission Business" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K and herein 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., including the planned retirement of debt and preferred securities.

### Results of Operations

#### **Net Income**

##### Third Quarter 2013 Compared to Third Quarter 2012

Net income increased \$20.4 million primarily due to higher net revenue and a lower effective income tax rate, partially offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, higher interest expense, and higher nuclear refueling outage expenses.

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

Net income decreased \$36.9 million primarily due to the IRS tax settlement, in June 2012, related to the uncertain tax position regarding the Hurricane Katrina and Hurricane Rita Louisiana Act 55 financing, which resulted in a \$142.7 million income tax benefit in 2012. The prior year income tax benefit was partially offset by a \$137.1 million (\$84.3 million net-of-tax) regulatory charge, which reduced net revenue in 2012, because Entergy Louisiana is sharing the savings with customers. Also contributing to the decrease in net income was higher other operation and maintenance expenses, higher depreciation and amortization expenses, and higher interest expense, partially offset by higher net revenue. See Note 3 to the financial statements in the Form 10-K for additional discussion of the tax settlement and savings obligation.

#### **Net Revenue**

##### Third Quarter 2013 Compared to Third Quarter 2012

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the third quarter 2013 to the third quarter 2012:

	<u>Amount</u> (In Millions)
2012 net revenue	\$312.1
Retail electric price	30.1
Volume/weather	10.3
Fuel recovery	5.0
Net wholesale revenue	3.6
Other	2.8
<b>2013 net revenue</b>	<u><b>\$363.9</b></u>

The retail electric price variance is primarily due to a formula rate plan increase effective January 2013. See Note 2 to the financial statements herein and in the Form 10-K for more discussion of the formula rate plan increase.

The volume/weather variance is primarily due to increased usage during the unbilled sales period and increased billed electricity usage in the residential, commercial, and industrial sectors due to the effect of Hurricane Isaac, which decreased sales volume in 2012. The increase in industrial usage was also driven by a prior year unplanned outage in the chemicals industry and a higher capacity factor in the petroleum industry.

The fuel recovery variance is primarily due to the expiration of the Evangeline gas contract on January 1, 2013.

The net wholesale revenue variance is primarily due to the sale to Entergy Gulf States Louisiana of one-third of Acadia Unit 2 capacity and energy.

*Gross operating revenues and fuel and purchased power expenses*

Gross operating revenues increased primarily due to:

- an increase of \$128.9 million in fuel cost recovery revenues primarily due to higher fuel rates;
- the formula rate plan increase, as discussed above; and
- an increase of \$10.8 million in affiliated sales as a result of the Acadia contract with Entergy Gulf States Louisiana effective January 2013.

Fuel and purchased power expenses increased primarily due to an increase in the average market prices of natural gas and purchased power and an increase in the recovery from customers of deferred fuel costs.

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

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the nine months ended September 30, 2013 to the nine months ended September 30, 2012:

	<u>Amount</u> (In Millions)
2012 net revenue	\$702.5
Louisiana Act 55 financing savings obligation	139.1
Retail electric price	63.8
Net wholesale revenue	14.2
Volume/weather	7.9
Fuel recovery	6.3
Other	1.0
<b>2013 net revenue</b>	<b><u>\$934.8</u></b>

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge recorded in the second quarter 2012 because Entergy Louisiana is 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 retail electric price variance is primarily due to a formula rate plan increase effective January 2013. See Note 2 to the financial statements herein and in the Form 10-K for more discussion of the formula rate plan increase.

The net wholesale revenue variance is primarily due to the sale to Entergy Gulf States Louisiana of one-third of Acadia Unit 2 capacity and energy.

The volume/weather variance is primarily due to increased usage during the unbilled sales period and increased billed electricity usage in all sectors due to the effect of Hurricane Isaac, which decreased sales volume in 2012. The increase in industrial usage was also driven by a higher capacity factor in the petroleum industry. The increase was partially offset by the effect of less favorable weather on residential and commercial sales as compared to the same period in prior year.

The fuel recovery variance is primarily due to the expiration of the Evangeline gas contract on January 1, 2013.

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

Gross operating revenues increased primarily due to:

- an increase of \$291.2 million in fuel cost recovery revenues primarily due to higher fuel rates;
- the formula rate plan increase, as discussed above; and
- an increase of \$21.8 million in affiliated sales as a result of the Acadia contract with Entergy Gulf States Louisiana effective January 2013.

Fuel and purchased power expenses increased primarily due to an increase in the average market prices of natural gas and purchased power and an increase in the recovery from customers of deferred fuel costs.

Other regulatory charges decreased primarily due to a regulatory charge recorded in the second quarter 2012 because Entergy Louisiana is 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.

**Other Income Statement Variances**

Third Quarter 2013 Compared to Third Quarter 2012

Nuclear refueling outage expenses increased primarily due to the amortization of higher expenses associated with the planned maintenance and refueling outage at Waterford 3.

Other operation and maintenance expenses increased primarily due to:

- an increase of \$7.6 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 \$3.2 million in distribution expenses primarily due to higher labor and contract costs;
- an increase of \$2.5 million in transmission expenses primarily due to higher equalization expenses, additional transmission services, and higher vegetation expenses; and
- an increase of \$2.2 million as a result of lower write-offs of uncollectible accounts in 2012.

The increase was partially offset by a decrease of \$4.3 million in fossil-fueled generation expenses due to an overall lower scope of work done during plant outages as compared to the prior year.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the completion of the Waterford 3 steam generator replacement project in December 2012.

Interest expense increased primarily due to the following long-term debt issuances:

- \$200 million of 3.30% Series first mortgage bonds in December 2012;
- \$100 million of 4.70% Series first mortgage bonds in May 2013; and
- \$325 million of 4.05% Series first mortgage bonds in August 2013.

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

Nuclear refueling outage expenses increased primarily due to the amortization of higher expenses associated with the planned maintenance and refueling outage at Waterford 3.

Other operation and maintenance expenses increased primarily due to:

- an increase of \$13.9 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;
- 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 \$5.2 million;
- an increase of \$2.9 million in loss reserves; and
- an increase of \$2.8 million in nuclear generation expenses primarily due to higher labor and materials costs.

The increase was partially offset by a decrease of \$8.7 million in fossil-fueled generation expenses due to an overall lower scope of work done during plant outages as compared to the prior year and a decrease of \$2.9 million in insurance expenses primarily due to decreases in premiums.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the completion of the Waterford 3 steam generator replacement project in December 2012.

Interest expense increased primarily due to the following long-term debt issuances:

- \$200 million of 5.25% Series first mortgage bonds in July 2012;
- \$200 million of 3.30% Series first mortgage bonds in December 2012;
- \$100 million of 4.70% Series first mortgage bonds in May 2013; and
- \$325 million of 4.05% Series first mortgage bonds in August 2013.

#### Income Taxes

The effective income tax rate was 28% for the third quarter 2013 and 25.8% for the nine months ended September 30, 2013. The differences in the effective income tax rates for the third quarter 2013 and the nine months ended September 30, 2013 versus the federal statutory rate of 35% were due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests, book and tax differences related to the allowance for equity funds used during construction, and the reversal of a portion of the provision for uncertain tax positions, partially offset by state income taxes.

The effective income tax rate was 34.7% for the third quarter 2012 and (110.1%) for the nine months ended September 30, 2012. The difference in the effective income tax rate for the third quarter 2012 versus the federal statutory rate of 35% was due to a change in the regulatory treatment of state income taxes included in formula rate plan filings, partially offset by book and tax differences related to the non-taxable income distributions earned on

preferred membership interests. The difference in the effective income tax rate for the nine months ended September 30, 2012 versus the federal statutory rate of 35% was due to the reversal of the provision for uncertain tax positions related to the IRS settlement on how to treat the Louisiana Act 55 financing of the Hurricane Katrina and Hurricane Rita storm costs, book and tax differences related to the non-taxable income distributions earned on preferred membership interests, and book and tax differences related to the allowance for equity funds used during construction, partially offset by a change to the regulatory treatment of state income taxes included in formula rate plan filings.

### **Hurricane Isaac**

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **Hurricane Isaac**" in the Form 10-K for a discussion of Hurricane Isaac and the damage caused to Entergy Louisiana's service area in August 2012. In April 2013, Entergy Gulf States Louisiana and Entergy Louisiana filed a joint application with the LPSC relating to Hurricane Isaac system restoration costs. Specifically, Entergy Louisiana requested that the LPSC determine the amount of such costs that were prudently incurred and are, thus, eligible for recovery from customers. Including carrying costs and additional storm escrow funds, Entergy Louisiana is seeking determination that \$247.7 million in system restoration costs were prudently incurred. Entergy Louisiana intends to replenish its storm escrow accounts to \$200 million primarily through traditional debt markets and has requested special rate treatment of any borrowings for that purpose. In May 2013, Entergy Louisiana filed a supplemental application proposing a specific means to finance system restoration costs and related requests. Entergy Louisiana is proposing to finance Hurricane Isaac restoration costs through Louisiana Act 55 financing, which was the same method it used for Hurricanes Katrina, Rita, Gustav, and Ike.

The LPSC Staff filed direct testimony in September 2013 concluding that Hurricane Isaac system restoration costs incurred by Entergy Gulf States Louisiana and Entergy Louisiana were reasonable and prudent, subject to proposed minor adjustments which totaled approximately 1% of each company's costs. The LPSC Staff also supported the requests to re-establish storm reserves of \$90 million for Entergy Gulf States Louisiana and \$200 million for Entergy Louisiana. One intervenor filed testimony recommending storm reserve levels of \$70 million for Entergy Gulf States Louisiana and \$100 million for Entergy Louisiana, but takes no position on the prudence of the Hurricane Isaac system restoration costs. An evidentiary hearing is scheduled in December 2013, with an LPSC decision expected in 2014.

### **Liquidity and Capital Resources**

#### **Cash Flow**

Cash flows for the nine months ended September 30, 2013 and 2012 were as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$30,086	\$878
Cash flow provided by (used in):		
Operating activities	450,443	401,672
Investing activities	(449,858)	(519,816)
Financing activities	10,221	266,171
Net increase in cash and cash equivalents	<u>10,806</u>	<u>148,027</u>
Cash and cash equivalents at end of period	<u>\$40,892</u>	<u>\$148,905</u>

### Operating Activities

Net cash flow provided by operating activities increased \$48.8 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to the increased recovery of fuel costs due to an increase in the amount of deferred fuel to be recovered compared to last year, decreased Hurricane Isaac storm spending in 2013, and a decrease of \$15.5 million in pension contributions. See **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates"** in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

### Investing Activities

Net cash flow used in investing activities decreased \$70 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- receipts of \$187 million from the storm reserve escrow account in 2013, compared to receipts of \$13.7 million in 2012;
- a decrease in nuclear construction expenditures due to the Waterford 3 steam generator replacement project in 2012;
- a decrease in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle; and
- a decrease in distribution construction expenditures due to higher Hurricane Isaac spending in prior year.

The decrease was offset by an increase in fossil-fueled generation construction expenditures due to spending on the Ninemile Unit 6 self-build project, an increase in transmission construction expenditures as a result of additional reliability work performed in 2013, and money pool activity.

Increases in Entergy Louisiana's receivable from the money pool are a use of cash flow, and Entergy Louisiana's receivable from the money pool increased by \$42.4 million for the nine months ended September 30, 2013 compared to increasing by \$30.7 million for the nine months ended September 30, 2012. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

### Financing Activities

Net cash flow provided by financing activities decreased \$256 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to an increase of \$350.7 million in common equity dividends paid in 2013 and the net issuance of \$397 million of long-term debt in 2013 compared to the net issuance of \$428.3 million of long-term debt in 2012. The decrease was partially offset by money pool activity. See Note 5 to the financial statements in the Form 10-K and Note 4 herein for more details of long-term debt.

Decreases in Entergy Louisiana's payable to the money pool are a use of cash flow, and Entergy Louisiana's payable to the money pool decreased by \$118.4 million for the nine months ended September 30, 2012.

### **Capital Structure**

Entergy Louisiana's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy Louisiana as of September 30, 2013 is primarily due to an increase in long-term debt as a result of the issuance of \$100 million of 4.70% Series first mortgage bonds in May 2013 and \$325 million of 4.05% Series first mortgage bonds in August 2013.



	September 30, 2013	December 31, 2012
Debt to capital	52.8%	48.4%
Effect of excluding securitization bonds	(1.3%)	(1.6%)
Debt to capital, excluding securitization bonds (a)	51.5%	46.8%
Effect of subtracting cash	(0.4%)	(0.3%)
Net debt to net capital, excluding securitization bonds (a)	51.1%	46.5%

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

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and member's equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy Louisiana's financial condition because the securitization bonds are non-recourse to Entergy Louisiana, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Louisiana also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Louisiana's financial condition because net debt indicates Entergy Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

### Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Louisiana's uses and sources of capital. Following are updates to the information provided in the Form 10-K. Entergy Louisiana is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$1.3 billion in capital investments during that period. In addition to routine capital spending to maintain operations, the capital investment plan includes specific investments and initiatives such as the Ninemile Point Unit 6 self-build project, NRC post-Fukushima requirements, and transmission spending to support economic development projects, reliability, and new compliance projects.

Entergy Louisiana obtained short-term borrowing authorization from the FERC under which it may borrow through October 2015, up to the aggregate amount, at any one time outstanding, of \$250 million. See Note 4 to the financial statements for further discussion of Entergy Louisiana's short-term borrowing limits. Entergy Louisiana has also obtained an order from the FERC authorizing long-term securities issuances through October 2015. Entergy Louisiana has also obtained long-term financing authorization from the FERC that extends through October 2015 for issuances by its nuclear fuel company variable interest entity.

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

September 30, 2013	December 31, 2012	September 30, 2012	December 31, 2011
(In Thousands)			
\$51,867	\$9,433	\$30,710	(\$118,415)

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

In May 2013, Entergy Louisiana issued \$100 million of 4.70% Series first mortgage bonds due June 2063. Entergy Louisiana used the proceeds for general corporate purposes.

In August 2013, Entergy Louisiana issued \$325 million of 4.05% Series first mortgage bonds due September 2023. Entergy Louisiana used the proceeds to repay borrowings under its \$200 million credit facility and for general corporate purposes.

Entergy Louisiana has a credit facility in the amount of \$200 million scheduled to expire in March 2018. No borrowings were outstanding under the facility as of September 30, 2013. See Note 4 to the financial statements herein for additional discussion of the credit facility.

The Entergy Louisiana nuclear fuel company variable interest entity has a credit facility in the amount of \$90 million scheduled to expire in June 2016. As of September 30, 2013, \$24.3 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the Entergy Louisiana nuclear fuel company variable interest entity. See Note 4 to the financial statements for additional discussion of the nuclear fuel company variable interest entity credit facility.

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

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **State and Local Rate Regulation and Fuel Cost Recovery**" in the Form 10-K for a discussion of state and local rate regulation and fuel cost recovery. Following are updates to that discussion.

#### **Retail Rates**

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.

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.

### **Fuel and Purchased Power Cost Recovery**

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.

### **Federal Regulation**

See "System Agreement" and "Entergy's Proposal to Join MISO" in the "**Rate, Cost-recovery, and Other Regulation – Federal Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for updates to the **Federal Regulation** discussion in the Form 10-K.

### **Nuclear Matters**

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

### **Environmental Risks**

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

### **Critical Accounting Estimates**

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

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(In Thousands)</b>		<b>(In Thousands)</b>	
<b>OPERATING REVENUES</b>				
Electric	\$782,789	\$614,044	\$2,024,679	\$1,658,189
<b>OPERATING EXPENSES</b>				
Operation and Maintenance.				
Fuel, fuel-related expenses, and gas purchased for resale	206,329	134,108	418,188	320,991
Purchased power	213,832	168,817	679,254	505,935
Nuclear refueling outage expenses	9,317	6,103	25,248	18,573
Other operation and maintenance	123,344	106,523	355,696	334,559
Decommissioning	5,437	5,169	16,106	18,172
Taxes other than income taxes	19,337	17,913	57,124	52,122
Depreciation and amortization	60,664	54,642	181,409	162,474
Other regulatory charges (credits) - net	(1,318)	(956)	(7,612)	128,749
<b>TOTAL</b>	<b>636,942</b>	<b>492,319</b>	<b>1,725,413</b>	<b>1,541,575</b>
<b>OPERATING INCOME</b>	<b>145,847</b>	<b>121,725</b>	<b>299,266</b>	<b>116,614</b>
<b>OTHER INCOME</b>				
Allowance for equity funds used during construction	8,854	9,981	21,693	27,032
Interest and investment income	21,149	21,566	64,064	63,178
Miscellaneous - net	(618)	519	(2,271)	(1,680)
<b>TOTAL</b>	<b>29,385</b>	<b>32,066</b>	<b>83,486</b>	<b>88,530</b>
<b>INTEREST EXPENSE</b>				
Interest expense	39,206	35,731	112,539	101,434
Allowance for borrowed funds used during construction	(3,714)	(4,776)	(9,198)	(12,530)
<b>TOTAL</b>	<b>35,492</b>	<b>30,955</b>	<b>103,341</b>	<b>88,904</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>139,740</b>	<b>122,836</b>	<b>279,411</b>	<b>116,240</b>
Income taxes	39,143	42,628	72,061	(127,977)
<b>NET INCOME</b>	<b>100,597</b>	<b>80,208</b>	<b>207,350</b>	<b>244,217</b>
Preferred dividend requirements and other	1,738	1,738	5,213	5,213
<b>EARNINGS APPLICABLE TO COMMON EQUITY</b>	<b>\$98,859</b>	<b>\$78,470</b>	<b>\$202,137</b>	<b>\$239,004</b>

See Notes to Financial Statements.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(In Thousands)</b>		<b>(In Thousands)</b>	
<b>Net Income</b>	\$100,597	\$80,208	\$207,350	\$244,217
<b>Other comprehensive income</b>				
Pension and other postretirement liabilities				
(net of tax expense of \$542, \$493, \$1,631, and \$1,480)	684	630	2,045	1,890
Other comprehensive income	684	630	2,045	1,890
<b>Comprehensive Income</b>	<u>\$101,281</u>	<u>\$80,838</u>	<u>\$209,395</u>	<u>\$246,107</u>

See Notes to Financial Statements.

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

	2013	2012
	(In Thousands)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$207,350	\$244,217
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	250,232	299,745
Deferred income taxes, investment tax credits, and non-current taxes accrued	168,988	(94,765)
Changes in working capital		
Receivables	(131,198)	(37,610)
Fuel inventory	992	(3)
Accounts payable	(39,947)	65,772
Prepaid taxes and taxes accrued	(37,490)	6,383
Interest accrued	1,527	(1,557)
Deferred fuel costs	22,450	(30,132)
Other working capital accounts	21,742	(29,490)
Changes in provisions for estimated losses	(187,642)	(17,392)
Changes in other regulatory assets	(19,483)	(42,781)
Changes in other regulatory liabilities	146,329	139,624
Changes in pension and other postretirement liabilities	1,851	(17,361)
Other	44,742	(82,978)
Net cash flow provided by operating activities	450,443	401,672
<b>INVESTING ACTIVITIES</b>		
Construction expenditures	(583,451)	(429,820)
Allowance for equity funds used during construction	21,693	27,032
Nuclear fuel purchases	(41,209)	(134,413)
Proceeds from the sale of nuclear fuel	23,438	48,990
Receipts from storm reserve escrow account	187,007	13,669
Remittances to transition charge account	(14,844)	(22,113)
Payments from transition charge account	8,759	15,472
Proceeds from nuclear decommissioning trust fund sales	12,211	19,833
Investment in nuclear decommissioning trust funds	(21,006)	(28,422)
Changes in money pool receivable - net	(42,434)	(30,710)
Other	(22)	666
Net cash flow used in investing activities	(449,858)	(519,816)
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	418,009	465,997
Retirement of long-term debt	(20,960)	(37,649)
Changes in credit borrowings - net	(30,361)	(37,949)
Change in money pool payable - net	-	(118,415)
Distributions paid:		
Common equity	(351,254)	(600)
Preferred membership interests	(5,213)	(5,213)
Net cash flow provided by financing activities	10,221	266,171
Net increase in cash and cash equivalents	10,806	148,027
Cash and cash equivalents at beginning of period	30,086	878
Cash and cash equivalents at end of period	\$40,892	\$148,905
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid (received) during the period for		
Interest - net of amount capitalized	\$106,975	\$98,979
Income taxes	(\$3,874)	(\$3,601)

See Notes to Financial Statements

**ENTERGY LOUISIANA, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

**September 30, 2013 and December 31, 2012**

**(Unaudited)**

	2013	2012
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$350	\$814
Temporary cash investments	40,542	29,272
Total cash and cash equivalents	40,892	30,086
Securitization recovery trust account	10,467	4,382
Accounts receivable:		
Customer	182,711	86,072
Allowance for doubtful accounts	(1,413)	(867)
Associated companies	98,222	42,938
Other	9,022	9,354
Accrued unbilled revenues	101,941	79,354
Total accounts receivable	390,483	216,851
Accumulated deferred income taxes	103,399	113,319
Deferred fuel costs	4,118	26,568
Fuel inventory	22,591	23,583
Materials and supplies - at average cost	154,104	152,170
Deferred nuclear refueling outage costs	22,349	44,457
Prepaid taxes	45,427	7,937
Prepayments and other	11,926	12,129
<b>TOTAL</b>	<b>805,756</b>	<b>631,482</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investment in affiliate preferred membership interests	807,423	807,423
Decommissioning trust funds	325,443	287,418
Storm reserve escrow account	-	186,985
Non-utility property - at cost (less accumulated depreciation)	442	578
<b>TOTAL</b>	<b>1,133,308</b>	<b>1,282,404</b>
<b>UTILITY PLANT</b>		
Electric	8,699,613	8,603,319
Property under capital lease	324,440	324,440
Construction work in progress	647,527	404,714
Nuclear fuel	170,203	204,019
<b>TOTAL UTILITY PLANT</b>	<b>9,841,783</b>	<b>9,536,492</b>
Less - accumulated depreciation and amortization	3,720,317	3,590,146
<b>UTILITY PLANT - NET</b>	<b>6,121,466</b>	<b>5,946,346</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Regulatory asset for income taxes - net	310,672	193,114
Other regulatory assets (includes securitization property of \$160,690 as of September 30, 2013 and \$172,838 as of December 31, 2012)	815,487	913,562
Deferred fuel costs	67,998	67,998
Other	45,677	39,178
<b>TOTAL</b>	<b>1,239,834</b>	<b>1,213,852</b>
<b>TOTAL ASSETS</b>	<b>\$9,300,364</b>	<b>\$9,074,084</b>

See Notes to Financial Statements

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

	2013	2012
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$70,231	\$14,236
Short-term borrowings	24,296	54,657
Accounts payable.		
Associated companies	90,733	103,454
Other	127,342	266,904
Customer deposits	89,375	88,805
Accumulated deferred income taxes	3,865	-
Interest accrued	38,791	37,264
Pension and other postretirement liabilities	9,421	9,170
Gas hedge contracts	1,408	3,442
Other	16,211	13,382
<b>TOTAL</b>	<b>471,673</b>	<b>591,314</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	1,112,480	930,606
Accumulated deferred investment tax credits	68,059	70,193
Other regulatory liabilities	523,130	376,801
Decommissioning	434,228	418,122
Accumulated provisions	8,832	196,474
Pension and other postretirement liabilities	541,303	539,703
Long-term debt (includes securitization bonds of \$174,844 as of September 30, 2013 and \$181,553 as of December 31, 2012)	3,159,085	2,811,859
Other	78,751	68,516
<b>TOTAL</b>	<b>5,925,868</b>	<b>5,412,274</b>
Commitments and Contingencies		
<b>EQUITY</b>		
Preferred membership interests without sinking fund	100,000	100,000
Member's equity	2,846,910	3,016,628
Accumulated other comprehensive loss	(44,087)	(46,132)
<b>TOTAL</b>	<b>2,902,823</b>	<b>3,070,496</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$9,300,364</b>	<b>\$9,074,084</b>

See Notes to Financial Statements



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

	Preferred Membership Interests	Common Equity		Total
		Member's Equity	Accumulated Other Comprehensive Income (Loss)	
		(In Thousands)		
<b>Balance at December 31, 2011</b>	\$100,000	\$2,504,436	(\$39,507)	\$2,564,929
Net income	-	244,217	-	244,217
Other comprehensive income	-	-	1,890	1,890
Distributions to parent	-	(600)	-	(600)
Distributions declared on preferred membership interests	-	(5,213)	-	(5,213)
<b>Balance at September 30, 2012</b>	<u>\$100,000</u>	<u>\$2,742,840</u>	<u>(\$37,617)</u>	<u>\$2,805,223</u>
<b>Balance at December 31, 2012</b>	\$100,000	\$3,016,628	(\$46,132)	\$3,070,496
Net income	-	207,350	-	207,350
Other comprehensive income	-	-	2,045	2,045
Distributions to parent	-	(371,855)	-	(371,855)
Distributions declared on preferred membership interests	-	(5,213)	-	(5,213)
<b>Balance at September 30, 2013</b>	<u>\$100,000</u>	<u>\$2,846,910</u>	<u>(\$44,087)</u>	<u>\$2,902,823</u>

See Notes to Financial Statements

**ENTERGY LOUISIANA, LLC 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)			
Electric Operating Revenues:				
Residential	\$286	\$227	\$59	26
Commercial	174	136	38	28
Industrial	255	180	75	42
Governmental	12	11	1	9
Total retail	727	554	173	31
Sales for resale:				
Associated companies	34	46	(12)	(26)
Non-associated companies	1	1	-	-
Other	21	13	8	62
Total	\$783	\$614	\$169	28
Billed Electric Energy				
Sales (GWh):				
Residential	2,884	2,866	18	1
Commercial	1,820	1,786	34	2
Industrial	4,275	4,157	118	3
Governmental	126	125	1	1
Total retail	9,105	8,934	171	2
Sales for resale:				
Associated companies	705	682	23	3
Non-associated companies	9	21	(12)	(57)
Total	9,819	9,637	182	2
Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$651	\$541	\$110	20
Commercial	444	368	76	21
Industrial	734	554	180	32
Governmental	35	29	6	21
Total retail	1,864	1,492	372	25
Sales for resale:				
Associated companies	84	99	(15)	(15)
Non-associated companies	1	1	-	-
Other	76	66	10	15
Total	\$2,025	\$1,658	\$367	22
Billed Electric Energy				
Sales (GWh):				
Residential	6,767	6,844	(77)	(1)
Commercial	4,641	4,675	(34)	(1)
Industrial	12,687	12,448	239	2
Governmental	373	362	11	3
Total retail	24,468	24,329	139	1
Sales for resale:				
Associated companies	1,322	1,749	(427)	(24)
Non-associated companies	26	39	(13)	(33)
Total	25,816	26,117	(301)	(1)