

ENTERGY MISSISSIPPI, INC.
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 \$6.7 million primarily due to higher net revenue.

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

Net income increased \$15 million primarily due to higher net revenue, partially offset by higher other operation and maintenance expenses.

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:

	Amount
	(In Millions)
2012 net revenue	\$167.9
Retail electric price	11.5
Reserve equalization	2.9
Volume/weather	(2.8)
Other	1.9
2013 net revenue	\$181.4

The retail electric price variance is primarily due to the recovery of Hinds plant costs through the power management rider, as approved by the MPSC, effective with the first billing cycle of 2013. The net income effect of the Hinds plant cost recovery is limited to a portion representing an allowed return on equity on the net plant investment with the remainder offset by the Hinds plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes. The increase is partially offset by a temporary increase in 2012 in the storm cost recovery rider, as approved by the MPSC for a five-month period effective August 2012. The increase in revenues in 2012 was offset by costs included in other operation and maintenance expenses and had no effect on net income.

The reserve equalization variance is primarily due to increased reserve equalization revenue resulting from the acquisition of the Hinds plant in November 2012.

The volume/weather variance is primarily due to the effect of less favorable weather on residential and commercial sales in the third quarter 2013 as compared to the same period in the prior year and decreased electricity usage in the third quarter 2013 as compared to the same period in the prior year. Billed electricity usage decreased 166 GWh, or 4%, across all customer classes.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to:

- an increase of \$29.3 million in fuel cost recovery revenues primarily due to higher fuel rates;
- an increase of \$24.1 million in gross wholesale revenues due to an increase in sales to affiliated customers;
- an increase of \$16.9 million in power management rider revenue, as approved by the MPSC, primarily resulting from the acquisition of the Hinds plant in November 2012, as discussed previously; and
- an increase of \$10.7 million in rider revenue primarily due to an increase in the Grand Gulf rider effective October 2012.

Fuel and purchased power expenses increased primarily due to:

- an increase in the average market price of natural gas;
- an increase in deferred fuel expenses as a result of higher fuel revenues primarily due to lower 2012 fuel rates as a result of bandwidth remedy payments refunded to customers in August and September 2012. 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 Grand Gulf capacity costs as a result of the Grand Gulf uprate.

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:

	<u>Amount</u> (In Millions)
2012 net revenue	\$432.4
Retail electric price	45.0
Reserve equalization	10.3
Volume/weather	(3.9)
Other	2.7
2013 net revenue	<u>\$486.5</u>

The retail electric price variance is primarily due to the recovery of Hinds plant costs through the power management rider, as approved by the MPSC, effective with the first billing cycle of 2013. The net income effect of the Hinds plant cost recovery is limited to a portion representing an allowed return on equity on the net plant investment with the remainder offset by the Hinds plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes. The increase is partially offset by a temporary increase in 2012 in the storm cost recovery rider, as approved by the MPSC for a five-month period effective August 2012. The increase in revenues in 2012 was offset by costs included in other operation and maintenance expenses and had no effect on net income.

The reserve equalization variance is primarily due to increased reserve equalization revenue resulting from the acquisition of the Hinds plant in November 2012.

The volume/weather variance is primarily due to decreased electricity usage in the nine months ended September 30, 2013 as compared to the same period in the prior year. The decrease in industrial usage is primarily due to the petroleum and primary metals industries. Billed electricity usage decreased 336 GWh, or 3%, across all customer classes.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to:

- an increase of \$64.1 million in gross wholesale revenues due to an increase in sales to affiliated customers;
- an increase of \$45.2 million in power management rider revenue, as approved by the MPSC, primarily resulting from the acquisition of the Hinds plant in November 2012, as discussed previously;
- an increase of \$29.8 million in rider revenue primarily due to an increase in the Grand Gulf rider effective October 2012; and
- an increase of \$19.4 million in fuel cost recovery revenues primarily due to higher fuel rates.

Fuel and purchased power expenses increased primarily due to an increase in Grand Gulf capacity costs as a result of the Grand Gulf uprate and an increase in the average market price of natural gas.

Other Income Statement Variances

Third Quarter 2013 Compared to Third Quarter 2012

Other operation and maintenance expenses decreased primarily due to a temporary increase in 2012 of \$10.2 million in storm damage accruals, as approved by the MPSC for a five-month period effective August 2012, substantially offset by an increase of \$4.6 million in fossil-fueled generation expenses primarily due to the acquisition of the Hinds plant in November 2012 and an increase of \$2.6 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.

Taxes other than income taxes increased primarily due to an increase in ad valorem taxes as a result of a higher assessment in 2013 primarily due to the acquisition of the Hinds plant in November 2012.

Depreciation and amortization expenses increased primarily due to an increase in plant in service, including the acquisition of the Hinds plant in November 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 \$26.1 million in fossil-fueled generation expenses resulting from a higher scope of work done during plant outages in 2013 as compared to the same period in 2012 and the acquisition of the Hinds plant in November 2012. The increase was partially offset by a temporary increase in 2012 of \$10.2 million in storm damage accruals, as approved by the MPSC for a five-month period effective August 2012.

Taxes other than income taxes increased primarily due to an increase in ad valorem taxes as a result of a higher assessment in 2013 primarily due to the acquisition of the Hinds plant in November 2012.

Depreciation and amortization expenses increased primarily due to an increase in plant in service, including the acquisition of the Hinds plant in November 2012.

Income Taxes

The effective income tax rate was 39.3% for the third quarter 2013 and 39.6% 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 primarily due to state income taxes and certain book and tax differences related to utility plant items.

The effective income tax rate was 40.6% for the third quarter 2012 and 41.8% for the nine months ended September 30, 2012. The differences in the effective income tax rates for the third quarter 2012 and the nine months ended September 30, 2012 versus the federal statutory rate of 35% were primarily due to state income taxes.

Baxter Wilson Plant Event

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

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	\$52,970	\$16
Cash flow provided by (used in):		
Operating activities	147,847	156,020
Investing activities	(109,269)	(124,165)
Financing activities	(90,457)	(4,214)
Net increase (decrease) in cash and cash equivalents	<u>(51,879)</u>	<u>27,641</u>
Cash and cash equivalents at end of period	<u>\$1,091</u>	<u>\$27,657</u>

Operating Activities

Net cash provided by operating activities decreased \$8.2 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to a decrease in the recovery of fuel costs and the receipt of System Agreement bandwidth remedy payments of \$33 million in January 2012 to implement the FERC's remedy in an October 2011 order for the period June-December 2005, of which approximately \$13 million had been refunded to customers as of September 30, 2012. The decrease was partially offset by a decrease of \$4.6 million in pension contributions. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings. 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 used in investing activities decreased \$14.9 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to money pool activity and decreased distribution construction expenditures as a result of spending on Hurricane Isaac in 2012. The decrease was partially offset by an increase in transmission construction expenditures due to more reliability work in 2013 as compared to 2012 and an increase in fossil-fueled generation construction expenditures as a result of an increased scope of work during outages in 2013 as compared to 2012.

Decreases in Entergy Mississippi's receivable from the money pool are a source of cash flow, and Entergy Mississippi's receivable from the money pool decreased by \$16.9 million for the nine months ended September 30, 2013 compared to increasing by \$5.5 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 used in financing activities increased \$86.2 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to the payment at maturity of \$100 million of 5.15% Series first mortgage bonds in February 2013, partially offset by money pool activity. See Note 4 to the financial statements herein for a discussion of long-term debt and credit facilities.

Increases in Entergy Mississippi's payable to the money pool are a source of cash flow, and Entergy Mississippi's payable to the money pool increased by \$19.2 million for the nine months ended September 30, 2013 compared to decreasing by \$2 million for the nine months ended September 30, 2012.

Capital Structure

Entergy Mississippi's capitalization is balanced between equity and debt, as shown in the following table. The decrease in the debt to capital ratio is due to the retirement of \$100 million of 5.15% Series first mortgage bonds in February 2013.

	September 30, 2013	December 31, 2012
Debt to capital	52.1%	55.9%
Effect of subtracting cash	-%	(1.2%)
Net debt to net capital	52.1%	54.7%

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, capital lease obligations, 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 Mississippi uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi's financial condition. Entergy Mississippi uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi's financial condition because net debt indicates Entergy Mississippi's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

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 Mississippi's uses and sources of capital. Following are updates to the information provided in the Form 10-K. Entergy Mississippi is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$658 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 transmission spending to support economic development projects, reliability, and new compliance projects.

Entergy Mississippi 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 \$175 million. See Note 4 to the financial statements for further discussion of Entergy Mississippi's short-term borrowing limits. Entergy Mississippi has also obtained an order from the FERC authorizing long-term securities issuances through October 2015.

Entergy Mississippi'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)			
(\$19,150)	\$16,878	\$5,497	(\$1,999)

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

In May 2013, Entergy Mississippi renewed its three separate credit facilities through May 2014 and increased the aggregate amount available under these credit facilities to \$92.5 million. 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.

In February 2013, Entergy Mississippi redeemed, at maturity, its \$100 million 5.15% Series first mortgage bonds.

In October 2013, Entergy Mississippi redeemed, prior to maturity, its \$16.03 million 4.60% Series pollution control revenue bonds due April 2022.

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 the formula rate plan and fuel and purchased power cost recovery. Following are updates to that discussion.

Formula Rate Plan

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

In August 2012 the MPSC opened inquiries to review whether the current formulaic methodology used to calculate the return on common equity in both Entergy Mississippi's formula rate plan and Mississippi Power Company's annual formula rate plan is still appropriate or can be improved to better serve the public interest. The intent of this inquiry and review is for informational purposes only; the evaluation of any recommendations for changes to the existing methodology would take place in a general rate case or in the existing formula rate plan docket. In March 2013 the Staff filed its consultant's report which noted the return on common equity estimation methods used by Entergy Mississippi and Mississippi Power Company are commonly used throughout the electric utility industry. The report suggested ways in which the methods used by Entergy Mississippi and Mississippi Power Company might be improved, but did not recommend specific changes in the return on common equity formulas or calculations at this time.

Storm Damage Accrual and Storm Cost Recovery

On July 1, 2013, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation, wherein both parties agreed that approximately \$32 million in storm restoration costs incurred in 2011 and 2012 were prudently incurred and chargeable to the storm damage reserve, while approximately \$700,000 in prudently incurred costs were more properly recoverable through the formula rate plan. Entergy Mississippi and the Mississippi Public Utilities Staff also agreed that the storm damage accrual should be increased from \$750,000 per month to \$1.75 million per month. In September 2013 the MPSC approved the joint stipulation with the increase in the storm damage accrual effective with October 2013 bills.

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 "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis 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 Mississippi's accounting for unbilled revenue and qualified pension and other postretirement benefits.

ENTERGY MISSISSIPPI, INC.
INCOME STATEMENTS
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>	
OPERATING REVENUES				
Electric	<u>\$397,833</u>	<u>\$321,771</u>	<u>\$1,015,513</u>	<u>\$860,735</u>
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	118,688	57,230	263,437	204,703
Purchased power	97,709	93,817	275,783	232,140
Other operation and maintenance	62,263	64,446	189,822	173,043
Taxes other than income taxes	21,208	19,742	61,322	56,980
Depreciation and amortization	27,717	24,377	81,268	72,451
Other regulatory charges (credits) - net	62	2,828	(10,237)	(8,476)
TOTAL	<u>327,647</u>	<u>262,440</u>	<u>861,395</u>	<u>730,841</u>
OPERATING INCOME	<u>70,186</u>	<u>59,331</u>	<u>154,118</u>	<u>129,894</u>
OTHER INCOME				
Allowance for equity funds used during construction	371	760	1,817	2,950
Interest and investment income	239	19	565	43
Miscellaneous - net	(767)	(806)	(2,601)	(2,916)
TOTAL	<u>(157)</u>	<u>(27)</u>	<u>(219)</u>	<u>77</u>
INTEREST EXPENSE				
Interest expense	14,585	14,113	44,753	42,761
Allowance for borrowed funds used during construction	(307)	(405)	(1,233)	(1,568)
TOTAL	<u>14,278</u>	<u>13,708</u>	<u>43,520</u>	<u>41,193</u>
INCOME BEFORE INCOME TAXES	<u>55,751</u>	<u>45,596</u>	<u>110,379</u>	<u>88,778</u>
Income taxes	<u>21,938</u>	<u>18,516</u>	<u>43,678</u>	<u>37,102</u>
NET INCOME	<u>33,813</u>	<u>27,080</u>	<u>66,701</u>	<u>51,676</u>
Preferred dividend requirements and other	<u>707</u>	<u>707</u>	<u>2,121</u>	<u>2,121</u>
EARNINGS APPLICABLE TO COMMON STOCK	<u>\$33,106</u>	<u>\$26,373</u>	<u>\$64,580</u>	<u>\$49,555</u>

See Notes to Financial Statements

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ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	2013	2012
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$66,701	\$51,676
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	81,268	72,451
Deferred income taxes, investment tax credits, and non-current taxes accrued	36,845	39,703
Changes in assets and liabilities:		
Receivables	(50,692)	23,552
Fuel inventory	5,249	(3,377)
Accounts payable	17,940	12,637
Taxes accrued	(11,345)	(15,150)
Interest accrued	1,960	(3,683)
Deferred fuel costs	(10,179)	(12,249)
Other working capital accounts	2,069	(10,977)
Provisions for estimated losses	(232)	(2,496)
Other regulatory assets	8,153	10,526
Pension and other postretirement liabilities	(5,444)	(10,438)
Other assets and liabilities	5,554	3,845
Net cash flow provided by operating activities	147,847	156,020
INVESTING ACTIVITIES		
Construction expenditures	(128,006)	(121,634)
Allowance for equity funds used during construction	1,817	2,950
Change in money pool receivable - net	16,878	(5,497)
Other	42	16
Net cash flow used in investing activities	(109,269)	(124,165)
FINANCING ACTIVITIES		
Retirement of long-term debt	(100,000)	-
Change in money pool payable - net	19,150	(1,999)
Dividends paid:		
Common stock	(7,400)	-
Preferred stock	(2,121)	(2,121)
Other	(86)	(94)
Net cash flow used in financing activities	(90,457)	(4,214)
Net increase (decrease) in cash and cash equivalents	(51,879)	27,641
Cash and cash equivalents at beginning of period	52,970	16
Cash and cash equivalents at end of period	\$1,091	\$27,657
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest - net of amount capitalized	\$40,718	\$44,481
Income taxes	\$1,999	\$2,118

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$1,082	\$585
Temporary cash investments	9	52,385
Total cash and cash equivalents	1,091	52,970
Accounts receivable:		
Customer	89,316	49,836
Allowance for doubtful accounts	(1,071)	(910)
Associated companies	17,201	25,504
Other	7,330	11,072
Accrued unbilled revenues	49,585	43,045
Total accounts receivable	162,361	128,547
Deferred fuel costs	36,669	26,490
Accumulated deferred income taxes	2,084	44,027
Fuel inventory - at average cost	43,529	48,778
Materials and supplies - at average cost	40,101	40,331
Prepayments and other	4,712	5,329
TOTAL	290,547	346,472
OTHER PROPERTY AND INVESTMENTS		
Non-utility property - at cost (less accumulated depreciation)	4,677	4,698
Escrow accounts	61,794	61,836
TOTAL	66,471	66,534
UTILITY PLANT		
Electric	3,800,355	3,708,743
Property under capital lease	6,038	8,112
Construction work in progress	75,900	62,876
TOTAL UTILITY PLANT	3,882,293	3,779,731
Less - accumulated depreciation and amortization	1,390,608	1,324,627
UTILITY PLANT - NET	2,491,685	2,455,104
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	61,238	63,614
Other regulatory assets	395,694	401,471
Other	19,579	20,832
TOTAL	476,511	485,917
TOTAL ASSETS	\$3,325,214	\$3,354,027

See Notes to Financial Statements

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$-	\$100,000
Short-term borrowings	17	21
Accounts payable:		
Associated companies	67,981	42,377
Other	51,063	44,856
Customer deposits	73,266	71,182
Taxes accrued	40,982	52,327
Accumulated deferred income taxes	3,333	218
Interest accrued	20,186	18,226
Other	29,401	21,490
TOTAL	286,229	350,697
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	754,316	761,812
Accumulated deferred investment tax credits	8,220	7,257
Obligations under capital lease	4,479	5,329
Other regulatory liabilities	1,647	1,235
Asset retirement cost liabilities	6,309	6,039
Accumulated provisions	35,588	35,820
Pension and other postretirement liabilities	155,422	160,866
Long-term debt	1,069,627	1,069,519
Other	16,170	25,426
TOTAL	2,051,778	2,073,303
Commitments and Contingencies		
Preferred stock without sinking fund	50,381	50,381
COMMON EQUITY		
Common stock, no par value, authorized 12,000,000 shares; issued and outstanding 8,666,357 shares in 2013 and 2012	199,326	199,326
Capital stock expense and other	(690)	(690)
Retained earnings	738,190	681,010
TOTAL	936,826	879,646
TOTAL LIABILITIES AND EQUITY	\$3,325,214	\$3,354,027

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	Common Equity			
	Common Stock	Capital Stock Expense and Other	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2011	\$199,326	(\$690)	\$637,070	\$835,706
Net income	-	-	51,676	51,676
Preferred stock dividends	-	-	(2,121)	(2,121)
Balance at September 30, 2012	<u>\$199,326</u>	<u>(\$690)</u>	<u>\$686,625</u>	<u>\$885,261</u>
Balance at December 31, 2012	\$199,326	(\$690)	\$681,010	\$879,646
Net income	-	-	66,701	66,701
Common stock dividends	-	-	(7,400)	(7,400)
Preferred stock dividends	-	-	(2,121)	(2,121)
Balance at September 30, 2013	<u>\$199,326</u>	<u>(\$690)</u>	<u>\$738,190</u>	<u>\$936,826</u>

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
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	\$167	\$144	\$23	16
Commercial	126	108	18	17
Industrial	43	36	7	19
Governmental	11	10	1	10
Total retail	347	298	49	16
Sales for resale:				
Associated companies	30	5	25	500
Non-associated companies	7	7	-	-
Other	14	12	2	17
Total	\$398	\$322	\$76	24

Billed Electric Energy				
Sales (GWh):				
Residential	1,836	1,917	(81)	(4)
Commercial	1,424	1,468	(44)	(3)
Industrial	612	651	(39)	(6)
Governmental	115	117	(2)	(2)
Total retail	3,987	4,153	(166)	(4)
Sales for resale:				
Associated companies	527	54	473	876
Non-associated companies	92	109	(17)	(16)
Total	4,606	4,316	290	7

Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$401	\$355	\$46	13
Commercial	321	292	29	10
Industrial	115	107	8	7
Governmental	31	28	3	11
Total retail	868	782	86	11
Sales for resale:				
Associated companies	79	15	64	427
Non-associated companies	18	18	-	-
Other	51	46	5	11
Total	\$1,016	\$861	\$155	18

Billed Electric Energy				
Sales (GWh):				
Residential	4,345	4,387	(42)	(1)
Commercial	3,623	3,785	(162)	(4)
Industrial	1,675	1,801	(126)	(7)
Governmental	305	311	(6)	(2)
Total retail	9,948	10,284	(336)	(3)
Sales for resale:				
Associated companies	1,302	153	1,149	751
Non-associated companies	211	201	10	5
Total	11,461	10,638	823	8

ENTERGY NEW ORLEANS, INC.
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 decreased \$2.5 million primarily due to higher other operation and maintenance expenses and higher taxes other than income taxes, partially offset by higher net revenue.

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

Net income decreased \$7.8 million primarily due to higher other operation and maintenance expenses, higher taxes other than income taxes, and higher interest expense, 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 changes in net revenue comparing the third quarter 2013 to the third quarter 2012:

	Amount
	(In Millions)
2012 net revenue	\$69.4
Volume/weather	1.3
Rider revenue	1.2
Other	0.6
2013 net revenue	\$72.5

The volume/weather variance is primarily due to an increase of 57 GWh, or 5%, in billed electricity usage in the residential and commercial sectors due to the effect of Hurricane Isaac, which decreased sales volume in 2012, and in part to a 2% increase in the average number of both residential and commercial customers.

The rider revenue variance is primarily due to an increase in franchise tax rider revenue as a result of higher retail revenues. There is a corresponding increase in taxes other than income taxes, resulting in no effect on net income.

Gross operating revenues and fuel expenses

Gross operating revenues increased primarily due to an increase of \$17.4 million in electric fuel cost recovery revenues due to higher fuel rates. Entergy New Orleans's fuel and purchased power recovery mechanism is discussed in Note 2 to the financial statements in the Form 10-K.

Fuel expenses increased primarily due to an increase in deferred fuel expense as a result of higher fuel revenues, an increase in the market price of natural gas, and an increase in gas purchased for resale as a result of an increase in price and volume.

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 changes 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	\$185.9
Rider revenue	2.4
Net gas revenue	2.3
Volume/weather	1.9
Retail electric price	(1.5)
Other	0.5
2013 net revenue	<u>\$191.5</u>

The rider revenue variance is primarily due to an increase in franchise tax rider revenue as a result of higher retail revenues. There is a corresponding increase in taxes other than income taxes, resulting in no effect on net income.

The net gas revenue variance is primarily due to the effect of more favorable weather primarily in the residential and commercial sectors in 2013 as compared to the same period in prior year.

The volume/weather variance is primarily due to an increase of 64 GWh, or 5%, in weather-adjusted usage in the residential sector due to the effect of Hurricane Isaac, which decreased sales volume in 2012, and in part to a 2% increase in the average number of residential customers, partially offset by less favorable weather in 2013 as compared to the same period in prior year.

The retail electric price variance is primarily due to an additional provision recorded in 2013 as a result of a settlement relating to the formula rate plan proceeding. See Note 2 to the financial statements for additional discussion of the settlement.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to an increase of \$40 million in electric fuel cost recovery revenues due to higher fuel rates and an increase of \$8.9 million in gas fuel cost recovery revenues due to higher fuel rates. Entergy New Orleans'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 Grand Gulf capacity and energy purchases as a result of the Grand Gulf uprate and an increase in deferred fuel expense as a result of higher fuel revenues.

Other Income Statement Variances

Third Quarter 2013 Compared to Third Quarter 2012

Other operation and maintenance expenses increased primarily due to:

- an increase of \$2.1 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; and
- an increase of \$1.5 million in fossil-fueled generation expenses due to an overall higher scope of work done during plant outages as compared to prior year.

Taxes other than income taxes increased primarily due to an increase in local franchise taxes resulting from higher electric and gas retail revenues as compared to prior year and an increase in ad valorem taxes resulting from higher assessments. Franchise taxes have no effect on net income as these taxes are recovered through the franchise tax rider.

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 \$8.5 million in fossil-fueled generation expenses due to an overall higher scope of work done during plant outages as compared to prior year; and
- an increase of \$1.9 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 increase was partially offset by a decrease of \$1.5 million due to expenses recorded in 2012 related to the Energy Smart Program.

Taxes other than income taxes increased primarily due to an increase in local franchise taxes resulting from higher electric and gas retail revenues as compared to prior year and an increase in ad valorem taxes resulting from higher assessments. Franchise taxes have no effect on net income as these taxes are recovered through the franchise tax rider.

Interest expense increased primarily due to the issuance of \$30 million of 5.00% Series first mortgage bonds in November 2012 and the issuance of \$100 million of 3.90% Series first mortgage bonds in June 2013, partially offset by the retirement, at maturity, of \$70 million of 5.25% Series first mortgage bonds in August 2013.

Income Taxes

The effective income tax rate was 34.4% for the third quarter 2013 and 26.7% for the nine months ended September 30, 2013. The difference in the effective income tax rate for the third quarter 2013 versus the federal statutory rate of 35% was primarily due to flow-through tax accounting, offset by certain book and tax differences related to utility plant items and state income taxes. The difference in the effective income tax rate for the nine months ended September 30, 2013 versus the federal statutory rate of 35% was primarily due to flow-through tax accounting and book and tax differences related to the allowance for equity funds used during construction, partially offset by certain book and tax differences related to utility plant items and state income taxes.

The effective income tax rate was 36.9% for the third quarter 2012 and 26.1% 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 state income taxes and certain book and tax differences related to utility plant items, partially offset by flow-through tax accounting. 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 provision for uncertain tax positions and flow-through tax accounting, offset by certain book and tax differences related to utility plant items and state income taxes.

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	\$9,391	\$9,834
Cash flow provided by (used in):		
Operating activities	59,948	23,160
Investing activities	(81,546)	(44,538)
Financing activities	27,710	12,716
Net increase (decrease) in cash and cash equivalents	<u>6,112</u>	<u>(8,662)</u>
Cash and cash equivalents at end of period	<u>\$15,503</u>	<u>\$1,172</u>

Operating Activities

Net cash flow provided by operating activities increased \$36.8 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, System Agreement bandwidth remedy payments of \$15 million received in 2013, and a \$3.2 million decrease in pension contributions. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings. 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 \$37 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- money pool activity;
- an increase in fossil-fueled generation construction expenditures due to an increased scope of work in 2013; and
- an increase in transmission construction expenditures as a result of additional reliability work performed in 2013.

The increase was partially offset by a decrease in distribution construction expenditures due to higher spending related to Hurricane Isaac in 2012 and net receipts from the storm reserve escrow account of \$1.9 million for the nine months ended September 30, 2013 compared to net payments to the storm reserve escrow account of \$6.8 million for the nine months ended September 30, 2012.

Increases in Entergy New Orleans's receivable from the money pool are a use of cash flow, and Entergy New Orleans's receivable from the money pool increased \$15.5 million for the nine months ended September 30, 2013 compared to decreasing \$9.1 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 provided by financing activities increased \$15 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to the issuance of \$100 million of 3.90% Series first mortgage bonds in June 2013, partially offset by the retirement of \$70 million of 5.25% Series first mortgage bonds in August 2013 and money pool activity.

Increases in Entergy New Orleans's payable to the money pool are a source of cash flow, and Entergy New Orleans's payable to the money pool increased by \$15.7 million for the nine months ended September 30, 2012.

Capital Structure

Entergy New Orleans's capitalization is balanced between equity and debt, as shown in the following table. The increase in debt to capital ratio is due to the net issuance of \$30 million of first mortgage bonds in 2013, as discussed above.

	September 30, 2013	December 31, 2012
Debt to capital	50.1%	47.7%
Effect of subtracting cash	(1.7%)	(1.2%)
Net debt to net capital	48.4%	46.5%

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 New Orleans 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 New Orleans's financial condition. Entergy New Orleans 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 New Orleans's financial condition because net debt indicates Entergy New Orleans's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

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 New Orleans's uses and sources of capital. Following are updates to the information provided in the Form 10-K. Entergy New Orleans is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$284 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 transmission spending to support economic development projects, reliability, and new compliance projects.

Entergy New Orleans 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 \$100 million. See Note 4 to the financial statements for further discussion of Entergy New Orleans's short-term borrowing limits. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized by the City Council, and the current authorization extends through July 2014.

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

<u>September 30, 2013</u>	<u>December 31, 2012</u>	<u>September 30, 2012</u>	<u>December 31, 2011</u>
(In Thousands)			
\$18,403	\$2,923	(\$15,719)	\$9,074

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

Entergy New Orleans has a credit facility in the amount of \$25 million scheduled to expire in November 2013. No borrowings were outstanding under the facility as of September 30, 2013. In October 2013, Entergy New Orleans renewed its credit facility through November 2014. See Note 4 to the financial statements herein for additional discussion of the credit facility.

In June 2013, Entergy New Orleans issued \$100 million of 3.90% Series first mortgage bonds due July 2023. Entergy New Orleans used the proceeds to pay, at maturity, its \$70 million 5.25% Series first mortgage bonds due August 2013 and for general corporate purposes.

State and Local Rate Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **State and Local Rate Regulation**" in the Form 10-K for a discussion of state and local rate regulation.

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

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 "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis 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 New Orleans's accounting for unbilled revenue and qualified pension and other postretirement benefits.

ENTERGY NEW ORLEANS, INC.
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)	
OPERATING REVENUES				
Electric	\$161,737	\$146,459	\$397,126	\$360,772
Natural gas	16,904	15,106	70,822	59,193
TOTAL	178,641	161,565	467,948	419,965
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	42,207	29,298	83,656	68,585
Purchased power	63,705	62,410	192,028	164,042
Other operation and maintenance	33,820	28,671	102,187	92,475
Taxes other than income taxes	13,373	11,941	37,141	33,110
Depreciation and amortization	9,392	9,178	28,394	27,446
Other regulatory charges - net	249	502	748	1,483
TOTAL	162,746	142,000	444,154	387,141
OPERATING INCOME	15,895	19,565	23,794	32,824
OTHER INCOME				
Allowance for equity funds used during construction	223	185	656	487
Interest and investment income	24	8	68	29
Miscellaneous - net	(277)	(385)	(921)	(1,147)
TOTAL	(30)	(192)	(197)	(631)
INTEREST EXPENSE				
Interest expense	3,661	2,738	10,312	8,366
Allowance for borrowed funds used during construction	(130)	(88)	(351)	(230)
TOTAL	3,531	2,650	9,961	8,136
INCOME BEFORE INCOME TAXES	12,334	16,723	13,636	24,057
Income taxes	4,248	6,168	3,646	6,276
NET INCOME	8,086	10,555	9,990	17,781
Preferred dividend requirements and other	241	241	724	724
EARNINGS APPLICABLE TO COMMON STOCK	\$7,845	\$10,314	\$9,266	\$17,057

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	2013	2012
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$9,990	\$17,781
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	28,394	27,446
Deferred income taxes, investment tax credits, and non-current taxes accrued	(13,649)	12,269
Changes in assets and liabilities:		
Receivables	(944)	(17,721)
Fuel inventory	(1,769)	1,977
Accounts payable	1,628	11,175
Prepaid taxes and taxes accrued	4,502	(10,826)
Interest accrued	(266)	(740)
Deferred fuel costs	19,108	(6,095)
Other working capital accounts	(9,813)	(6,628)
Provisions for estimated losses	(1,871)	6,015
Other regulatory assets	13,915	(10,748)
Pension and other postretirement liabilities	(2,581)	(6,597)
Other assets and liabilities	13,304	5,852
Net cash flow provided by operating activities	<u>59,948</u>	<u>23,160</u>
INVESTING ACTIVITIES		
Construction expenditures	(68,643)	(47,325)
Allowance for equity funds used during construction	656	487
Change in money pool receivable - net	(15,480)	9,074
Receipts from storm reserve escrow account	7,749	-
Payments to storm reserve escrow account	(5,828)	(6,774)
Net cash flow used in investing activities	<u>(81,546)</u>	<u>(44,538)</u>
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	98,495	-
Retirement of long-term debt	(70,061)	-
Change in money pool payable - net	-	15,719
Dividends paid:		
Common stock	-	(1,700)
Preferred stock	(724)	(724)
Other	-	(579)
Net cash flow provided by financing activities	<u>27,710</u>	<u>12,716</u>
Net increase (decrease) in cash and cash equivalents	6,112	(8,662)
Cash and cash equivalents at beginning of period	<u>9,391</u>	<u>9,834</u>
Cash and cash equivalents at end of period	<u>\$15,503</u>	<u>\$1,172</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for		
Interest - net of amount capitalized	\$9,775	\$8,431
Income taxes	\$425	\$-

See Notes to Financial Statements

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
ASSETS
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents		
Cash	\$1,117	\$319
Temporary cash investments	14,386	9,072
Total cash and cash equivalents	15,503	9,391
Accounts receivable.		
Customer	47,901	33,142
Allowance for doubtful accounts	(573)	(446)
Associated companies	31,592	29,326
Other	2,357	3,115
Accrued unbilled revenues	18,408	18,124
Total accounts receivable	99,685	83,261
Accumulated deferred income taxes	6,257	9,517
Fuel inventory - at average cost	3,546	1,777
Materials and supplies - at average cost	11,242	10,889
Prepaid taxes	-	1,377
Prepayments and other	6,404	3,201
TOTAL	142,637	119,413
OTHER PROPERTY AND INVESTMENTS		
Non-utility property at cost (less accumulated depreciation)	1,016	1,016
Storm reserve escrow account	8,684	10,605
TOTAL	9,700	11,621
UTILITY PLANT		
Electric	878,648	860,358
Natural gas	219,529	217,769
Construction work in progress	26,572	11,135
TOTAL UTILITY PLANT	1,124,749	1,089,262
Less - accumulated depreciation and amortization	560,085	549,587
UTILITY PLANT - NET	564,664	539,675
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets.		
Deferred fuel costs	4,080	4,080
Other regulatory assets	188,088	202,003
Other	6,690	4,997
TOTAL	198,858	211,080
TOTAL ASSETS	\$915,859	\$881,789

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$-	\$70,000
Accounts payable.		
Associated companies	32,646	28,778
Other	26,742	31,209
Customer deposits	22,422	21,974
Taxes accrued	3,125	-
Interest accrued	2,754	3,020
Deferred fuel costs	21,265	2,157
System agreement cost equalization	6,256	16,880
Other	7,398	3,479
TOTAL CURRENT LIABILITIES	122,608	177,497
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	172,340	172,790
Accumulated deferred investment tax credits	1,136	1,300
Regulatory liability for income taxes - net	8,417	24,291
Other regulatory liabilities	23,867	11,060
Asset retirement cost liabilities	2,307	2,193
Accumulated provisions	13,160	15,031
Pension and other postretirement liabilities	81,209	83,790
Long-term debt	225,942	126,300
Gas system rebuild insurance proceeds	34,820	44,207
Other	5,442	7,985
TOTAL NON-CURRENT LIABILITIES	568,640	488,947
Commitments and Contingencies		
Preferred stock without sinking fund	19,780	19,780
COMMON EQUITY		
Common stock, \$4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 2013 and 2012	33,744	33,744
Paid-in capital	36,294	36,294
Retained earnings	134,793	125,527
TOTAL	204,831	195,565
TOTAL LIABILITIES AND EQUITY	\$915,859	\$881,789

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
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>
	<u>(In Thousands)</u>			
Balance at December 31, 2011	\$33,744	\$36,294	\$111,127	\$181,165
Net income	-	-	17,781	17,781
Common stock dividends	-	-	(1,700)	(1,700)
Preferred stock dividends	-	-	(724)	(724)
Balance at September 30, 2012	<u>\$33,744</u>	<u>\$36,294</u>	<u>\$126,484</u>	<u>\$196,522</u>
Balance at December 31, 2012	\$33,744	\$36,294	\$125,527	\$195,565
Net income	-	-	9,990	9,990
Preferred stock dividends	-	-	(724)	(724)
Balance at September 30, 2013	<u>\$33,744</u>	<u>\$36,294</u>	<u>\$134,793</u>	<u>\$204,831</u>

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
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	\$67	\$58	\$9	16
Commercial	55	47	8	17
Industrial	11	9	2	22
Governmental	19	18	1	6
Total retail	152	132	20	15
Sales for resale				
Associated companies	6	10	(4)	(40)
Other	4	4	-	-
Total	\$162	\$146	\$16	11
Billed Electric Energy				
Sales (GWh):				
Residential	613	579	34	6
Commercial	576	553	23	4
Industrial	139	130	9	7
Governmental	206	219	(13)	(6)
Total retail	1,534	1,481	53	4
Sales for resale				
Associated companies	93	246	(153)	(62)
Non-associated companies	2	1	1	100
Total	1,629	1,728	(99)	(6)
Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$155	\$135	\$20	15
Commercial	140	123	17	14
Industrial	27	23	4	17
Governmental	51	47	4	9
Total retail	373	328	45	14
Sales for resale:				
Associated companies	14	21	(7)	(33)
Other	10	12	(2)	(17)
Total	\$397	\$361	\$36	10
Billed Electric Energy				
Sales (GWh)				
Residential	1,438	1,398	40	3
Commercial	1,502	1,507	(5)	-
Industrial	358	365	(7)	(2)
Governmental	570	598	(28)	(5)
Total retail	3,868	3,868	-	-
Sales for resale:				
Associated companies	249	436	(187)	(43)
Non-associated companies	4	4	-	-
Total	4,121	4,308	(187)	(4)

ENTERGY TEXAS, 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.

Results of Operations

Net Income

Third Quarter 2013 Compared to Third Quarter 2012

Net income increased \$16.6 million primarily due to higher net revenue and higher other income, partially offset by higher other operation and maintenance expenses.

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

Net income increased \$10.5 million primarily due to higher net revenue and higher other income, partially offset by higher other operation and maintenance expenses and higher depreciation and amortization expenses.

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:

	<u>Amount</u>
	(In Millions)
2012 net revenue	\$161.7
Fuel recovery	6.5
Hurricane Rita regulatory asset adjustment	6.4
Volume/weather	4.0
Other	2.2
2013 net revenue	<u>\$180.8</u>

The fuel recovery variance is primarily the result of a \$6 million adjustment to deferred fuel costs recorded in third quarter 2012 in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

The Hurricane Rita regulatory asset adjustment of \$6.4 million was recorded in third quarter 2012 in accordance with the rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

The volume/weather variance is primarily due to an increase of 199 GWh, or 4%, in billed electricity usage, including the effect of favorable weather compared to last year on residential and commercial sales and increased usage in the industrial sector compared to last year as a result of an unplanned outage in the refining industry in the third quarter 2012.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to an increase of \$20.1 million in fuel cost recovery revenues due to higher fuel rates and favorable weather/volume, as discussed above.

Fuel and purchased power expenses increased primarily due to increases in the average market prices of natural gas and purchased power offset by a decrease in deferred fuel costs due to an adjustment in the third quarter 2012 in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

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:

	<u>Amount</u> (In Millions)
2012 net revenue	\$421.6
Retail electric price	14.5
Fuel recovery	6.5
Hurricane Rita regulatory asset adjustment	6.4
Reserve equalization	4.1
Volume/weather	3.0
Purchased power capacity	(10.0)
Other	(0.2)
2013 net revenue	<u>\$445.9</u>

The retail electric price variance is primarily due to an annual base rate increase of \$28 million, effective July 2012, as a result of the PUCT's order in the November 2011 rate case. See Note 2 to the financial statements in the Form 10-K for further discussion of the rate order.

The fuel recovery variance is primarily the result of a \$6 million adjustment to deferred fuel costs recorded in third quarter 2012 in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

The Hurricane Rita regulatory asset adjustment of \$6.4 million was recorded in third quarter 2012 in accordance with the rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

The reserve equalization variance is primarily due to decreased reserve equalization expense as a result of changes in the Entergy System generation mix as compared to the same period in 2012.

The volume/weather variance is primarily due to an increase of 157 GWh, or 1%, in billed electricity usage, including the effect of favorable weather compared to last year on residential sales and increased usage in the industrial sector compared to last year as a result of an unplanned outage in the refining industry in the third quarter 2012.

The purchased power capacity variance is primarily due to additional capacity purchases as well as price increases for ongoing purchased power capacity.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to an increase of \$81.6 million in gross wholesale revenues as a result of an increase in sales to affiliated customers and higher prices and the annual base rate increase effective July 2012, as discussed above.

Fuel and purchased power expenses increased primarily due to increases in the average market prices of natural gas and purchased power and increased demand, partially offset by a decrease in deferred fuel expense as a result of higher interim fuel refunds in 2013 compared to 2012.

Other Income Statement Variances

Third Quarter 2013 Compared to Third Quarter 2012

Other operation and maintenance expenses increased primarily due to an increase of \$4.3 million in compensation and benefit costs primarily due to a decrease in discount rates used to determine net periodic pension and other postretirement benefit costs and a settlement charge 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. This increase was offset by a decrease related to the amortization of Hurricane Rita storm costs in the third quarter 2012 in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

Other income increased primarily due to the reversal in the third quarter 2012 of \$6.7 million of disallowed carrying charges on Hurricane Rita storm restoration costs in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

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 \$5.2 million in compensation and benefit costs primarily due to a decrease in discount rates used to determine net periodic pension and other postretirement benefit costs and a settlement charge 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 \$2.3 million primarily due to storm damage accruals in accordance with a rate order from PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order;
- an increase of \$2.1 million in distribution contract work relating primarily to vegetation maintenance;
- an increase of \$2.1 million in fossil-fueled generation expenses primarily due to a higher scope of work done during plant outages in 2013 as compared to the same period in prior year; and
- an increase of \$1.4 million in insurance expenses primarily due to increases in premiums.

Depreciation and amortization expenses increased primarily due to additions to plant in service and an increase in depreciation rates as a result of the rate order approved by the PUCT in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

Other income increased primarily due to the reversal in the third quarter 2012 of \$6.7 million of disallowed carrying charges on Hurricane Rita storm restoration costs in accordance with a rate order from the PUCT issued in September 2012. See Note 2 to the financial statements in the Form 10-K for further discussion of the PUCT rate order.

Income Taxes

The effective income tax rate was 37.7% for the third quarter 2013 and 40.2% for the nine months ended September 30, 2013. The difference in the effective income tax rate for the third quarter 2013 versus the federal statutory rate of 35% was primarily due to certain book and tax differences related to utility plant items and state income taxes. The difference in the effective income tax rate for the nine months ended September 30, 2013 versus the federal statutory rate of 35% was primarily due to certain book and tax differences related to utility plant items and state income taxes, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 40.3% for the third quarter 2012 and 41.7% for the nine months ended September 30, 2012. The differences in the effective tax rates for the third quarter 2012 and the nine months ended September 30, 2012 versus the federal statutory rate of 35% were primarily due to certain book and tax differences related to utility plant items and state income taxes, partially offset by the amortization of investment tax credits and book and tax differences related to the allowance for equity funds used during construction.

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	\$60,236	\$65,289
Cash flow provided by (used in):		
Operating activities	167,278	171,985
Investing activities	(130,025)	(65,518)
Financing activities	(75,746)	(107,340)
Net decrease in cash and cash equivalents	<u>(38,493)</u>	<u>(873)</u>
Cash and cash equivalents at end of period	<u>\$21,743</u>	<u>\$64,416</u>

Operating Activities

Net cash flow provided by operating activities decreased \$4.7 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to:

- \$86.1 million of fuel cost refunds for the nine months ended September 30, 2013 compared to \$67.2 million of fuel cost refunds for the nine months ended September 30, 2012. See Note 2 to the financial statements herein and in the Form 10-K for discussion of the fuel cost refunds; and
- the receipt, in January 2012, of \$43 million in System Agreement bandwidth remedy payments required to implement the FERC's remedy in an October 2011 order for the period June-December 2005. As of March 31, 2013, all of the \$43 million, plus interest, had been credited to Entergy Texas customers, with the final \$9.5 million being credited in the first quarter 2013. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings.

This was substantially offset by income tax refunds of \$94.2 million for the nine months ended September 30, 2013 compared to income tax payments of \$6 million for the nine months ended September 30, 2012. Entergy Texas had income tax refunds in 2013 in accordance with the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement. The refunds resulted from the utilization of Entergy Texas's taxable losses against taxable income of other members of the Entergy consolidated group.

Investing Activities

Net cash flow used in investing activities increased \$64.5 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to money pool activity and an increase in transmission construction expenditures due to reliability work performed in 2013, offset by lower fossil-fueled generation construction expenditures due to a greater scope of projects in 2012.

Increases in Entergy Texas's receivable from the money pool are a use of cash flow, and Entergy Texas's receivable from the money pool increased by \$5.9 million for the nine months ended September 30, 2013 compared to decreasing by \$50.2 million for the nine months ended September 30, 2012. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow used in financing activities decreased \$31.6 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to a decrease of \$32.4 million in common equity dividends paid.

Capital Structure

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

	September 30, 2013	December 31, 2012
Debt to capital	64.1%	65.4%
Effect of excluding the securitization bonds	(12.7%)	(13.3%)
Debt to capital, excluding securitization bonds (a)	51.4%	52.1%
Effect of subtracting cash	(0.6%)	(1.7%)
Net debt to net capital, excluding securitization bonds (a)	50.8%	50.4%

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

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

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 Texas's uses and sources of capital. Following are updates to the information provided in the Form 10-K. Entergy Texas is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$748 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 transmission spending to support economic development projects, reliability, and new compliance projects.

Entergy Texas has obtained short-term borrowing authorization through October 2015 from the FERC under which it may borrow at any one time outstanding, \$200 million in the aggregate. See Note 4 to the financial statements for further discussion of Entergy Texas's short-term borrowing limits. Entergy Texas has also obtained an order from the FERC authorizing long-term securities issuances through October 2015.

Entergy Texas'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)			
\$25,105	\$19,175	\$12,981	\$63,191

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

Entergy Texas 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.

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 is an update to that discussion.

Filings with the PUCT

2013 Rate Case

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

Fuel and Purchased Power Cost Recovery

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

At the April 11, 2013 open meeting, the PUCT Commissioners discussed their view that a purchased power capacity rider was good public policy. The PUCT issued an order on May 28, 2013 adopting the rule allowing for a purchased power capacity rider, subject to an offsetting adjustment for load growth. The rule, as adopted, also includes a process for obtaining pre-approval by the PUCT of purchased power agreements. Entergy Texas has not exercised the option to recover its capacity costs under the new rider mechanism due to the pending base rate case filed with the PUCT in September 2013, but will continue to evaluate the benefits of utilizing the new rider to recover future capacity costs.

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.

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.

Nuclear Matters

See "**Nuclear Matters**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis 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 unbilled revenue and qualified pension and other postretirement benefits.

ENTERGY TEXAS, 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)	
OPERATING REVENUES				
Electric	\$526,978	\$489,078	\$1,288,251	\$1,174,069
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	101,094	103,542	135,038	178,473
Purchased power	220,490	200,483	647,437	523,208
Other operation and maintenance	60,913	58,343	184,580	170,791
Taxes other than income taxes	16,805	19,031	46,506	50,640
Depreciation and amortization	23,659	23,043	70,731	64,887
Other regulatory charges - net	24,587	23,402	59,897	50,791
TOTAL	447,548	427,844	1,144,189	1,038,790
OPERATING INCOME	79,430	61,234	144,062	135,279
OTHER INCOME				
Allowance for equity funds used during construction	890	1,281	3,559	3,355
Interest and investment income	228	(5,566)	914	(2,648)
Miscellaneous - net	(625)	(1,520)	(1,968)	(3,164)
TOTAL	493	(5,805)	2,505	(2,457)
INTEREST EXPENSE				
Interest expense	23,069	24,246	69,401	71,510
Allowance for borrowed funds used during construction	(647)	(1,033)	(2,533)	(2,417)
TOTAL	22,422	23,213	66,868	69,093
INCOME BEFORE INCOME TAXES	57,501	32,216	79,699	63,729
Income taxes	21,700	12,982	32,023	26,547
NET INCOME	\$35,801	\$19,234	\$47,676	\$37,182

See Notes to Financial Statements.

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

	2013	2012
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$47,676	\$37,182
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	70,731	64,887
Deferred income taxes, investment tax credits, and non-current taxes accrued	78,717	28,140
Changes in assets and liabilities:		
Receivables	(63,375)	(15,544)
Fuel inventory	(968)	(2,650)
Accounts payable	13,450	11,930
Taxes accrued	39,644	(8,545)
Interest accrued	(9,190)	(9,032)
Deferred fuel costs	(92,604)	11,543
Other working capital accounts	4,689	(10,244)
Provisions for estimated losses	2,358	3,172
Other regulatory assets	78,433	72,559
Pension and other postretirement liabilities	(8,983)	(11,158)
Other assets and liabilities	6,700	(255)
Net cash flow provided by operating activities	167,278	171,985
INVESTING ACTIVITIES		
Construction expenditures	(133,489)	(128,199)
Allowance for equity funds used during construction	3,559	3,355
Change in money pool receivable - net	(5,930)	50,210
Remittances to transition charge account	(68,646)	(65,325)
Payments from transition charge account	74,523	74,441
Other	(42)	-
Net cash flow used in investing activities	(130,025)	(65,518)
FINANCING ACTIVITIES		
Retirement of long-term debt	(50,579)	(49,192)
Dividends paid:		
Common stock	(25,000)	(57,420)
Other	(167)	(728)
Net cash flow used in financing activities	(75,746)	(107,340)
Net decrease in cash and cash equivalents	(38,493)	(873)
Cash and cash equivalents at beginning of period	60,236	65,289
Cash and cash equivalents at end of period	\$21,743	\$64,416
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$75,500	\$77,264
Income taxes	(\$94,233)	\$6,000

See Notes to Financial Statements

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

	2013	2012
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$2,090	\$528
Temporary cash investments	19,653	59,708
Total cash and cash equivalents	21,743	60,236
Securitization recovery trust account	31,378	37,255
Accounts receivable:		
Customer	85,202	53,836
Allowance for doubtful accounts	(894)	(680)
Associated companies	91,681	68,750
Other	15,247	10,450
Accrued unbilled revenues	48,677	38,252
Total accounts receivable	239,913	170,608
Accumulated deferred income taxes	-	34,988
Fuel inventory - at average cost	56,356	55,388
Materials and supplies - at average cost	30,020	32,853
System agreement cost equalization	6,256	16,880
Prepaid taxes	14,024	53,668
Prepayments and other	18,542	18,206
TOTAL	418,232	480,082
OTHER PROPERTY AND INVESTMENTS		
Investments in affiliates - at equity	693	678
Non-utility property - at cost (less accumulated depreciation)	419	638
Other	18,025	17,263
TOTAL	19,137	18,579
UTILITY PLANT		
Electric	3,554,829	3,475,776
Construction work in progress	106,817	90,469
TOTAL UTILITY PLANT	3,661,646	3,566,245
Less - accumulated depreciation and amortization	1,369,362	1,332,349
UTILITY PLANT - NET	2,292,284	2,233,896
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	129,645	131,287
Other regulatory assets (includes securitization property of \$600,055 as of September 30, 2013 and \$648,863 as of December 31, 2012)	1,037,745	1,114,536
Long-term receivables - associated companies	28,168	29,510
Other	18,181	17,891
TOTAL	1,213,739	1,293,224
TOTAL ASSETS	\$3,943,392	\$4,025,781

See Notes to Financial Statements.

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

	<u>2013</u>	<u>2012</u>
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	\$103,312	\$88,743
Other	60,216	65,261
Customer deposits	38,437	38,859
Accumulated deferred income taxes	31,816	-
Interest accrued	22,976	32,166
Deferred fuel costs	730	93,334
Pension and other postretirement liabilities	805	853
System agreement cost equalization	-	8,968
Other	3,797	2,839
TOTAL	<u>262,089</u>	<u>331,023</u>
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,021,401	1,009,081
Accumulated deferred investment tax credits	16,546	17,743
Other regulatory liabilities	6,738	6,150
Asset retirement cost liabilities	4,286	4,103
Accumulated provisions	8,967	6,609
Pension and other postretirement liabilities	146,306	155,241
Long-term debt (includes securitization bonds of \$639,818 as of September 30, 2013 and \$690,380 as of December 31, 2012)	1,567,566	1,617,813
Other	32,671	23,872
TOTAL	<u>2,804,481</u>	<u>2,840,612</u>
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 200,000,000 shares, issued and outstanding 46,525,000 shares in 2013 and 2012	49,452	49,452
Paid-in capital	481,994	481,994
Retained earnings	345,376	322,700
TOTAL	<u>876,822</u>	<u>854,146</u>
TOTAL LIABILITIES AND EQUITY	<u>\$3,943,392</u>	<u>\$4,025,781</u>

See Notes to Financial Statements.

ENTERGY TEXAS, 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)			
Balance at December 31, 2011	\$49,452	\$481,994	\$367,909	\$899,355
Net income	-	-	37,182	37,182
Common stock dividends	-	-	(57,420)	(57,420)
Balance at September 30, 2012	<u>\$49,452</u>	<u>\$481,994</u>	<u>\$347,671</u>	<u>\$879,117</u>
Balance at December 31, 2012	\$49,452	\$481,994	\$322,700	\$854,146
Net income	-	-	47,676	47,676
Common stock dividends	-	-	(25,000)	(25,000)
Balance at September 30, 2013	<u>\$49,452</u>	<u>\$481,994</u>	<u>\$345,376</u>	<u>\$876,822</u>

See Notes to Financial Statements.

ENTERGY TEXAS, 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	\$213	\$192	\$21	11
Commercial	102	98	4	4
Industrial	98	87	11	13
Governmental	7	6	1	17
Total retail	420	383	37	10
Sales for resale:				
Associated companies	90	92	(2)	(2)
Non-associated companies	10	8	2	25
Other	7	6	1	17
Total	\$527	\$489	\$38	8

Billed Electric Energy

Sales (GWh):				
Residential	1,917	1,879	38	2
Commercial	1,291	1,267	24	2
Industrial	1,768	1,634	134	8
Governmental	77	74	3	4
Total retail	5,053	4,854	199	4
Sales for resale:				
Associated companies	1,713	1,982	(269)	(14)
Non-associated companies	142	179	(37)	(21)
Total	6,908	7,015	(107)	(2)

Description	Nine Months Ended		Increase/ (Decrease)	%
	2013	2012		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$450	\$425	\$25	6
Commercial	240	248	(8)	(3)
Industrial	233	226	7	3
Governmental	17	17	-	-
Total retail	940	916	24	3
Sales for resale:				
Associated companies	283	201	82	41
Non-associated companies	28	28	-	-
Other	37	29	8	28
Total	\$1,288	\$1,174	\$114	10

Billed Electric Energy

Sales (GWh):				
Residential	4,383	4,386	(3)	-
Commercial	3,306	3,342	(36)	(1)
Industrial	4,704	4,512	192	4
Governmental	213	209	4	2
Total retail	12,606	12,449	157	1
Sales for resale:				
Associated companies	4,778	4,145	633	15
Non-associated companies	464	683	(219)	(32)
Total	17,848	17,277	571	3

SYSTEM ENERGY RESOURCES, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

System Energy's principal asset currently consists of an ownership interest and a leasehold interest in Grand Gulf. The capacity and energy from its 90% interest is sold under the Unit Power Sales Agreement to its only four customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% interest in Grand Gulf pursuant to the Unit Power Sales Agreement. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues.

Third Quarter 2013 Compared to Third Quarter 2012

Net income increased \$4.5 million primarily due to a lower effective income tax rate, partially offset by lower operating income. The lower effective income tax rate was primarily due to the reversal of a portion of the provision for uncertain tax positions. Operating income was lower because of lower rate base as compared to 2012.

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

Net income decreased \$1.7 million primarily due to lower other income and a higher effective income tax rate, substantially offset by increased operating income. Other income was lower due to AFUDC accrued on the Grand Gulf uprate project in 2012. Operating income was higher because of higher rate base compared to 2012 resulting from capital spending at Grand Gulf, including the uprate project. The Grand Gulf's spring 2012 refueling outage was completed in June 2012, and the majority of uprate-related capital improvements were completed during this outage.

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	\$83,622	\$185,157
Cash flow provided by (used in):		
Operating activities	136,814	217,040
Investing activities	(59,890)	(513,256)
Financing activities	(156,734)	131,297
Net decrease in cash and cash equivalents	<u>(79,810)</u>	<u>(164,919)</u>
Cash and cash equivalents at end of period	<u>\$3,812</u>	<u>\$20,238</u>

Operating Activities

Net cash provided by operating activities decreased \$80.2 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 \$217.1 million in 2013 compared to income tax refunds of \$3.9 million in 2012, partially offset by spending on the Grand Gulf refueling outage in 2012. System Energy had income tax payments in 2013 in accordance with the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement. The income tax payments resulted primarily from the reversal of temporary differences for which System Energy had previously claimed a tax deduction.

Investing Activities

Net cash used in investing activities decreased \$453.4 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to a decrease in construction expenditures resulting from spending on the uprate project at Grand Gulf completed during the refueling outage in 2012 and a decrease in nuclear fuel activity primarily due to the Grand Gulf refueling outage in 2012. The decrease was partially offset by money pool activity and \$72.2 million of first mortgage bond proceeds deposited with a trustee in September 2012 and used in October 2012 for the redemption of another series of first mortgage bonds.

Decreases in System Energy's receivable from the money pool are a source of cash flow, and System Energy's receivable from the money pool decreased \$22.9 million for the nine months ended September 30, 2013 compared to decreasing by \$116.3 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

System Energy's financing activities used \$156.7 million of cash for the nine months ended September 30, 2013 compared to providing \$131.3 million of cash for the nine months ended September 30, 2012 primarily due to the following cash flow activity:

- the issuance of \$250 million 4.10% Series first mortgage bonds by System Energy Resources in September 2012;
- an increase in borrowings of \$6.5 million on the nuclear fuel company variable interest entity's credit facility in 2013 compared to an increase in borrowings of \$62.8 million on the nuclear fuel company variable interest entity's credit facility in 2012;
- the redemption of \$70 million of 6.29% Series F notes by the nuclear fuel company variable interest entity in September 2013;
- the issuance of \$50 million of 4.02% Series H notes by the nuclear fuel company variable interest entity in February 2012;
- an increase of \$17.3 million in common stock dividends paid in 2013; and
- the redemption of \$152.975 million of pollution control revenue bonds in 2012.

Capital Structure

System Energy's capitalization is balanced between equity and debt, as shown in the following table. The decrease in the debt to capital ratio for System Energy as of September 30, 2013 is primarily due to a decrease in long-term debt as a result of the redemption of \$70 million of 6.29% Series F notes, as discussed above, and an increase in retained earnings.

	September 30, 2013	December 31, 2012
Debt to capital	45.1%	49.7%
Effect of subtracting cash	(0.1%)	(2.6%)
Net debt to net capital	45.0%	47.1%

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

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 System Energy's uses and sources of capital. Following are updates to the information provided in the Form 10-K. System Energy is developing its capital investment plan for 2014 through 2016 and currently anticipates making \$156 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 plant improvements.

System Energy has obtained a 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 System Energy's short-term borrowing limits. System Energy has also obtained an order from the FERC authorizing long-term securities issuances through October 2015. System Energy has obtained long-term financing authorization from the FERC that extends through October 2015 for issuances by its nuclear fuel company variable interest entity.

System Energy's receivables from the money pool were as follows:

September 30, 2013	December 31, 2012	September 30, 2012	December 31, 2011
(In Thousands)			
\$4,008	\$26,915	\$4,103	\$120,424

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

The System Energy nuclear fuel company variable interest entity has a credit facility in the amount of \$125 million scheduled to expire in June 2016. As of September 30, 2013, \$46.5 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the System Energy nuclear fuel company variable interest entity. See Note 4 to the financial statements for additional discussion of the variable interest entity credit facility.

In October 2013 the System Energy Resources nuclear fuel company variable interest entity issued \$85 million of 3.78% Series I notes due October 2018. The System Energy nuclear fuel company variable interest entity used the proceeds to repay outstanding commercial paper and to purchase additional nuclear fuel.

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 System Energy's accounting for nuclear decommissioning costs and qualified pension and other postretirement benefits.

SYSTEM ENERGY RESOURCES, INC.
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)	
OPERATING REVENUES				
Electric	\$192,679	\$188,680	\$533,434	\$428,413
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	26,974	25,538	77,077	38,976
Nuclear refueling outage expenses	7,418	7,304	22,133	14,352
Other operation and maintenance	43,577	38,029	123,955	105,754
Decommissioning	8,946	8,327	26,364	24,541
Taxes other than income taxes	6,291	5,230	19,264	16,262
Depreciation and amortization	51,981	47,991	119,427	102,989
Other regulatory credits - net	(4,537)	(2,673)	(10,499)	(7,096)
TOTAL	<u>140,650</u>	<u>129,746</u>	<u>377,721</u>	<u>295,778</u>
OPERATING INCOME	<u>52,029</u>	<u>58,934</u>	<u>155,713</u>	<u>132,635</u>
OTHER INCOME				
Allowance for equity funds used during construction	2,267	2,171	5,470	24,158
Interest and investment income	1,259	2,506	6,450	8,108
Miscellaneous - net	(134)	(146)	(493)	(446)
TOTAL	<u>3,392</u>	<u>4,531</u>	<u>11,427</u>	<u>31,820</u>
INTEREST EXPENSE				
Interest expense	9,756	12,631	28,411	34,076
Allowance for borrowed funds used during construction	(223)	(401)	(604)	(6,892)
TOTAL	<u>9,533</u>	<u>12,230</u>	<u>27,807</u>	<u>27,184</u>
INCOME BEFORE INCOME TAXES	<u>45,888</u>	<u>51,235</u>	<u>139,333</u>	<u>137,271</u>
Income taxes	<u>10,783</u>	<u>20,619</u>	<u>48,488</u>	<u>44,751</u>
NET INCOME	<u>\$35,105</u>	<u>\$30,616</u>	<u>\$90,845</u>	<u>\$92,520</u>

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2013 and 2012
(Unaudited)

	2013	2012
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$90,845	\$92,520
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	206,699	157,070
Deferred income taxes, investment tax credits, and non-current taxes accrued	57,096	106,167
Changes in assets and liabilities		
Receivables	4,180	(8,224)
Accounts payable	(2,039)	(9,070)
Taxes accrued and prepaid taxes	(219,221)	(63,879)
Interest accrued	(127)	(1,636)
Other working capital accounts	17,025	(30,126)
Other regulatory assets	13,724	(38,909)
Pension and other postretirement liabilities	(4,891)	(9,375)
Other assets and liabilities	(26,477)	22,502
Net cash flow provided by operating activities	136,814	217,040
INVESTING ACTIVITIES		
Construction expenditures	(37,731)	(415,013)
Allowance for equity funds used during construction	5,470	24,158
Nuclear fuel purchases	(53,666)	(182,619)
Proceeds from the sale of nuclear fuel	26,522	38,413
Changes in other investments - net	-	(72,170)
Proceeds from nuclear decommissioning trust fund sales	144,631	315,006
Investment in nuclear decommissioning trust funds	(168,023)	(337,352)
Changes in money pool receivable - net	22,907	116,321
Net cash flow used in investing activities	(59,890)	(513,256)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	-	297,908
Retirement of long-term debt	(111,479)	(192,867)
Changes in credit borrowings - net	6,531	62,772
Dividends paid:		
Common stock	(50,000)	(32,750)
Other	(1,786)	(3,766)
Net cash flow provided by (used in) financing activities	(156,734)	131,297
Net decrease in cash and cash equivalents	(79,810)	(164,919)
Cash and cash equivalents at beginning of period	83,622	185,157
Cash and cash equivalents at end of period	\$3,812	\$20,238
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid (received) during the period for		
Interest - net of amount capitalized	\$20,708	\$27,667
Income taxes	\$217,089	(\$3,873)

See Notes to Financial Statements

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS
September 30, 2013 and December 31, 2012
(Unaudited)

	2013	2012
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents.		
Cash	\$680	\$100
Temporary cash investments	3,132	83,522
Total cash and cash equivalents	3,812	83,622
Accounts receivable.		
Associated companies	67,605	93,381
Other	4,593	5,904
Total accounts receivable	72,198	99,285
Accumulated deferred income taxes	21,792	74,331
Materials and supplies - at average cost	84,890	82,443
Deferred nuclear refueling outage costs	13,664	35,155
Prepaid taxes	37,744	-
Prepayments and other	4,102	2,080
TOTAL	238,202	376,916
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	563,428	490,572
TOTAL	563,428	490,572
UTILITY PLANT		
Electric	4,003,015	3,987,672
Property under capital lease	569,355	569,355
Construction work in progress	42,870	40,392
Nuclear fuel	214,053	252,682
TOTAL UTILITY PLANT	4,829,293	4,850,101
Less - accumulated depreciation and amortization	2,665,585	2,568,862
UTILITY PLANT - NET	2,163,708	2,281,239
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	120,739	126,503
Other regulatory assets	322,114	330,074
Other	16,290	18,212
TOTAL	459,143	474,789
TOTAL ASSETS	\$3,424,481	\$3,623,516

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
September 30, 2013 and December 31, 2012
(Unaudited)

	<u>2013</u>	<u>2012</u>
	(In Thousands)	
<u>CURRENT LIABILITIES</u>		
Currently maturing long-term debt	\$48,653	\$111,854
Short-term borrowings	46,517	39,986
Accounts payable:		
Associated companies	7,638	5,564
Other	24,936	44,433
Taxes accrued	-	181,477
Accumulated deferred income taxes	688	1,789
Interest accrued	15,492	15,619
Other	2,432	2,429
TOTAL	<u>146,356</u>	<u>403,151</u>
<u>NON-CURRENT LIABILITIES</u>		
Accumulated deferred income taxes and taxes accrued	783,720	782,469
Accumulated deferred investment tax credits	55,427	56,188
Other regulatory liabilities	299,145	256,024
Decommissioning	504,735	478,371
Pension and other postretirement liabilities	137,726	142,617
Long-term debt	623,753	671,945
Other	45	22
TOTAL	<u>2,404,551</u>	<u>2,387,636</u>
Commitments and Contingencies		
<u>COMMON EQUITY</u>		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2013 and 2012	789,350	789,350
Retained earnings	84,224	43,379
TOTAL	<u>873,574</u>	<u>832,729</u>
TOTAL LIABILITIES AND EQUITY	<u>\$3,424,481</u>	<u>\$3,623,516</u>

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
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>Retained Earnings</u> (In Thousands)	<u>Total</u>
Balance at December 31, 2011	\$789,350	\$11,213	\$800,563
Net income	-	92,520	92,520
Common stock dividends	-	(32,750)	(32,750)
Balance at September 30, 2012	<u>\$789,350</u>	<u>\$70,983</u>	<u>\$860,333</u>
Balance at December 31, 2012	\$789,350	\$43,379	\$832,729
Net income	-	90,845	90,845
Common stock dividends	-	(50,000)	(50,000)
Balance at September 30, 2013	<u>\$789,350</u>	<u>\$84,224</u>	<u>\$873,574</u>

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See "**PART I, Item 1, Litigation**" in the Form 10-K for a discussion of legal, administrative, and other regulatory proceedings affecting Entergy. Following is an update to that discussion. Also see "**Item 5, Other Information, Environmental Regulation**", below, for updates regarding environmental proceedings and regulation.

Texas Power Price Lawsuit

See the Form 10-K for a discussion of the lawsuit filed in August 2003 in the district court of Chambers County, Texas by Texas residents on behalf of a purported class of the Texas retail customers of Entergy Gulf States, Inc. who were billed and paid for electric power from January 1, 1994 to the present. The case is pending in state district court, and in March 2012 the court found that the case met the requirements to be maintained as a class action under Texas law. On April 30, 2012, the court entered an order certifying the class. The defendants have appealed the order to the Texas Court of Appeals – First District. The appeal is pending, and proceedings in district court are stayed until the appeal is resolved. Oral arguments before the court of appeals were conducted on April 23, 2013, and the matter awaits that court's decision.

Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in "**PART I, Item 1A, Risk Factors**" in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (a)

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of a Publicly Announced Plan</u>	<u>Maximum \$ Amount of Shares that May Yet be Purchased Under a Plan (b)</u>
7/01/2013-7/31/2013	-	\$-	-	\$350,052,918
8/01/2013-8/31/2013	-	\$-	-	\$350,052,918
9/01/2013-9/30/2013	-	\$-	-	\$350,052,918
Total	-	\$-	-	

In accordance with Entergy's stock-based compensation plans, Entergy periodically grants stock options to key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plans, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans. The amount of share repurchases under these programs may vary as a result of material changes in business results or capital spending or new investment opportunities. In addition, in the first quarter 2013, Entergy withheld 62,841 shares of its common stock at \$64.45 per share to pay income taxes due upon vesting of restricted stock granted as part of its long-term incentive program.

- (a) See Note 12 to the financial statements in the Form 10-K for additional discussion of the stock-based compensation plans.
- (b) Maximum amount of shares that may yet be repurchased does not include an estimate of the amount of shares that may be purchased to fund the exercise of grants under the stock-based compensation plans.