

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

Results of Operations

Net Income

Second Quarter 2017 Compared to Second Quarter 2016

Net income increased \$4.7 million primarily due to higher other income.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net income remained relatively unchanged, decreasing by \$0.3 million, primarily due to higher other operation and maintenance expenses, higher nuclear refueling outage expenses, and higher depreciation and amortization expenses, substantially offset by higher other income and higher net revenue.

Net Revenue

Second Quarter 2017 Compared to Second Quarter 2016

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 second quarter 2017 to the second quarter 2016:

	Amount
	(In Millions)
2016 net revenue	\$365.7
Retail electric price	9.8
Asset retirement obligation	(7.8)
Other	(1.2)
2017 net revenue	\$366.5

The retail electric price variance is primarily due to the implementation of formula rate plan rates, as approved by the APSC, effective with the first billing cycle of January 2017. See Note 2 to the financial statements in the Form 10-K for further discussion of the formula rate plan filing.

The asset retirement obligation affects net revenue because Entergy Arkansas records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance is primarily caused by a decrease in regulatory credits because of an increase in decommissioning trust earnings, including portfolio reallocations for the ANO 1 decommissioning trust fund.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the six months ended June 30, 2017 to the six months ended June 30, 2016:

	<u>Amount</u> (In Millions)
2016 net revenue	\$687.4
Retail electric price	24.1
Opportunity sales	7.5
Asset retirement obligation	(10.5)
Volume/weather	(15.1)
Other	3.4
2017 net revenue	<u><u>\$696.8</u></u>

The retail electric price variance is primarily due to an increase in base rates effective February 24, 2016 and the implementation of formula rate plan rates effective with the first billing cycle of January 2017, each as approved by the APSC. A significant portion of the base rate increase was related to the purchase of Power Block 2 of the Union Power Station in March 2016. The increase was partially offset by decreases in the energy efficiency rider, as approved by the APSC, effective April 2016 and January 2017. See Note 2 to the financial statements in the Form 10-K for further discussion of the rate case and formula rate plan filings. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase.

The opportunity sales variance results from the estimated net revenue effect recorded in the first quarter 2016 in connection with the FERC orders issued in April 2016 in the opportunity sales proceeding. See Note 2 to the financial statements in the Form 10-K for further discussion of the opportunity sales proceeding.

The asset retirement obligation affects net revenue because Entergy Arkansas records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance is primarily caused by a decrease in regulatory credits because of an increase in decommissioning trust earnings, including portfolio reallocations for the ANO 1 decommissioning trust fund.

The volume/weather variance is primarily due to decreased usage during the unbilled sales period, including the effect of weather. This decrease was partially offset by an increase of 307 GWh, or 3%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to a new customer in the primary metals industry.

Other Income Statement Variances

Second Quarter 2017 Compared to Second Quarter 2016

Other operation and maintenance expenses decreased primarily due to:

- a decrease of \$5.1 million in fossil-fueled generation expenses primarily due to lower long-term service agreement costs; and
- a decrease of \$2.7 million in nuclear generation expenses primarily due to a decrease in regulatory compliance costs, partially offset by higher nuclear labor costs, including contract labor, in second quarter 2017 as compared to second quarter 2016 primarily due to increased operating costs to position the nuclear fleet to meet its operational goals. The decrease in regulatory compliance costs is primarily related to additional NRC inspection

activities in 2016 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage, Outage, and NRC Reviews**" in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters**" in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals.

The decrease was partially offset by an increase of \$2.7 million in transmission and distribution expenses due to higher vegetation maintenance costs in 2017 as compared to the same period in 2016 and an increase of \$1.6 million in compensation and benefits costs primarily due to an increase in net periodic pension and other postretirement benefits costs as a result of a lower discount rate.

Other income increased primarily due to higher realized gains in 2017 as compared to 2016 on the decommissioning trust fund investments, including portfolio reallocations for the ANO 1 decommissioning trust fund.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Nuclear refueling outage expenses increased primarily due to the amortization of higher costs associated with the most recent outages as compared to the previous outages.

Other operation and maintenance expenses increased primarily due to:

- the deferral in first quarter 2016 of \$7.7 million of previously-incurred costs related to ANO post-Fukushima compliance and \$9.9 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC as part of the 2015 rate case settlement. These costs are being amortized over a ten-year period beginning March 2016. See Note 2 to the financial statements in the Form 10-K for further discussion of the rate case settlement;
- an increase of \$5.4 million in transmission and distribution expenses due to higher vegetation maintenance costs in 2017; and
- an increase of \$4 million in compensation and benefits costs primarily due to a downward revision to estimated incentive compensation expense in first quarter 2016 and an increase in net periodic pension and other postretirement benefits costs as a result of a lower discount rate.

The increase was partially offset by a decrease of \$16.1 million in nuclear generation expenses primarily due to a decrease in regulatory compliance costs as compared to the prior year, partially offset by higher nuclear labor costs, including contract labor, in 2017 compared to the same period in 2016 primarily due to increased operating costs to position the nuclear fleet to meet its operational goals. The decrease in regulatory compliance costs is primarily related to additional NRC inspection activities in 2016 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage, Outage, and NRC Reviews**" in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters**" in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals.

Taxes other than income taxes increased primarily due to an increase in ad valorem taxes, higher local franchise taxes, and an increase in payroll taxes. Ad valorem taxes increased primarily due to higher assessments and higher millage rates. Local franchise taxes increased primarily due to higher revenues in 2017 as compared to 2016.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including Power Block 2 of the Union Power Station purchased in March 2016. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase.

Other income increased primarily due to higher realized gains in 2017 as compared to 2016 on the decommissioning trust fund investments, including portfolio reallocations for the ANO 1 decommissioning trust fund.

Interest expense decreased primarily due to \$5.1 million in estimated interest expense recorded in the first quarter 2016 in connection with the FERC orders issued in April 2016 in the opportunity sales proceeding. See Note 2 to the financial statements in the Form 10-K for further discussion of the opportunity sales proceeding.

Income Taxes

The effective income tax rate was 38.4% for the second quarter 2017. The difference in the effective income tax rate for the second quarter 2017 versus the federal statutory rate of 35% was primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 40.2% for the six months ended June 30, 2017. The difference in the effective income tax rate for the six months ended June 30, 2017 versus the federal statutory rate of 35% was primarily due to state income taxes, a write-off of a stock-based compensation deferred tax asset, and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rates were 40.1% for the second quarter 2016 and 40% for the six months ended June 30, 2016. The differences in the effective income tax rates for the second quarter 2016 and the six months ended June 30, 2016 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, partially offset by book and tax differences related to the allowance for equity funds used during construction.

ANO Damage, Outage, and NRC Reviews

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage, Outage, and NRC Reviews” in the Form 10-K for a discussion of the ANO stator incident, subsequent NRC reviews, and the deferral of replacement power costs.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$20,509	\$9,135
Cash flow provided by (used in):		
Operating activities	191,161	253,703
Investing activities	(418,321)	(577,426)
Financing activities	209,728	339,700
Net increase (decrease) in cash and cash equivalents	<u>(17,432)</u>	<u>15,977</u>
Cash and cash equivalents at end of period	<u>\$3,077</u>	<u>\$25,112</u>

Operating Activities

Net cash flow provided by operating activities decreased \$62.5 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to an increase of \$43.8 million in spending on nuclear refueling outages in 2017 and the timing of payments to vendors.

Investing Activities

Net cash flow used in investing activities decreased \$159.1 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the purchase of Power Block 2 of the Union Power Station in March 2016 for approximately \$237 million and a decrease of \$27.5 million in transmission construction expenditures primarily due to a lower scope of non-storm related work performed in 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase.

The decrease was partially offset by:

- an increase of \$56.6 million in nuclear construction expenditures primarily due to a higher scope of work performed on various nuclear projects in 2017;
- an increase of \$17.8 million in fossil-fueled generation construction expenditures primarily due to a higher scope of work performed on various projects in 2017; and
- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle.

Financing Activities

Net cash flow provided by financing activities decreased \$130 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- a \$200 million capital contribution received from Entergy Corporation in March 2016 primarily in anticipation of Entergy Arkansas's purchase of Power Block 2 of the Union Power Station;
- the issuance of \$325 million of 3.5% Series first mortgage bonds in January 2016, a portion of the proceeds of which were used to pay, prior to maturity, \$175 million of 5.66% Series first mortgage bonds; and
- the issuance of \$55 million of 3.5% Series first mortgage bonds in June 2016.

The decrease was partially offset by:

- the issuance of \$220 million of 3.5% Series first mortgage bonds in May 2017;
- net borrowings of \$31.4 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2017 compared to net borrowings of \$0.9 million in 2016; and
- money pool activity.

Decreases in Entergy Arkansas's payable to the money pool are a use of cash flow, and Entergy Arkansas's payable to the money pool decreased by \$37.6 million in 2017 compared to decreasing by \$52.7 million in 2016. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

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

Capital Structure

Entergy Arkansas's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy Arkansas is primarily due to the issuance of long-term debt in 2017.

	June 30, 2017	December 31, 2016
Debt to capital	56.9%	55.3%
Effect of excluding the securitization bonds	(0.4%)	(0.4%)
Debt to capital, excluding securitization bonds (a)	56.5%	54.9%
Effect of subtracting cash	—%	(0.2%)
Net debt to net capital, excluding securitization bonds (a)	56.5%	54.7%

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

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

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Arkansas's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

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

June 30, 2017	December 31, 2016	June 30, 2016	December 31, 2015
(In Thousands)			
(\$13,669)	(\$51,232)	\$1,453	(\$52,742)

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

Entergy Arkansas has a credit facility in the amount of \$150 million scheduled to expire in August 2021. Entergy Arkansas also has a \$20 million credit facility scheduled to expire in April 2018. The \$150 million credit facility allows Entergy Arkansas to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2017, there were no cash borrowings and no letters of credit outstanding under the credit facilities. In addition, Entergy Arkansas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2017, a \$1 million letter of credit was outstanding under Entergy Arkansas's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of \$80 million scheduled to expire in May 2019. As of June 30, 2017, \$14.7 million in letters of credit to support a like amount of commercial paper issued and \$16.7 million in loans were outstanding under the Entergy Arkansas nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facility.

State and Local Rate Regulation and Fuel-Cost Recovery

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

2016 Formula Rate Plan Filing

As discussed in the Form 10-K, Entergy Arkansas is required to make a supplemental filing supporting the recovery of certain nuclear costs. In April 2017, Entergy Arkansas filed a motion consented to by all parties requesting that it be permitted to submit its supplemental filing in conjunction with its 2017 formula rate plan filing, which was subsequently made in July 2017 and is discussed below. In May 2017 the APSC approved the joint motion and proposal to review Entergy Arkansas’s supplemental filing on a concurrent schedule with the 2017 formula rate plan filing. In doing so, however, the APSC noted that a determination of whether the supplemental information supporting certain nuclear expenditures will be considered in the hearing for the 2017 formula rate plan filing or a separate hearing will be made at a later time.

2017 Formula Rate Plan Filing

In July 2017, Entergy Arkansas filed with the APSC its 2017 formula rate plan filing showing Entergy Arkansas’s projected earned return on common equity for the twelve months ended December 31, 2018 test period to be below the formula rate plan bandwidth. The filing projected a \$129.7 million revenue requirement increase to achieve Entergy Arkansas’s target earned return on common equity of 9.75%. Because the projected revenue increase exceeds the four percent annual revenue constraint for each rate class, however, Entergy Arkansas proposed a \$70.9 million revenue requirement increase. Entergy Arkansas requested an order approving its proposed formula rate plan adjustment by December 13, 2017. If a final order is not issued by this date, the proposed formula rate plan adjustment will become effective January 2, 2018, subject to refund.

Advanced Metering Infrastructure (AMI) Filing

As discussed in the Form 10-K, in September 2016, Entergy Arkansas filed an application seeking a finding from the APSC that Entergy Arkansas’s deployment of advanced metering infrastructure is in the public interest. In June 2017 the APSC staff and Arkansas Attorney General filed direct testimony. The APSC staff generally supported Entergy Arkansas’s AMI deployment conditioned on various recommendations. The Arkansas Attorney General’s consultant primarily recommended denial of Entergy Arkansas’s application but alternatively suggested recommendations in the event the APSC approves Entergy Arkansas’s proposal. Entergy Arkansas filed rebuttal testimony in June 2017, substantially accepting the APSC staff’s recommendations. In August 2017, Entergy Arkansas and the parties to the proceeding filed a joint motion to suspend the procedural schedule pending the filing with the APSC of an agreement in principle on all issues.

Energy Cost Recovery Rider

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

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

Opportunity Sales Proceedings

As discussed in the Form 10-K, in June 2009 the LPSC filed a complaint requesting that the FERC determine that certain of Entergy Arkansas's sales of electric energy to third parties: (a) violated the provisions of the System Agreement that allocated the energy generated by Entergy System resources, (b) imprudently denied the Entergy System and its ultimate consumers the benefits of low-cost Entergy System generating capacity, and (c) violated the provision of the System Agreement that prohibited sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC's complaint challenges sales made beginning in 2002 and requests refunds.

In April 2016 the FERC issued orders addressing requests for rehearing filed in July 2012 and an ALJ's August 2013 initial decision. The first order denies Entergy's request for rehearing and affirms FERC's earlier rulings that Entergy's original methodology for allocating energy costs to the opportunity sales was incorrect and, as a result, Entergy Arkansas must make payments to the other Utility operating companies to put them in the same position that they would have been in absent the incorrect allocation. The FERC clarified that interest should be included with the payments. The second order affirmed in part, and reversed in part, the rulings in the ALJ's August 2013 initial decision regarding the methodology that should be used to calculate the payments Entergy Arkansas is to make to the other Utility operating companies. The FERC affirmed the ALJ's ruling that a full re-run of intra-system bills should be performed, but required that methodology be modified so that the sales have the same priority for purposes of energy allocation as joint account sales. The FERC reversed the ALJ's decision that any payments by Entergy Arkansas should be reduced by 20%. The FERC also reversed the ALJ's decision that adjustments to other System Agreement service schedules and excess bandwidth payments should not be taken into account when calculating the payments to be made by Entergy Arkansas. The FERC held that such adjustments and excess bandwidth payments should be taken into account, but ordered further proceedings before an ALJ to address whether a cap on any reduction due to bandwidth payments was necessary and to implement the other adjustments to the calculation methodology.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order addressing the requests for rehearing filed in July 2012. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. The rehearing and clarification requests filed in May 2016 are pending FERC action.

Pursuant to the procedural schedule established in the case, Entergy Services re-ran intra-system bills for the ten-year period 2000-2009 to quantify the effects of the FERC's ruling. In November 2016 the LPSC submitted testimony disputing certain aspects of the calculations, and Entergy Services submitted answering testimony in January 2017. In February 2017 the FERC staff filed testimony and Entergy Services filed responsive testimony. In March 2017 the LPSC filed rebuttal testimony. A hearing was held in May 2017. In July 2017, the ALJ issued an initial decision concluding that Entergy Arkansas should pay \$86 million plus interest to the other Utility operating companies. The Utility operating companies have the opportunity to challenge the ALJ's initial decision by filing a brief on exceptions with the FERC. No payments will be made or received by the Utility operating companies until the FERC issues an order reviewing the initial decision and Entergy submits a subsequent filing to comply with that order.

The effect of the FERC's decisions thus far in the case would be that Entergy Arkansas will make payments to some or all of the other Utility operating companies. Because further proceedings will still occur in the case, the amount and recipients of payments by Entergy Arkansas are unknown at this time. Based on testimony previously submitted in the case and its assessment of the April 2016 FERC orders, in the first quarter 2016, Entergy Arkansas recorded a liability of \$87 million, which includes interest, for its estimated increased costs and payment to the other Utility operating companies. This estimate is subject to change depending on how the FERC resolves the issues that are still outstanding in the case, including its review of the July 2017 initial decision. Entergy Arkansas's increased

costs will be attributed to Entergy Arkansas's retail and wholesale businesses, and it is not probable that Entergy Arkansas will recover the wholesale portion. Entergy Arkansas, therefore, recorded a regulatory asset in the first quarter 2016 of approximately \$75 million, which represents its estimate of the retail portion of the costs.

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **Federal Regulation**" in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

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

Environmental Risks

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

Critical Accounting Estimates

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Arkansas's accounting for nuclear decommissioning costs, utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$496,662	\$504,252	\$971,013	\$969,625
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	50,691	88,022	150,100	168,959
Purchased power	74,552	49,714	129,685	111,518
Nuclear refueling outage expenses	17,335	14,981	36,954	30,050
Other operation and maintenance	171,821	173,909	337,678	326,815
Decommissioning	14,106	13,301	28,001	26,404
Taxes other than income taxes	25,128	22,961	49,179	46,047
Depreciation and amortization	69,087	67,115	136,153	130,288
Other regulatory charges (credits) - net	4,948	802	(5,578)	1,719
TOTAL	427,668	430,805	862,172	841,800
OPERATING INCOME	68,994	73,447	108,841	127,825
OTHER INCOME				
Allowance for equity funds used during construction	5,432	3,995	9,782	8,927
Interest and investment income	14,195	5,770	21,127	9,364
Miscellaneous - net	(57)	(1,020)	(164)	(1,795)
TOTAL	19,570	8,745	30,745	16,496
INTEREST EXPENSE				
Interest expense	28,514	27,792	55,766	60,574
Allowance for borrowed funds used during construction	(2,552)	(2,136)	(4,514)	(4,851)
TOTAL	25,962	25,656	51,252	55,723
INCOME BEFORE INCOME TAXES	62,602	56,536	88,334	88,598
Income taxes	24,052	22,645	35,480	35,413
NET INCOME	38,550	33,891	52,854	53,185
Preferred dividend requirements	357	1,718	714	3,437
EARNINGS APPLICABLE TO COMMON STOCK	\$38,193	\$32,173	\$52,140	\$49,748

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
OPERATING ACTIVITIES		
Net income	\$52,854	\$53,185
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	198,082	211,630
Deferred income taxes, investment tax credits, and non-current taxes accrued	38,005	122,195
Changes in assets and liabilities:		
Receivables	12,092	(42,371)
Fuel inventory	(1,602)	5,093
Accounts payable	(29,109)	66,118
Prepaid taxes and taxes accrued	937	(89,124)
Interest accrued	1,816	(1,093)
Deferred fuel costs	(48,442)	(40,847)
Other working capital accounts	(32,055)	25,021
Provisions for estimated losses	7,457	1,142
Other regulatory assets	(5,592)	7,048
Pension and other postretirement liabilities	(40,637)	(45,752)
Other assets and liabilities	37,355	(18,542)
Net cash flow provided by operating activities	<u>191,161</u>	<u>253,703</u>
INVESTING ACTIVITIES		
Construction expenditures	(381,197)	(316,569)
Allowance for equity funds used during construction	10,198	9,229
Payment for purchase of plant	—	(236,969)
Nuclear fuel purchases	(92,927)	(64,689)
Proceeds from sale of nuclear fuel	51,029	40,336
Proceeds from nuclear decommissioning trust fund sales	167,329	103,815
Investment in nuclear decommissioning trust funds	(173,324)	(112,040)
Change in money pool receivable - net	—	(1,453)
Changes in securitization account	571	1,017
Other	—	(103)
Net cash flow used in investing activities	<u>(418,321)</u>	<u>(577,426)</u>
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	222,937	380,141
Retirement of long-term debt	(6,799)	(181,604)
Capital contribution from parent	—	200,000
Changes in short-term borrowings - net	31,436	908
Changes in money pool payable - net	(37,563)	(52,742)
Dividends paid:		
Preferred stock	(714)	(3,437)
Other	431	(3,566)
Net cash flow provided by financing activities	<u>209,728</u>	<u>339,700</u>
Net increase (decrease) in cash and cash equivalents	(17,432)	15,977
Cash and cash equivalents at beginning of period	20,509	9,135
Cash and cash equivalents at end of period	<u>\$3,077</u>	<u>\$25,112</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$51,232	\$58,733
Income taxes	\$—	\$7,242

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$2,741	\$20,174
Temporary cash investments	336	335
Total cash and cash equivalents	3,077	20,509
Securitization recovery trust account	3,569	4,140
Accounts receivable:		
Customer	96,720	102,229
Allowance for doubtful accounts	(1,084)	(1,211)
Associated companies	36,015	35,286
Other	40,672	58,153
Accrued unbilled revenues	110,235	100,193
Total accounts receivable	282,558	294,650
Deferred fuel costs	145,033	96,690
Fuel inventory - at average cost	34,362	32,760
Materials and supplies - at average cost	182,839	182,600
Deferred nuclear refueling outage costs	109,546	81,313
Prepayments and other	19,691	14,293
TOTAL	780,675	726,955
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	884,308	834,735
Other	5,536	7,912
TOTAL	889,844	842,647
UTILITY PLANT		
Electric	10,726,461	10,488,060
Property under capital lease	637	716
Construction work in progress	328,037	304,073
Nuclear fuel	259,901	307,352
TOTAL UTILITY PLANT	11,315,036	11,100,201
Less - accumulated depreciation and amortization	4,666,137	4,635,885
UTILITY PLANT - NET	6,648,899	6,464,316
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	66,024	62,646
Other regulatory assets (includes securitization property of \$35,365 as of June 30, 2017 and \$41,164 as of December 31, 2016)	1,430,243	1,428,029
Deferred fuel costs	66,997	66,898
Other	16,577	14,626
TOTAL	1,579,841	1,572,199
TOTAL ASSETS	\$9,899,259	\$9,606,117

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2017 and December 31, 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$114,700	\$114,700
Short-term borrowings	14,696	—
Accounts payable:		
Associated companies	152,723	239,711
Other	204,921	185,153
Customer deposits	97,425	97,512
Taxes accrued	8,131	7,194
Interest accrued	18,396	16,580
Other	36,150	36,557
TOTAL	<u>647,142</u>	<u>697,407</u>
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,224,030	2,186,623
Accumulated deferred investment tax credits	34,704	35,305
Other regulatory liabilities	330,797	305,907
Decommissioning	952,353	924,353
Accumulated provisions	26,139	18,682
Pension and other postretirement liabilities	383,543	424,234
Long-term debt (includes securitization bonds of \$41,502 as of June 30, 2017 and \$48,139 as of December 31, 2016)	2,949,561	2,715,085
Other	14,183	13,854
TOTAL	<u>6,915,310</u>	<u>6,624,043</u>
Commitments and Contingencies		
Preferred stock without sinking fund	31,350	31,350
COMMON EQUITY		
Common stock, \$0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2017 and 2016	470	470
Paid-in capital	790,243	790,243
Retained earnings	1,514,744	1,462,604
TOTAL	<u>2,305,457</u>	<u>2,253,317</u>
TOTAL LIABILITIES AND EQUITY	<u>\$9,899,259</u>	<u>\$9,606,117</u>

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Common Equity			Total
	Common Stock	Paid-in Capital	Retained Earnings	
	(In Thousands)			
Balance at December 31, 2015	\$470	\$588,493	\$1,302,695	\$1,891,658
Net income	—	—	53,185	53,185
Capital contribution from parent	—	200,000	—	200,000
Preferred stock dividends	—	—	(3,437)	(3,437)
Balance at June 30, 2016	<u>\$470</u>	<u>\$788,493</u>	<u>\$1,352,443</u>	<u>\$2,141,406</u>
 Balance at December 31, 2016	\$470	\$790,243	\$1,462,604	\$2,253,317
Net income	—	—	52,854	52,854
Preferred stock dividends	—	—	(714)	(714)
Balance at June 30, 2017	<u>\$470</u>	<u>\$790,243</u>	<u>\$1,514,744</u>	<u>\$2,305,457</u>

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

Description	Three Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$160	\$153	\$7	5
Commercial	119	115	4	3
Industrial	114	100	14	14
Governmental	5	4	1	25
Total retail	398	372	26	7
Sales for resale:				
Associated companies	31	25	6	24
Non-associated companies	6	37	(31)	(84)
Other	62	70	(8)	(11)
Total	\$497	\$504	(\$7)	(1)
Billed Electric Energy Sales (GWh):				
Residential	1,462	1,409	53	4
Commercial	1,372	1,350	22	2
Industrial	1,829	1,582	247	16
Governmental	57	55	2	4
Total retail	4,720	4,396	324	7
Sales for resale:				
Associated companies	387	539	(152)	(28)
Non-associated companies	386	2,252	(1,866)	(83)
Total	5,493	7,187	(1,694)	(24)

Description	Six Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$343	\$345	(\$2)	(1)
Commercial	225	225	—	—
Industrial	210	200	10	5
Governmental	9	8	1	13
Total retail	787	778	9	1
Sales for resale:				
Associated companies	63	(7)	70	1,000
Non-associated companies	51	75	(24)	(32)
Other	70	124	(54)	(44)
Total	\$971	\$970	\$1	—
Billed Electric Energy Sales (GWh):				
Residential	3,389	3,433	(44)	(1)
Commercial	2,687	2,690	(3)	—
Industrial	3,510	3,158	352	11
Governmental	113	111	2	2
Total retail	9,699	9,392	307	3
Sales for resale:				
Associated companies	833	964	(131)	(14)
Non-associated companies	2,348	4,808	(2,460)	(51)
Total	12,880	15,164	(2,284)	(15)

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Second Quarter 2017 Compared to Second Quarter 2016

Net income decreased \$128.8 million primarily due to the effect of a settlement with the IRS related to the 2010-2011 IRS audit which resulted in a \$136.1 million reduction of income tax expense in 2016. See Note 3 to the financial statements in the Form 10-K for additional discussion of the settlement and benefit sharing.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net income decreased \$146.1 million primarily due to the effect of a settlement with the IRS related to the 2010-2011 IRS audit which resulted in a \$136.1 million reduction of income tax expense in 2016. See Note 3 to the financial statements in the Form 10-K for additional discussion of the settlement and benefit sharing.

Net Revenue

Second Quarter 2017 Compared to Second Quarter 2016

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the second quarter 2017 to the second quarter 2016:

	Amount
	(In Millions)
2016 net revenue	\$608.2
Louisiana Act 55 financing savings obligation	16.1
Volume/weather	(6.7)
Other	5.6
2017 net revenue	\$623.2

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge recorded in 2016 for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings resulted from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 3 to the financial statements in the Form 10-K for additional discussion of the settlement and benefit sharing.

The volume/weather variance is primarily due to decreased usage during the unbilled sales period, including the effect of weather. This decrease was partially offset by an increase of 507 GWh, or 4%, in billed electricity usage, including an increase in industrial usage. The increase in industrial usage is primarily due to an increase in demand from cogeneration customers and an increase in demand for existing customers as well as expansion projects in the chemicals industry, partially offset by extended seasonal outages for an existing large refinery customer.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the six months ended June 30, 2017 to the six months ended June 30, 2016:

	<u>Amount</u>
	(In Millions)
2016 net revenue	\$1,172.1
Louisiana Act 55 financing savings obligation	16.1
Retail electric price	9.3
Volume/weather	(11.0)
Other	(2.2)
2017 net revenue	<u><u>\$1,184.3</u></u>

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge recorded in 2016 for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings resulted from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 3 to the financial statements in the Form 10-K for additional discussion of the settlement and benefit sharing.

The retail electric price variance is primarily due to an increase in formula rate plan revenues, implemented with the first billing cycle of March 2016, to collect the estimated first-year revenue requirement related to the purchase of Power Blocks 3 and 4 of the Union Power Station in March 2016. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of formula rate plan revenues.

The volume/weather variance is primarily due to decreased usage during the unbilled sales period and the effect of less favorable weather on residential sales. This decrease was partially offset by an increase of 328 GWh, or 2%, in industrial usage primarily due to an increase in demand from cogeneration customers and an increase in demand for existing customers as well as expansion projects in the chemicals industry, partially offset by extended seasonal outages for an existing large refinery customer.

Other Income Statement Variances

Second Quarter 2017 Compared to Second Quarter 2016

Other operation and maintenance expenses increased primarily due to:

- an increase of \$3.8 million in nuclear generation expenses primarily due to higher nuclear labor costs, including contract labor, primarily due to increased operating costs to position the nuclear fleet to meet its operational goals, partially offset by a lower scope of work performed during plant outages in the second quarter 2017 as compared to the second quarter 2016. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters**” in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals;
- an increase of \$2.6 million in transmission and distribution expenses due to higher vegetation maintenance costs;
- an increase of \$1.9 million due to the effect of recording in 2016 a final court decision in the Entergy Louisiana lawsuit against the DOE related to the River Bend spent nuclear fuel storage costs. The damages awarded included the reimbursement in 2016 of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense;
- an increase of \$1 million as a result of the amount of transmission costs allocated by MISO. See Note 2 to the financial statements herein and in the Form 10-K for further information on the recovery of these costs; and

- several individually insignificant items.

The increase was partially offset by a decrease of \$3.1 million in loss provisions.

Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2017, which included the St. Charles Power Station project, and higher realized gains in 2017 on the River Bend decommissioning trust fund investments as a result of portfolio reallocations to the 30% interest in River Bend formerly owned by Cajun.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Other operation and maintenance expenses increased primarily due to:

- an increase of \$3.9 million in compensation and benefits costs primarily due to a downward revision to estimated incentive compensation expense in first quarter 2016;
- an increase of \$3.5 million in fossil-fueled generation expenses primarily due to the purchase of Power Blocks 3 and 4 of the Union Power Station in March 2016, partially offset by asbestos loss provisions in 2016;
- an increase of \$2.9 million in other loss provisions in 2017;
- an increase of \$2.2 million in information technology expenses including software maintenance costs and upgrade projects;
- an increase of \$2.1 million in transmission expenses primarily due to higher labor costs, including contract labor;
- an increase of \$2.1 million as a result of the amount of transmission costs allocated by MISO. See Note 2 to the financial statements herein and in the Form 10-K for further information on the recovery of these costs;
- an increase of \$1.9 million due to the effect of recording in 2016 a final court decision in the Entergy Louisiana lawsuit against the DOE related to the River Bend spent nuclear fuel storage costs. The damages awarded included the reimbursement in 2016 of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense; and
- an increase of \$1.8 million in nuclear generation expenses primarily due to higher nuclear labor costs, including contract labor, primarily due to increased operating costs to position the nuclear fleet to meet its operational goals, partially offset by a lower scope of work performed during plant outages in 2017 as compared to 2016. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters**” in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including Power Blocks 3 and 4 of the Union Power Station purchased in March 2016. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase.

Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2017, which included the St. Charles Power Station project, and higher realized gains in 2017 on the River Bend decommissioning trust fund investments as a result of portfolio reallocations to the 30% interest in River Bend formerly owned by Cajun.

Income Taxes

The effective income tax rates were 31.3% for the second quarter 2017 and 31.3% for the six months ended June 30, 2017. The differences in the effective income tax rates for the second quarter 2017 and the six months ended June 30, 2017 versus the federal statutory rate of 35% were primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes.

The effective income tax rates were (50.6%) for the second quarter 2016 and (10.7%) for the six months ended June 30, 2016. The differences in the effective income tax rates for the second quarter 2016 and the six months ended June 30, 2016 versus the federal statutory rate of 35% were primarily due to the reversal of a portion of the provision for uncertain tax positions as a result of the settlement of the 2010-2011 IRS audit in the second quarter 2016 and book and tax differences related to the non-taxable income distributions earned on preferred membership interests, partially offset by state income taxes. See Note 3 to the financial statements in the Form 10-K for additional discussion of the 2010-2011 IRS audit settlement.

Louisiana Tax Legislation

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Louisiana Tax Legislation**” in the Form 10-K for a discussion of the Louisiana tax legislation.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$213,850	\$35,102
Cash flow provided by (used in):		
Operating activities	533,755	440,356
Investing activities	(900,210)	(859,906)
Financing activities	367,888	459,253
Net increase in cash and cash equivalents	<u>1,433</u>	<u>39,703</u>
Cash and cash equivalents at end of period	<u>\$215,283</u>	<u>\$74,805</u>

Operating Activities

Net cash flow provided by operating activities increased \$93.4 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- income tax refunds of \$116.9 million in 2017 compared to income tax payments of \$62.7 million in 2016. Entergy Louisiana received income tax refunds in 2017 and made income tax payments in 2016 in accordance with an intercompany income tax allocation agreement. The income tax refunds in 2017 resulted from the utilization of Entergy Louisiana’s net operating losses. The income tax payments in 2016 related to the 2016 payments for state taxes resulting from the effect of the final settlement of the 2006-2007 IRS audit and the effect of net operating loss limitations. See Note 3 to the financial statements in the Form 10-K for a discussion of the audit. See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Louisiana Tax Legislation**” in the Form 10-K for a discussion on the net operating loss limitations;
- an interest payment of \$60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford 3 leased assets; and
- the timing of collections from customers and payments to vendors.

The increase was partially offset by:

- a refund to customers in January 2017 of approximately \$71 million as a result of the settlement approved by the LPSC related to the Waterford 3 replacement steam generator project. See Note 2 to the financial statements herein and in the Form 10-K for discussion of the settlement and refund;
- a decrease due to the timing of recovery of fuel and purchased power costs in 2017; and
- an increase of \$47.8 million in spending on nuclear refueling outages in 2017.

Investing Activities

Net cash flow used in investing activities increased \$40.3 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- an increase of \$205.5 million in fossil-fueled generation construction expenditures primarily due to higher spending on the St. Charles Power Station project in 2017;
- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle;
- an increase of \$75.8 million in transmission construction expenditures due to a higher scope of work performed in 2017 as compared to the same period in 2016;
- an increase of \$44.1 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2017; and
- money pool activity.

The increase was partially offset by the purchase of Power Blocks 3 and 4 of the Union Power Station for an aggregate purchase price of approximately \$474 million in March 2016. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase.

Increases in Entergy Louisiana's receivable from the money pool are a use of cash flow, and Entergy Louisiana's receivable from the money pool increased by \$33 million for the six months ended June 30, 2017 compared to increasing by \$0.2 million for the six months ended June 30, 2016. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow provided by financing activities decreased \$91.4 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the net issuance of \$430.4 million of long-term debt in 2017 compared to the net issuance of \$568.7 million in 2016. The decrease was partially offset by:

- net borrowings of \$30.7 million on the nuclear fuel company variable interest entities' credit facilities in 2017 compared to net repayments of \$0.9 million in 2016; and
- a decrease of \$14.3 million of common equity distributions primarily as a result of higher construction expenditures and higher nuclear fuel purchases in 2017 as compared to the same period in 2016.

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

Capital Structure

Entergy Louisiana's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy Louisiana is primarily due to the issuance of long-term debt in 2017.

	June 30, 2017	December 31, 2016
Debt to capital	54.7%	53.4%
Effect of excluding securitization bonds	(0.4%)	(0.5%)
Debt to capital, excluding securitization bonds (a)	54.3%	52.9%
Effect of subtracting cash	(0.9%)	(0.9%)
Net debt to net capital, excluding securitization bonds (a)	53.4%	52.0%

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

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

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Louisiana's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

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

June 30, 2017	December 31, 2016	June 30, 2016	December 31, 2015
(In Thousands)			
\$55,542	\$22,503	\$6,322	\$6,154

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

Entergy Louisiana has a credit facility in the amount of \$350 million scheduled to expire in August 2021. The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2017, there were no cash borrowings and \$4.5 million of letters of credit outstanding under the credit facility. In addition, Entergy Louisiana is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2017, a \$36.8 million letter of credit was outstanding under Entergy Louisiana's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Louisiana nuclear fuel company variable interest entities have two separate credit facilities, one in the amount of \$105 million and one in the amount of \$85 million, both scheduled to expire in May 2019. As of June 30, 2017, \$15.5 million in loans were outstanding under the credit facility for the Entergy Louisiana River Bend nuclear fuel company variable interest entity. As of June 30, 2017, \$34.5 million in letters of credit to support a like amount of commercial paper issued and \$36.3 million in loans were outstanding under the Entergy Louisiana Waterford

nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facilities.

Lake Charles Power Station

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

Washington Parish Energy Center

In April 2017, Entergy Louisiana signed a purchase and sale agreement with a subsidiary of Calpine Corporation for the acquisition of a peaking plant. Calpine will construct the plant, which will consist of two natural gas-fired combustion turbine units with a total nominal capacity of approximately 360 MW. The plant, named the Washington Parish Energy Center, will be located in Bogalusa, Louisiana and, subject to permits and approvals, is expected to be completed in 2021. Subject to regulatory approvals, Entergy Louisiana will purchase the plant once it is complete for an estimated total investment of approximately \$261 million, including transmission and other related costs. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. A procedural schedule has been established, with a hearing in March 2018.

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. The following are updates to that discussion.

Retail Rates - Electric

2014 Formula Rate Plan Filing

As discussed in the Form 10-K, in September 2015, Entergy Louisiana filed its formula rate plan evaluation report for Entergy Gulf States Louisiana’s and Entergy Louisiana’s 2014 calendar year operations. In June 2017 the LPSC staff and Entergy Louisiana filed an unopposed joint report of proceedings, which was accepted by the LPSC in June 2017, finalizing the results of this proceeding with no changes to rates already implemented.

2015 Formula Rate Plan Filing

As discussed in the Form 10-K, in May 2016, Entergy Louisiana filed its formula rate plan evaluation report for its 2015 calendar year operations. In June 2017 the LPSC staff and Entergy Louisiana filed a joint report of proceedings, which was accepted by the LPSC in June 2017, finalizing the results of the May 2016 evaluation report, interim updates, and corresponding proceedings with no changes to rates already implemented.

Also, in November 2016, Entergy Louisiana filed with the LPSC a request to extend the MISO cost recovery mechanism rider provision of its formula rate plan. In March 2017 the LPSC staff submitted direct testimony generally supportive of a one-year extension of the MISO cost recovery mechanism and the intervenor in the proceeding does not oppose an extension for this period of time. In June 2017 an uncontested joint stipulation authorizing a one-year extension of the MISO cost recovery mechanism rider was filed and the LPSC approved the stipulation in July 2017.

2016 Formula Rate Plan Filing

In May 2017, Entergy Louisiana filed its formula rate plan evaluation report for its 2016 calendar year operations. The evaluation report reflects an earned return on common equity of 9.84%. As such, no adjustment to base formula rate plan revenue is required. The following adjustments, however, are required under the formula rate plan. The 2016 formula rate plan evaluation report shows a decrease in formula rate plan revenue of approximately \$16.9 million, comprised of a decrease in legacy Entergy Louisiana formula rate plan revenue of \$3.5 million, a decrease in legacy Entergy Gulf States Louisiana formula rate plan revenue of \$9.7 million, and a decrease in incremental formula rate plan revenue of \$3.6 million. Additionally, the formula rate plan evaluation report calls for a decrease in the MISO cost recovery revenue requirement of \$40.5 million, from the present level of \$46.8 million to \$6.3 million. Rates reflecting these adjustments will be implemented with the first billing cycle of September 2017, subject to refund, pending the review proceedings. Parties have intervened in the proceedings. No procedural schedule has been established.

Waterford 3 Replacement Steam Generator Project

See Note 2 to the financial statements in the Form 10-K for discussion of the Waterford 3 replacement steam generator project prudence review proceeding. The refund to customers of approximately \$71 million as a result of the settlement approved by the LPSC was made to customers in January 2017. Following a review by the parties, an unopposed joint report of proceedings was filed by the LPSC staff and Entergy Louisiana in May 2017. In May 2017 the LPSC accepted the joint report of proceedings resolving the matter.

Union Power Station

As a term of the LPSC-approved settlement authorizing the purchase of Power Blocks 3 and 4 of the Union Power Station, Entergy Louisiana agreed to make a filing with the LPSC to review its decisions to deactivate Ninemile 3 and Willow Glen 2 and 4 and its decision to retire Little Gypsy 1. In January 2016, Entergy Louisiana made its compliance filing with the LPSC. Entergy Louisiana, LPSC staff, and intervenors participated in a technical conference in March 2016 where Entergy Louisiana presented information on its deactivation/retirement decisions for these four units in addition to information on the current deactivation decisions for the ten-year planning horizon. Parties have requested further proceedings on the prudence of the decision to deactivate Willow Glen 2 and 4. No party contests the prudence of the decision to deactivate Willow Glen 2 and 4 or suggests reactivation of these units; however, issues have been raised related to Entergy Louisiana's decision to give up its transmission service rights in MISO for Willow Glen 2 and 4 rather than placing the units into suspended status for the three year term permitted by MISO. This matter is pending before an ALJ, with an evidentiary hearing scheduled in August 2017.

Advanced Metering Infrastructure (AMI) Filing

As discussed in the Form 10-K, in November 2016, Entergy Louisiana filed an application seeking a finding from the LPSC that Entergy Louisiana's deployment of advanced electric and gas metering infrastructure is in the public interest. The parties reached an uncontested stipulation permitting implementation of Entergy Louisiana's proposed AMI system, with modifications to the proposed customer charge. In July 2017 the LPSC approved the stipulation.

Retail Rates - Gas

2016 Rate Stabilization Plan Filing

In January 2017, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2016. The filing of the evaluation report for test year 2016 reflected an earned return on common equity of 6.37%. As part of the original filing, pursuant to the extraordinary cost provision of the rate stabilization plan, Entergy Louisiana sought to recover approximately \$1.5 million in deferred operation and maintenance expenses

incurred to restore service and repair damage resulting from flooding and widespread rainfall in southeast Louisiana that occurred in August 2016. Entergy Louisiana requested to recover the prudently incurred August 2016 storm restoration costs over ten years, outside of the rate stabilization plan sharing provisions. As a result, Entergy Louisiana's filing sought an annual increase in revenue of \$1.4 million. Following review of the filing, except for the proposed extraordinary cost recovery, the LPSC staff confirmed Entergy Louisiana's filing was consistent with the principles and requirements of the rate stabilization plan. The extraordinary cost recovery request associated with the 2016 flood-related deferred operation and maintenance expenses incurred for gas operations was removed from the rate stabilization plan pending LPSC consideration in a separate docket. In April 2017 the LPSC approved a joint report of proceedings and Entergy Louisiana submitted a revised evaluation report reflecting a \$1.2 million annual increase in revenue with rates implemented with the first billing cycle of May 2017.

In connection with the joint report of proceedings accepted by the LPSC, in May 2017, Entergy Louisiana filed an application to initiate a separate proceeding to recover the deferred operation and maintenance expenses incurred to restore service and repair damage resulting from flooding and widespread rainfall in southeast Louisiana that occurred in August 2016 through the extraordinary cost provision of the gas rate stabilization plan. A procedural schedule has been established with a hearing in November 2017.

Fuel and purchased power cost recovery

As discussed in the Form 10-K, in June 2016 the LPSC staff provided notice of audits of Entergy Louisiana's fuel adjustment clause filings and purchased gas adjustment clause filings. Discovery commenced in March 2017.

Industrial and Commercial Customers

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

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **Federal Regulation**" in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Nuclear Matters**" in the Form 10-K for a discussion of nuclear matters. The following is an update to that discussion.

River Bend's operating license is currently due to expire in August 2025. In May 2017, Entergy Louisiana filed an application with the NRC for an extension of River Bend's operating license to 2045.

Environmental Risks

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

Critical Accounting Estimates

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Louisiana's accounting for nuclear decommissioning costs, utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$1,072,126	\$989,732	\$1,936,202	\$1,926,163
Natural gas	11,308	9,302	28,015	28,016
TOTAL	1,083,434	999,034	1,964,217	1,954,179
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	180,056	152,340	334,100	354,423
Purchased power	282,673	224,699	522,500	416,097
Nuclear refueling outage expenses	12,764	12,974	24,949	25,754
Other operation and maintenance	243,217	232,957	466,447	439,021
Decommissioning	12,283	11,658	24,406	23,166
Taxes other than income taxes	45,076	44,366	90,359	86,728
Depreciation and amortization	116,107	112,452	231,737	222,043
Other regulatory charges (credits) - net	(2,521)	13,836	(76,708)	11,577
TOTAL	889,655	805,282	1,617,790	1,578,809
OPERATING INCOME	193,779	193,752	346,427	375,370
OTHER INCOME				
Allowance for equity funds used during construction	11,109	4,506	21,099	11,744
Interest and investment income	41,919	40,251	81,749	77,667
Miscellaneous - net	(2,650)	(1,870)	(5,674)	(5,615)
TOTAL	50,378	42,887	97,174	83,796
INTEREST EXPENSE				
Interest expense	68,483	70,787	135,798	135,863
Allowance for borrowed funds used during construction	(5,541)	(2,383)	(10,715)	(6,280)
TOTAL	62,942	68,404	125,083	129,583
INCOME BEFORE INCOME TAXES	181,215	168,235	318,518	329,583
Income taxes	56,736	(85,090)	99,661	(35,348)
NET INCOME	\$124,479	\$253,325	\$218,857	\$364,931

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>		<u>(In Thousands)</u>	
Net Income	\$124,479	\$253,325	\$218,857	\$364,931
Other comprehensive loss				
Pension and other postretirement liabilities (net of tax benefit of \$292, \$144, \$524, and \$259)	(310)	(230)	(680)	(493)
Other comprehensive loss	(310)	(230)	(680)	(493)
Comprehensive Income	<u>\$124,169</u>	<u>\$253,095</u>	<u>\$218,177</u>	<u>\$364,438</u>

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
OPERATING ACTIVITIES		
Net income	\$218,857	\$364,931
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	300,805	301,815
Deferred income taxes, investment tax credits, and non-current taxes accrued	220,492	(49,661)
Changes in working capital:		
Receivables	950	(72,931)
Fuel inventory	4,534	(5,053)
Accounts payable	42,079	(22,830)
Prepaid taxes and taxes accrued	52,686	23,850
Interest accrued	(2,883)	(4,216)
Deferred fuel costs	(74,113)	4,093
Other working capital accounts	(61,515)	(26,514)
Changes in provisions for estimated losses	(6,108)	1,734
Changes in other regulatory assets	39,711	58,429
Changes in other regulatory liabilities	(64,293)	30,116
Changes in pension and other postretirement liabilities	(38,175)	(35,869)
Other	(99,272)	(127,538)
Net cash flow provided by operating activities	<u>533,755</u>	<u>440,356</u>
INVESTING ACTIVITIES		
Construction expenditures	(755,158)	(403,387)
Allowance for equity funds used during construction	21,099	11,744
Payment for purchase of plant	—	(473,956)
Nuclear fuel purchases	(156,246)	(38,773)
Proceeds from the sale of nuclear fuel	28,884	64,498
Receipts from storm reserve escrow account	8,836	—
Payments to storm reserve escrow account	(802)	—
Changes to securitization account	79	225
Proceeds from nuclear decommissioning trust fund sales	125,600	123,546
Investment in nuclear decommissioning trust funds	(144,768)	(143,091)
Changes in money pool receivable - net	(33,039)	(168)
Insurance proceeds	5,305	—
Changes in other investments - net	—	(544)
Net cash flow used in investing activities	<u>(900,210)</u>	<u>(859,906)</u>
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	532,219	1,128,580
Retirement of long-term debt	(101,789)	(559,839)
Changes in credit borrowings - net	30,696	(888)
Distributions paid:		
Common equity	(91,250)	(105,500)
Other	(1,988)	(3,100)
Net cash flow provided by financing activities	<u>367,888</u>	<u>459,253</u>
Net increase in cash and cash equivalents	1,433	39,703
Cash and cash equivalents at beginning of period	213,850	35,102
Cash and cash equivalents at end of period	<u>\$215,283</u>	<u>\$74,805</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$134,513	\$196,514
Income taxes	(\$116,937)	\$62,676

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$3,419	\$49,972
Temporary cash investments	211,864	163,878
Total cash and cash equivalents	215,283	213,850
Accounts receivable:		
Customer	222,291	213,517
Allowance for doubtful accounts	(7,459)	(6,277)
Associated companies	173,665	155,794
Other	44,855	54,186
Accrued unbilled revenues	170,863	159,176
Total accounts receivable	604,215	576,396
Deferred fuel costs	25,902	—
Fuel inventory	46,204	50,738
Materials and supplies - at average cost	289,985	294,421
Deferred nuclear refueling outage costs	94,772	22,535
Prepaid taxes	57,418	110,104
Prepayments and other	59,527	41,687
TOTAL	1,393,306	1,309,731
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	1,390,587	1,390,587
Decommissioning trust funds	1,220,699	1,140,707
Storm reserve escrow account	283,451	291,485
Non-utility property - at cost (less accumulated depreciation)	231,512	217,494
Other	24,481	28,844
TOTAL	3,150,730	3,069,117
UTILITY PLANT		
Electric	19,117,749	18,827,532
Natural gas	178,932	172,816
Construction work in progress	919,336	670,201
Nuclear fuel	361,502	249,807
TOTAL UTILITY PLANT	20,577,519	19,920,356
Less - accumulated depreciation and amortization	8,530,511	8,420,596
UTILITY PLANT - NET	12,047,008	11,499,760
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	475,836	470,480
Other regulatory assets (includes securitization property of \$83,050 as of June 30, 2017 and \$92,951 as of December 31, 2016)	1,122,991	1,168,058
Deferred fuel costs	168,122	168,122
Other	20,420	16,003
TOTAL	1,787,369	1,822,663
TOTAL ASSETS	\$18,378,413	\$17,701,271

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2017 and December 31, 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$517,706	\$200,198
Short-term borrowings	34,490	3,794
Accounts payable:		
Associated companies	75,909	82,106
Other	334,472	358,741
Customer deposits	146,633	148,601
Interest accrued	72,715	75,598
Deferred fuel costs	—	48,211
Other	101,702	80,013
TOTAL	<u>1,283,627</u>	<u>997,262</u>
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,910,546	2,691,118
Accumulated deferred investment tax credits	124,306	126,741
Other regulatory liabilities	816,681	880,974
Decommissioning	1,111,194	1,082,685
Accumulated provisions	304,664	310,772
Pension and other postretirement liabilities	741,841	780,278
Long-term debt (includes securitization bonds of \$89,364 as of June 30, 2017 and \$99,217 as of December 31, 2016)	5,728,309	5,612,593
Other	148,536	137,039
TOTAL	<u>11,886,077</u>	<u>11,622,200</u>
Commitments and Contingencies		
EQUITY		
Member's equity	5,257,831	5,130,251
Accumulated other comprehensive loss	(49,122)	(48,442)
TOTAL	<u>5,208,709</u>	<u>5,081,809</u>
TOTAL LIABILITIES AND EQUITY	<u>\$18,378,413</u>	<u>\$17,701,271</u>

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Common Equity		
	Member's	Accumulated Other Comprehensive Loss	Total
	Equity		
	(In Thousands)		
Balance at December 31, 2015	\$4,793,724	(\$56,412)	\$4,737,312
Net income	364,931	—	364,931
Other comprehensive loss	—	(493)	(493)
Distributions declared on common equity	(105,500)	—	(105,500)
Other	(15)	—	(15)
Balance at June 30, 2016	<u>\$5,053,140</u>	<u>(\$56,905)</u>	<u>\$4,996,235</u>
Balance at December 31, 2016	\$5,130,251	(\$48,442)	\$5,081,809
Net income	218,857	—	218,857
Other comprehensive loss	—	(680)	(680)
Distributions declared on common equity	(91,250)	—	(91,250)
Other	(27)	—	(27)
Balance at June 30, 2017	<u>\$5,257,831</u>	<u>(\$49,122)</u>	<u>\$5,208,709</u>

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

Description	Three Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$279	\$246	\$33	13
Commercial	236	212	24	11
Industrial	394	319	75	24
Governmental	17	16	1	6
Total retail	926	793	133	17
Sales for resale:				
Associated companies	73	105	(32)	(30)
Non-associated companies	16	18	(2)	(11)
Other	57	74	(17)	(23)
Total	<u>\$1,072</u>	<u>\$990</u>	<u>\$82</u>	8
Billed Electric Energy Sales (GWh):				
Residential	3,001	2,919	82	3
Commercial	2,729	2,693	36	1
Industrial	7,684	7,294	390	5
Governmental	194	195	(1)	(1)
Total retail	13,608	13,101	507	4
Sales for resale:				
Associated companies	1,241	2,175	(934)	(43)
Non-associated companies	369	698	(329)	(47)
Total	<u>15,218</u>	<u>15,974</u>	<u>(756)</u>	(5)

Description	Six Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$500	\$500	\$—	—
Commercial	431	421	10	2
Industrial	719	645	74	11
Governmental	32	32	—	—
Total retail	1,682	1,598	84	5
Sales for resale:				
Associated companies	135	194	(59)	(30)
Non-associated companies	30	24	6	25
Other	89	110	(21)	(19)
Total	<u>\$1,936</u>	<u>\$1,926</u>	<u>\$10</u>	1
Billed Electric Energy Sales (GWh):				
Residential	5,853	5,973	(120)	(2)
Commercial	5,269	5,259	10	—
Industrial	14,645	14,317	328	2
Governmental	387	394	(7)	(2)
Total retail	26,154	25,943	211	1
Sales for resale:				
Associated companies	2,235	3,744	(1,509)	(40)
Non-associated companies	664	986	(322)	(33)
Total	<u>29,053</u>	<u>30,673</u>	<u>(1,620)</u>	(5)

ENTERGY MISSISSIPPI, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Second Quarter 2017 Compared to Second Quarter 2016

Net income decreased \$3.9 million primarily due to higher taxes other than income taxes, lower net revenue, and a higher effective income tax rate, partially offset by lower interest expense.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net income decreased \$3.9 million primarily due to higher taxes other than income taxes, higher depreciation and amortization expenses, higher other operation and maintenance expenses, and a higher effective income tax rate, partially offset by lower interest expense.

Net Revenue

Second Quarter 2017 Compared to Second Quarter 2016

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 second quarter 2017 to the second quarter 2016:

	Amount
	(In Millions)
2016 net revenue	\$176.8
Volume/weather	(8.0)
Retail electric price	4.9
Other	0.5
2017 net revenue	\$174.2

The volume/weather variance is primarily due to decreased usage during the unbilled sales period, including the effect of weather. This decrease was partially offset by an increase of 96 GWh, or 3%, in billed electricity usage, including the effect of more favorable weather on residential sales and an increase in industrial usage. The increase in industrial usage is primarily due to an increase in usage by the mid to small industrial sector, expansion projects in the pulp and paper industry, and new customers in the wood products industry.

The retail electric price variance is primarily due to a \$19.4 million net annual increase in rates, as approved by the MPSC, effective with the first billing cycle of July 2016. See Note 2 to the financial statements in the Form 10-K for further discussion of the formula rate plan.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

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 six months ended June 30, 2017 to the six months ended June 30, 2016:

	<u>Amount</u> (In Millions)
2016 net revenue	\$326.4
Retail electric price	11.2
Volume/weather	(10.3)
Other	1.0
2017 net revenue	<u>\$328.3</u>

The retail electric price variance is primarily due to a \$19.4 million net annual increase in rates, as approved by the MPSC, effective with the first billing cycle of July 2016. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan.

The volume/weather variance is primarily due to decreased usage during the billed and unbilled sales periods, including the effect of weather, primarily in the residential and commercial sectors, partially offset by an increase in industrial usage. The increase in industrial usage is primarily due to an increase in usage by the mid to small industrial sector, expansion projects in the pulp and paper industry, and new customers in the wood products industry.

Other Income Statement Variances

Second Quarter 2017 Compared to Second Quarter 2016

Other operation and maintenance expenses decreased primarily due to a decrease of \$1.7 million in storm damage provisions and a decrease of \$1.6 million in loss provisions. The decrease was partially offset by an increase of \$2 million in fossil-fueled generation expenses primarily due to a higher scope of work done in 2017 as compared to the same period in 2016. See Note 2 to the financial statements in the Form 10-K for a discussion on storm cost recovery.

Taxes other than income taxes increased primarily due to the MPSC's June 2016 approval of a revised ad valorem tax rider allowing Entergy Mississippi to recover the difference in 2016 ad valorem tax expense and the amount approved in base rates in the 2016 formula rate plan order. See Note 2 in the Form 10-K for further discussion of the ad valorem tax rider.

Interest expense decreased primarily due to the refinancing at lower interest rates of certain first mortgage bonds in 2016 and the retirement, at maturity, of \$125 million of 3.25% Series first mortgage bonds in June 2016. See Note 5 to the financial statements in the Form 10-K for details of long-term debt.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Other operation and maintenance expenses increased primarily due to an increase of \$2.5 million in fossil-fueled generation expenses primarily due to a higher scope of work done in 2017 as compared to the same period in 2016 and an increase of \$1.9 million in energy efficiency costs. The increase was partially offset by a decrease of \$1.7 million in storm damage provisions. See Note 2 to the financial statements in the Form 10-K for a discussion on storm cost recovery.

Taxes other than income taxes increased primarily due to the MPSC's June 2016 approval of a revised ad valorem tax rider allowing Entergy Mississippi to recover the difference in 2016 ad valorem tax expense and the amount approved in base rates in the 2016 formula rate plan order. See Note 2 in the Form 10-K for further discussion of the ad valorem tax rider.

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

Interest expense decreased primarily due to the refinancing at lower interest rates of certain first mortgage bonds in 2016 and the retirement, at maturity, of \$125 million of 3.25% Series first mortgage bonds in June 2016. See Note 5 to the financial statements in the Form 10-K for details of long-term debt.

Income Taxes

The effective income tax rate was 37.6% for the second quarter 2017. The difference in the effective income tax rate for the second quarter 2017 versus the federal statutory rate of 35% was primarily due to 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 39.0% for the six months ended June 30, 2017. The difference in the effective income tax rate for the six months ended June 30, 2017 versus the federal statutory rate of 35% was primarily due to state income taxes and a write-off of a stock-based compensation deferred tax asset, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 32.7% for the second quarter 2016. The difference in the effective income tax rate for the second quarter 2016 versus the federal statutory rate of 35% was primarily due to certain book and tax differences related to utility plant items, partially offset by state income taxes.

The effective income tax rate was 35.2% for the six months ended June 30, 2016. The difference in the effective income tax rate for the six months ended June 30, 2016 versus the federal statutory rate of 35% was primarily due to state income taxes, partially offset by certain book and tax differences related to utility plant items.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2017 and 2016 were as follows:

	2017	2016
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$76,834	\$145,605
Cash flow provided by (used in):		
Operating activities	53,839	77,063
Investing activities	(185,687)	(128,241)
Financing activities	55,736	14,126
Net decrease in cash and cash equivalents	(76,112)	(37,052)
Cash and cash equivalents at end of period	\$722	\$108,553

Operating Activities

Net cash flow provided by operating activities decreased \$23.2 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the timing of payments to vendors and the timing of recovery of fuel and purchased power costs in 2017 as compared to the same period in 2016. The decrease was partially offset by an increase of \$11.5 million in income tax refunds in 2017 as compared to the same period in 2016. Entergy Mississippi received state income tax refunds of \$15.1 million in 2017 and \$3.6 million in 2016 in accordance with an intercompany income tax allocation agreement. The income tax refunds in 2017 resulted from the carryback of net operating losses.

Investing Activities

Net cash flow used in investing activities increased \$57.4 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- an increase of \$41.5 million in transmission construction expenditures primarily due to a higher scope of work performed in 2017 as compared to the same period in 2016;
- an increase of \$10.4 million in distribution construction expenditures primarily due to a higher scope of non-storm related work performed in 2017 as compared to the same period in 2016; and
- an increase of \$7.4 million in storm spending in 2017.

Financing Activities

Net cash flow provided by financing activities increased \$41.6 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to money pool activity and \$24 million in common stock dividends paid in 2016, partially offset by the net issuance of \$39.5 million of long-term debt in 2016. The decrease in dividends paid was primarily because of lower operating cash flow and higher capital expenditures, each discussed above. See Note 5 to the financial statements in the Form 10-K for details of long-term debt.

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 \$56.3 million for the six months ended June 30, 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Capital Structure

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

	June 30, 2017	December 31, 2016
Debt to capital	49.2%	50.2%
Effect of subtracting cash	—%	(1.8%)
Net debt to net capital	49.2%	48.4%

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’s receivables from or (payables to) the money pool were as follows:

<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
(In Thousands)			
(\$56,299)	\$10,595	\$13,514	\$25,930

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

Entergy Mississippi has four separate credit facilities in the aggregate amount of \$102.5 million scheduled to expire in May 2018. No borrowings were outstanding under the credit facilities as of June 30, 2017. In addition, Entergy Mississippi is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2017, a \$7.8 million letter of credit was outstanding under Entergy Mississippi’s uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

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. The following are updates to that discussion.

Formula Rate Plan

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

Advanced Metering Infrastructure (AMI) Filing

As discussed in the Form 10-K, in November 2016, Entergy Mississippi filed an application seeking a finding from the MPSC that Entergy Mississippi’s deployment of advanced metering infrastructure is in the public interest. In May 2017 the Mississippi Public Utilities Staff and Entergy Mississippi entered into and filed a joint stipulation supporting Entergy Mississippi’s filing, and the MPSC issued an order approving the filing without any material changes, finding that Entergy Mississippi’s deployment of AMI is in the public interest and granting a certificate of public convenience and necessity. The MPSC order also confirmed that Entergy Mississippi shall continue to include in rate base the remaining book value of existing meters that will be retired as part of the AMI deployment and also to depreciate those assets using current depreciation rates.

Mississippi Attorney General Complaint

As discussed in the Form 10-K, the Mississippi attorney general filed a complaint in state court in December 2008 against Entergy Corporation, Entergy Mississippi, Entergy Services, and Entergy Power. The defendants have

denied the allegations. In June 2017 the District Court issued a case management order setting a trial date in November 2018. Discovery is currently in progress.

Federal Regulation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – **Federal Regulation**” in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

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

Environmental Risks

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – **Environmental Risks**” in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - **Critical Accounting Estimates**” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Mississippi’s accounting for utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion.

ENTERGY MISSISSIPPI, INC.
INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$291,212	\$248,138	\$549,655	\$511,184
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	46,048	(34)	85,188	61,346
Purchased power	75,253	74,361	146,323	129,744
Other operation and maintenance	59,535	60,381	114,708	111,654
Taxes other than income taxes	23,978	20,487	47,950	43,984
Depreciation and amortization	35,442	34,010	70,759	67,308
Other regulatory credits - net	(4,306)	(2,957)	(10,143)	(6,315)
TOTAL	235,950	186,248	454,785	407,721
OPERATING INCOME	55,262	61,890	94,870	103,463
OTHER INCOME				
Allowance for equity funds used during construction	2,332	1,345	4,175	2,631
Interest and investment income	7	240	33	361
Miscellaneous - net	(553)	(1,050)	(978)	(1,755)
TOTAL	1,786	535	3,230	1,237
INTEREST EXPENSE				
Interest expense	12,568	15,258	25,240	30,000
Allowance for borrowed funds used during construction	(913)	(691)	(1,633)	(1,358)
TOTAL	11,655	14,567	23,607	28,642
INCOME BEFORE INCOME TAXES	45,393	47,858	74,493	76,058
Income taxes	17,090	15,664	29,032	26,746
NET INCOME	28,303	32,194	45,461	49,312
Preferred dividend requirements and other	239	707	477	1,414
EARNINGS APPLICABLE TO COMMON STOCK	\$28,064	\$31,487	\$44,984	\$47,898

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	2017	2016
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$45,461	\$49,312
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	70,759	67,308
Deferred income taxes, investment tax credits, and non-current taxes accrued	31,740	21,934
Changes in assets and liabilities:		
Receivables	(7,952)	(24,273)
Fuel inventory	6,312	(5,040)
Accounts payable	(1,398)	21,359
Taxes accrued	(21,361)	(20,417)
Interest accrued	40	(584)
Deferred fuel costs	(13,622)	108
Other working capital accounts	(1,473)	(8,266)
Provisions for estimated losses	(6,699)	(188)
Other regulatory assets	(26,958)	(1,913)
Pension and other postretirement liabilities	(10,692)	(10,922)
Other assets and liabilities	(10,318)	(11,355)
Net cash flow provided by operating activities	53,839	77,063
INVESTING ACTIVITIES		
Construction expenditures	(199,873)	(143,171)
Allowance for equity funds used during construction	4,175	2,631
Changes in money pool receivable - net	10,595	12,416
Other	(584)	(117)
Net cash flow used in investing activities	(185,687)	(128,241)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	371,940
Retirement of long-term debt	—	(332,400)
Change in money pool payable - net	56,299	—
Dividends paid:		
Common stock	—	(24,000)
Preferred stock	(477)	(1,414)
Other	(86)	—
Net cash flow provided by financing activities	55,736	14,126
Net decrease in cash and cash equivalents	(76,112)	(37,052)
Cash and cash equivalents at beginning of period	76,834	145,605
Cash and cash equivalents at end of period	\$722	\$108,553
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$24,021	\$29,157
Income taxes	(\$15,087)	(\$3,561)

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS
June 30, 2017 and December 31, 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$715	\$16
Temporary cash investments	<u>7</u>	<u>76,818</u>
Total cash and cash equivalents	<u>722</u>	<u>76,834</u>
Accounts receivable:		
Customer	57,539	51,218
Allowance for doubtful accounts	(540)	(549)
Associated companies	34,939	45,973
Other	8,223	12,006
Accrued unbilled revenues	<u>57,170</u>	<u>51,327</u>
Total accounts receivable	<u>157,331</u>	<u>159,975</u>
Deferred fuel costs	20,579	6,957
Fuel inventory - at average cost	44,560	50,872
Materials and supplies - at average cost	42,065	41,146
Prepayments and other	<u>15,742</u>	<u>8,873</u>
TOTAL	<u>280,999</u>	<u>344,657</u>
OTHER PROPERTY AND INVESTMENTS		
Non-utility property - at cost (less accumulated depreciation)	4,600	4,608
Escrow accounts	<u>31,875</u>	<u>31,783</u>
TOTAL	<u>36,475</u>	<u>36,391</u>
UTILITY PLANT		
Electric	4,409,179	4,321,214
Property under capital lease	873	1,590
Construction work in progress	<u>176,623</u>	<u>118,182</u>
TOTAL UTILITY PLANT	<u>4,586,675</u>	<u>4,440,986</u>
Less - accumulated depreciation and amortization	<u>1,626,005</u>	<u>1,602,711</u>
UTILITY PLANT - NET	<u>2,960,670</u>	<u>2,838,275</u>
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	39,337	38,284
Other regulatory assets	368,118	342,213
Other	<u>3,549</u>	<u>2,320</u>
TOTAL	<u>411,004</u>	<u>382,817</u>
TOTAL ASSETS	<u><u>\$3,689,148</u></u>	<u><u>\$3,602,140</u></u>

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	\$99,489	\$43,647
Other	73,037	80,227
Customer deposits	83,928	84,112
Taxes accrued	42,679	64,040
Interest accrued	21,693	21,653
Other	15,465	9,554
TOTAL	336,291	303,233
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	892,081	861,331
Accumulated deferred investment tax credits	8,587	8,667
Asset retirement cost liabilities	8,967	8,722
Accumulated provisions	47,741	54,440
Pension and other postretirement liabilities	98,865	109,551
Long-term debt	1,121,356	1,120,916
Other	15,104	20,108
TOTAL	2,192,701	2,183,735
Commitments and Contingencies		
Preferred stock without sinking fund	20,381	20,381
COMMON EQUITY		
Common stock, no par value, authorized 12,000,000 shares; issued and outstanding 8,666,357 shares in 2017 and 2016	199,326	199,326
Capital stock expense and other	167	167
Retained earnings	940,282	895,298
TOTAL	1,139,775	1,094,791
TOTAL LIABILITIES AND EQUITY	\$3,689,148	\$3,602,140

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Common Equity			
	Common Stock	Capital Stock Expense and Other	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2015	\$199,326	(\$690)	\$813,414	\$1,012,050
Net income	—	—	49,312	49,312
Common stock dividends	—	—	(24,000)	(24,000)
Preferred stock dividends	—	—	(1,414)	(1,414)
Balance at June 30, 2016	<u>\$199,326</u>	<u>(\$690)</u>	<u>\$837,312</u>	<u>\$1,035,948</u>
Balance at December 31, 2016	\$199,326	\$167	\$895,298	\$1,094,791
Net income	—	—	45,461	45,461
Preferred stock dividends	—	—	(477)	(477)
Balance at June 30, 2017	<u>\$199,326</u>	<u>\$167</u>	<u>\$940,282</u>	<u>\$1,139,775</u>

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

Description	Three Months Ended		Increase/ (Decrease)	%
	2017	2016		
(Dollars In Millions)				
Electric Operating Revenues:				
Residential	\$111	\$88	\$23	26
Commercial	101	81	20	25
Industrial	38	29	9	31
Governmental	10	9	1	11
Total retail	260	207	53	26
Sales for resale:				
Non-associated companies	7	5	2	40
Other	24	36	(12)	(33)
Total	<u>\$291</u>	<u>\$248</u>	<u>\$43</u>	17
Billed Electric Energy Sales (GWh):				
Residential	1,135	1,085	50	5
Commercial	1,142	1,126	16	1
Industrial	618	587	31	5
Governmental	101	102	(1)	(1)
Total retail	2,996	2,900	96	3
Sales for resale:				
Non-associated companies	312	243	69	28
Total	<u>3,308</u>	<u>3,143</u>	<u>165</u>	5

Description	Six Months Ended		Increase/ (Decrease)	%
	2017	2016		
(Dollars In Millions)				
Electric Operating Revenues:				
Residential	\$222	\$204	\$18	9
Commercial	193	173	20	12
Industrial	74	63	11	17
Governmental	19	19	—	—
Total retail	508	459	49	11
Sales for resale:				
Non-associated companies	12	10	2	20
Other	30	42	(12)	(29)
Total	<u>\$550</u>	<u>\$511</u>	<u>\$39</u>	8
Billed Electric Energy Sales (GWh):				
Residential	2,325	2,370	(45)	(2)
Commercial	2,204	2,205	(1)	—
Industrial	1,204	1,136	68	6
Governmental	199	200	(1)	(1)
Total retail	5,932	5,911	21	—
Sales for resale:				
Non-associated companies	493	375	118	31
Total	<u>6,425</u>	<u>6,286</u>	<u>139</u>	2

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Second Quarter 2017 Compared to Second Quarter 2016

Net income increased \$3 million primarily due to lower other operation and maintenance expenses and a lower effective income tax rate, partially offset by higher taxes other than income taxes.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net income increased \$2.9 million primarily due to lower other operation and maintenance expenses and a lower effective income tax rate, partially offset by higher taxes other than income taxes.

Net Revenue

Second Quarter 2017 Compared to Second Quarter 2016

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 second quarter 2017 to the second quarter 2016:

	Amount
	(In Millions)
2016 net revenue	\$80.4
Retail electric price	(2.3)
Other	1.2
2017 net revenue	\$79.3

The retail electric price variance is primarily due to a decrease in the purchased power and capacity acquisition cost recovery rider primarily due to credits to customers as part of the Entergy New Orleans internal restructuring agreement in principle, effective with the first billing cycle of June 2017. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the credits associated with Entergy New Orleans's internal restructuring.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

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 six months ended June 30, 2017 to the six months ended June 30, 2016:

	Amount
	(In Millions)
2016 net revenue	\$148.4
Retail electric price	3.0
Volume/weather	(3.1)
Other	1.2
2017 net revenue	\$149.5

The retail electric price variance is primarily due to an increase in the purchased power and capacity acquisition cost recovery rider, as approved by the City Council, effective with the first billing cycle of March 2016, primarily related to the purchase of Power Block 1 of the Union Power Station in March 2016. The increase was partially offset by credits to customers as part of the Entergy New Orleans internal restructuring agreement in principle, effective with the first billing cycle of June 2017. See Note 2 to the financial statements in the Form 10-K for further discussion of the purchased power and capacity acquisition cost recovery rider and see Note 2 to the financial statements herein for further discussion of the credits associated with Entergy New Orleans's internal restructuring.

The volume/weather variance is primarily due to decreased usage during the unbilled sales period, including the effect of weather, and a decrease of 27 GWh, or 1%, in billed electricity usage, primarily in the residential sector.

Other Income Statement Variances

Second Quarter 2017 Compared to Second Quarter 2016

Other operation and maintenance expenses decreased primarily due to:

- a decrease of \$2.4 million in other loss provisions; and
- a decrease of \$2 million in fossil-fueled generation expenses primarily due to the deactivation of Michoud Units 2 and 3 effective May 2016 and asbestos loss provisions recorded in second quarter 2016.

Taxes other than income taxes increased primarily due to an increase in local franchise taxes resulting from higher electric retail revenues in 2017 as compared to the same period in 2016 and an increase in ad valorem taxes resulting from higher assessments, including the assessment of Arkansas ad valorem taxes on the Union Power Station beginning in 2017.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Other operation and maintenance expenses decreased primarily due to:

- a decrease of \$2.8 million in fossil-fueled generation expenses primarily due to the deactivation of Michoud Units 2 and 3 effective May 2016 and asbestos loss provisions recorded in 2016, partially offset by an increase as a result of the purchase of Power Block 1 of the Union Power Station in March 2016; and
- a decrease of \$2 million in other loss provisions.

Taxes other than income taxes increased primarily due to an increase in local franchise taxes resulting from higher electric retail revenues in 2017 as compared to the same period in 2016 and an increase in ad valorem taxes resulting from higher assessments, including the assessment of Arkansas ad valorem taxes on the Union Power Station beginning in 2017, partially offset by higher capitalized taxes.

Income Taxes

The effective income tax rates were 35.8% for the second quarter 2017 and 36.1% for the six months ended June 30, 2017. The differences in the effective income tax rates for the second quarter 2017 and the six months ended June 30, 2017 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, partially offset by flow-through tax accounting.

The effective income tax rates were 44.5% for the second quarter 2016 and 41.2% for the six months ended June 30, 2016. The differences in the effective income tax rates for the second quarter 2016 and the six months ended June 30, 2016 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, partially offset by flow-through tax accounting.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2017 and 2016 were as follows:

	2017	2016
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$103,068	\$88,876
Cash flow provided by (used in):		
Operating activities	36,750	39,268
Investing activities	(49,005)	(258,036)
Financing activities	(29,284)	154,510
Net decrease in cash and cash equivalents	<u>(41,539)</u>	<u>(64,258)</u>
Cash and cash equivalents at end of period	<u>\$61,529</u>	<u>\$24,618</u>

Operating Activities

Net cash flow provided by operating activities decreased \$2.5 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the timing of payments to vendors and an increase in interest paid in 2017 as compared to 2016. The decrease was substantially offset by the timing of recovery of fuel and purchased power costs in 2017 as compared to the same period in 2016 and income tax payments of \$2.5 million in 2016 primarily due to payments made for state tax liabilities.

Investing Activities

Net cash flow used in investing activities decreased \$209 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the purchase of Power Block 1 of the Union Power Station for approximately \$237 million in March 2016, partially offset by money pool activity and an increase of \$7.7 million in storm spending in 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase.

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 \$1.7 million in 2017 compared to decreasing \$12.8 million in 2016. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy New Orleans's financing activities used \$29.3 million of cash for the six months ended June 30, 2017 compared to providing \$154.5 million of cash for the six months ended June 30, 2016 primarily due to the following activity:

- the issuance of \$110 million of 5.50% Series first mortgage bonds in March 2016;
- the issuance of \$85 million of 4% Series first mortgage bonds in May 2016. Entergy New Orleans used the proceeds to pay, prior to maturity, its \$33.271 million of 5.6% Series first mortgage bonds due September 2024 and to pay, prior to maturity, its \$37.772 million of 5.65% Series first mortgage bonds due September 2029;
- a \$47.8 million capital contribution received from Entergy Corporation in March 2016 in anticipation of Entergy New Orleans's purchase of Power Block 1 of the Union Power Station. See Note 14 to the financial statements in the Form 10-K for discussion of the Union Power Station purchase; and

- \$24.2 million in common stock dividends paid in 2017 as compared to \$7 million in common stock dividends paid in 2016. There were no common stock dividends paid in first quarter 2016 in anticipation of the purchase of Power Block 1 of the Union Power Station in March 2016.

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

Capital Structure

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

	June 30, 2017	December 31, 2016
Debt to capital	49.8%	50.1%
Effect of excluding securitization bonds	(4.9%)	(5.2%)
Debt to capital, excluding securitization bonds (a)	44.9%	44.9%
Effect of subtracting cash	(4.6%)	(8.0%)
Net debt to net capital, excluding securitization bonds (a)	40.3%	36.9%

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

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

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's receivables from the money pool were as follows:

June 30, 2017	December 31, 2016	June 30, 2016	December 31, 2015
(In Thousands)			
\$15,960	\$14,215	\$3,007	\$15,794

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 2018. The credit facility allows Entergy New Orleans to issue letters of credit against \$10 million of the borrowing capacity of the facility. As of June 30, 2017, there were no cash borrowings and a \$0.8 million letter of credit was outstanding under the facility. In addition, Entergy New Orleans is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2017, a \$5.6 million letter of credit was outstanding under Entergy New Orleans's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

New Orleans Power Station

In June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 MW advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility, which facility was deactivated effective May 31, 2016. In January 2017 several intervenors filed testimony opposing the construction of the New Orleans Power Station on various grounds. In July 2017, Entergy New Orleans submitted a supplemental and amending application to the City Council seeking approval to construct either the originally proposed 226 MW advanced combustion turbine, or alternatively, a 128 MW unit composed of natural gas-fired reciprocating engines and a related cost recovery plan. The application included an updated cost estimate of \$232 million for the 226 MW advanced combustion turbine. The cost estimate for the alternative 128 MW unit is \$210 million. In addition, the application renewed the commitment to pursue up to 100 MW of renewable resources to serve New Orleans. In July 2017 the Utility Committee of the City Council established a procedural schedule that provides for a hearing in December 2017 and the City Council's decision in February 2018. The commercial operation date is dependent on the alternative selected by the City Council and the receipt of other permits and approvals.

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. The following are updates to that discussion.

Retail Rates

As discussed in the Form 10-K, in February 2017, Entergy New Orleans filed a proposed implementation plan for the Energy Smart program from April 2017 through March 2020. As part of the proposal, Entergy New Orleans requested that the City Council identify its desired level of funding for the program during this time period and approve a cost recovery mechanism. In April 2017 the City Council approved an implementation plan for the Energy Smart program from April 2017 through December 2019. The City Council directed that the \$11.8 million balance reported for Energy Smart funds be used to continue funding the program for Entergy New Orleans's legacy customers and that the Energy Smart Algiers program continue to be funded through the Algiers fuel adjustment clause, until additional customer funding is required for the legacy customers. The City Council ordered Entergy New Orleans to submit a supplemental and amended implementation plan for program years 8 and 9 of the Energy Smart program (January 2018 through December 2019) in October 2017. Following that filing, the City Council will determine a specific cost recovery mechanism for the program for both legacy and Algiers customers. The City Council will not permit Entergy New Orleans to recover lost contribution to fixed costs for program years 7, 8, or 9 of the Energy Smart program.

Internal Restructuring

As discussed in the Form 10-K, in July 2016, Entergy New Orleans filed an application with the City Council seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy New Orleans to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. In May 2017 the City Council adopted a resolution approving the proposed internal restructuring pursuant to an agreement in principle with the City Council advisors and certain intervenors. Pursuant to the agreement in principle, Entergy New Orleans will credit retail customers \$10 million in 2017, \$1.4 million in the first quarter of the year after the transaction closes, and \$117,500 each month in the second year after the transaction closes until such time as new base rates go into effect as a result of the anticipated 2018 base rate case. Entergy New Orleans began crediting retail customers in June 2017. Also pursuant to the agreement in principle, if FERC approval is received prior to December 31, 2018, Entergy New Orleans will provide additional credits to retail customers of \$5 million in each of the years 2018, 2019, and 2020.

Advanced Metering Infrastructure (AMI) Filing

As discussed in the Form 10-K, in October 2016, Entergy New Orleans filed an application seeking a finding from the City Council that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. In April 2017, Entergy New Orleans received intervenor testimony that was generally supportive of AMI deployment. The City Council's advisors filed testimony in May 2017 recommending the adoption of AMI subject to certain modifications, including the denial of Entergy New Orleans's proposed customer charge as a cost recovery mechanism. In June 2017 the procedural schedule was suspended to allow for settlement discussions. A settlement status conference is scheduled for August 2017.

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – **Federal Regulation**" in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - **Nuclear Matters**" in the Form 10-K for further 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 utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$157,455	\$149,101	\$299,800	\$271,542
Natural gas	18,767	15,819	45,411	42,718
TOTAL	176,222	164,920	345,211	314,260
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	22,961	12,554	53,036	23,475
Purchased power	73,105	70,583	141,464	139,108
Other operation and maintenance	25,296	28,659	47,808	51,501
Taxes other than income taxes	13,416	10,925	26,262	22,437
Depreciation and amortization	13,020	13,908	26,070	25,672
Other regulatory charges - net	818	1,378	1,203	3,274
TOTAL	148,616	138,007	295,843	265,467
OPERATING INCOME	27,606	26,913	49,368	48,793
OTHER INCOME				
Allowance for equity funds used during construction	552	143	1,002	456
Interest and investment income	164	30	299	99
Miscellaneous - net	40	192	138	(53)
TOTAL	756	365	1,439	502
INTEREST EXPENSE				
Interest expense	5,356	5,984	10,699	10,357
Allowance for borrowed funds used during construction	(193)	(49)	(351)	(175)
TOTAL	5,163	5,935	10,348	10,182
INCOME BEFORE INCOME TAXES	23,199	21,343	40,459	39,113
Income taxes	8,317	9,500	14,599	16,103
NET INCOME	14,882	11,843	25,860	23,010
Preferred dividend requirements and other	241	241	482	482
EARNINGS APPLICABLE TO COMMON STOCK	\$14,641	\$11,602	\$25,378	\$22,528

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
OPERATING ACTIVITIES		
Net income	\$25,860	\$23,010
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	26,070	25,672
Deferred income taxes, investment tax credits, and non-current taxes accrued	14,764	(2,665)
Changes in assets and liabilities:		
Receivables	(5,979)	(16,285)
Fuel inventory	(465)	1,822
Accounts payable	(8,761)	6,362
Prepaid taxes and taxes accrued	38	36,982
Interest accrued	(469)	255
Deferred fuel costs	2,087	(13,664)
Other working capital accounts	(11,774)	(7,310)
Provisions for estimated losses	(1,794)	1,804
Other regulatory assets	2,719	5,799
Pension and other postretirement liabilities	(8,049)	(8,245)
Other assets and liabilities	2,503	(14,269)
Net cash flow provided by operating activities	<u>36,750</u>	<u>39,268</u>
INVESTING ACTIVITIES		
Construction expenditures	(48,683)	(37,345)
Allowance for equity funds used during construction	1,002	456
Payment for purchase of plant	—	(236,978)
Investment in affiliates	—	(38)
Changes in money pool receivable - net	(1,745)	12,787
Receipts from storm reserve escrow account	—	3
Payments to storm reserve escrow account	(235)	(206)
Changes in securitization account	656	3,285
Net cash flow used in investing activities	<u>(49,005)</u>	<u>(258,036)</u>
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	190,672
Retirement of long-term debt	(5,114)	(77,094)
Capital contribution from parent	—	47,750
Dividends paid:		
Common stock	(24,150)	(7,000)
Preferred stock	(482)	(482)
Other	462	664
Net cash flow provided by (used in) financing activities	<u>(29,284)</u>	<u>154,510</u>
Net decrease in cash and cash equivalents	(41,539)	(64,258)
Cash and cash equivalents at beginning of period	103,068	88,876
Cash and cash equivalents at end of period	<u>\$61,529</u>	<u>\$24,618</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$10,637	\$9,435
Income taxes	\$—	\$2,500

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents		
Cash	\$862	\$28
Temporary cash investments	60,667	103,040
Total cash and cash equivalents	61,529	103,068
Securitization recovery trust account	1,082	1,738
Accounts receivable:		
Customer	47,162	43,536
Allowance for doubtful accounts	(3,074)	(3,059)
Associated companies	18,045	16,811
Other	6,891	5,926
Accrued unbilled revenues	20,168	18,254
Total accounts receivable	89,192	81,468
Deferred fuel costs	2,731	4,818
Fuel inventory - at average cost	2,306	1,841
Materials and supplies - at average cost	10,494	8,416
Prepaid taxes	4,341	4,379
Prepayments and other	20,353	6,587
TOTAL	192,028	212,315
OTHER PROPERTY AND INVESTMENTS		
Non-utility property at cost (less accumulated depreciation)	1,016	1,016
Storm reserve escrow account	81,672	81,437
Other	4,787	7,160
TOTAL	87,475	89,613
UTILITY PLANT		
Electric	1,262,714	1,258,934
Natural gas	247,742	240,408
Construction work in progress	38,314	24,975
TOTAL UTILITY PLANT	1,548,770	1,524,317
Less - accumulated depreciation and amortization	610,405	604,825
UTILITY PLANT - NET	938,365	919,492
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Deferred fuel costs	4,080	4,080
Other regulatory assets (includes securitization property of \$77,936 as of June 30, 2017 and \$82,272 as of December 31, 2016)	265,387	268,106
Other	1,522	963
TOTAL	270,989	273,149
TOTAL ASSETS	\$1,488,857	\$1,494,569

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2017 and December 31, 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
CURRENT LIABILITIES		
Payable due to Entergy Louisiana	\$2,104	\$2,104
Accounts payable:		
Associated companies	41,981	39,260
Other	23,206	35,920
Customer deposits	28,773	28,667
Interest accrued	4,974	5,443
Other	13,006	11,415
TOTAL CURRENT LIABILITIES	<u>114,044</u>	<u>122,809</u>
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	352,001	334,953
Accumulated deferred investment tax credits	559	622
Regulatory liability for income taxes - net	5,844	9,074
Asset retirement cost liabilities	2,974	2,875
Accumulated provisions	86,719	88,513
Pension and other postretirement liabilities	28,701	36,750
Long-term debt (includes securitization bonds of \$79,784 as of June 30, 2017 and \$84,776 as of December 31, 2016)	423,632	428,467
Long-term payable due to Entergy Louisiana	18,423	18,423
Gas system rebuild insurance proceeds	—	447
Other	8,006	4,910
TOTAL NON-CURRENT LIABILITIES	<u>926,859</u>	<u>925,034</u>
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 2017 and 2016	33,744	33,744
Paid-in capital	171,544	171,544
Retained earnings	222,886	221,658
TOTAL	<u>428,174</u>	<u>426,946</u>
TOTAL LIABILITIES AND EQUITY	<u>\$1,488,857</u>	<u>\$1,494,569</u>

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Common Equity			Total
	Common Stock	Paid-in Capital	Retained Earnings	
	(In Thousands)			
Balance at December 31, 2015	\$33,744	\$123,794	\$192,494	\$350,032
Net income	—	—	23,010	23,010
Capital contribution from parent	—	47,750	—	47,750
Common stock dividends	—	—	(7,000)	(7,000)
Preferred stock dividends	—	—	(482)	(482)
Balance at June 30, 2016	<u>\$33,744</u>	<u>\$171,544</u>	<u>\$208,022</u>	<u>\$413,310</u>
Balance at December 31, 2016	\$33,744	\$171,544	\$221,658	\$426,946
Net income	—	—	25,860	25,860
Common stock dividends	—	—	(24,150)	(24,150)
Preferred stock dividends	—	—	(482)	(482)
Balance at June 30, 2017	<u>\$33,744</u>	<u>\$171,544</u>	<u>\$222,886</u>	<u>\$428,174</u>

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC. AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

Description	Three Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$56	\$50	\$6	12
Commercial	56	51	5	10
Industrial	9	8	1	13
Governmental	19	17	2	12
Total retail	140	126	14	11
Sales for resale:				
Associated companies	—	12	(12)	(100)
Non-associated companies	9	1	8	800
Other	8	10	(2)	(20)
Total	\$157	\$149	\$8	5
Billed Electric Energy Sales (GWh):				
Residential	468	459	9	2
Commercial	541	538	3	1
Industrial	105	107	(2)	(2)
Governmental	188	190	(2)	(1)
Total retail	1,302	1,294	8	1
Sales for resale:				
Associated companies	—	556	(556)	(100)
Non-associated companies	508	41	467	1,139
Total	1,810	1,891	(81)	(4)

Description	Six Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$109	\$97	\$12	12
Commercial	110	95	15	16
Industrial	17	15	2	13
Governmental	37	32	5	16
Total retail	273	239	34	14
Sales for resale:				
Associated companies	—	19	(19)	(100)
Non associated companies	18	1	17	1,700
Other	9	13	(4)	(31)
Total	\$300	\$272	\$28	10
Billed Electric Energy Sales (GWh):				
Residential	924	958	(34)	(4)
Commercial	1,056	1,048	8	1
Industrial	203	208	(5)	(2)
Governmental	372	368	4	1
Total retail	2,555	2,582	(27)	(1)
Sales for resale:				
Associated companies	—	798	(798)	(100)
Non-associated companies	1,015	55	960	1,745
Total	3,570	3,435	135	4

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

Results of Operations

Net Income

Second Quarter 2017 Compared to Second Quarter 2016

Net income decreased \$3 million primarily due to lower net revenue, higher depreciation and amortization expenses, and higher other operation and maintenance expenses, partially offset by a lower effective income tax rate.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net income decreased \$6.7 million primarily due to higher depreciation and amortization expenses, higher other operation and maintenance expenses, and lower net revenue.

Net Revenue

Second Quarter 2017 Compared to Second Quarter 2016

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 second quarter 2017 to the second quarter 2016:

	<u>Amount</u>
	(In Millions)
2016 net revenue	\$157.0
Net wholesale revenue	(10.9)
Retail electric price	6.8
Other	0.1
2017 net revenue	<u><u>\$153.0</u></u>

The net wholesale revenue variance is primarily due to lower net capacity revenues resulting from the termination of the purchased power agreements between Entergy Louisiana and Entergy Texas in August 2016.

The retail electric price variance is primarily due to the implementation of the transmission cost recovery factor rider in September 2016 and an increase in the transmission cost recovery factor rider rate in March 2017, as approved by the PUCT. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the transmission cost recovery factor rider filings.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

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 six months ended June 30, 2017 to the six months ended June 30, 2016:

	<u>Amount</u>
	(In Millions)
2016 net revenue	\$295.2
Net wholesale revenue	(20.9)
Volume/weather	9.1
Retail electric price	11.3
Other	(1.4)
2017 net revenue	<u>\$293.3</u>

The net wholesale revenue variance is primarily due to lower net capacity revenues resulting from the termination of the purchased power agreements between Entergy Louisiana and Entergy Texas in August 2016.

The volume/weather variance is primarily due to an increase in usage during the unbilled sales period, including the effect of weather.

The retail electric price variance is primarily due to the implementation of the transmission cost recovery factor rider in September 2016 and an increase in the transmission cost recovery factor rider rate in March 2017, as approved by the PUCT. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the transmission cost recovery factor rider filings.

Other Income Statement Variances

Second Quarter 2017 Compared to Second Quarter 2016

Other operation and maintenance expenses increased primarily due to:

- an increase of \$2 million in transmission and distribution expenses due to higher vegetation maintenance costs;
- an increase of \$1.2 million in fossil-fueled generation expenses primarily due to a higher scope of work done during plant outages in 2017 compared to the same period in 2016; and
- an increase of \$0.7 million in energy efficiency costs.

The increase was partially offset by a \$2 million decrease due to lower transmission equalization expenses, as allocated under the System Agreement, as compared to the same period in 2016 primarily as a result of Entergy Texas's exit from the System Agreement in August 2016.

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

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Other operation and maintenance expenses increased primarily due to:

- an increase of \$1.8 million in transmission and distribution expenses due to higher vegetation maintenance costs;
- an increase of \$1.4 million in customer service costs;

- an increase of \$1.3 million in fossil-fueled generation expenses primarily due to a higher scope of work done during plant outages in 2017 as compared to the same period in 2016;
- an increase of \$1.2 million in information technology expenses including software maintenance costs and upgrade projects;
- an increase of \$0.9 million in compensation and benefits costs primarily due to a downward revision to estimated incentive compensation expense in first quarter 2016; and
- an increase of \$0.7 million in energy efficiency costs.

The increase was partially offset by a decrease of \$4.5 million due to lower transmission equalization expenses, as allocated under the System Agreement, in 2017 as compared to the same period in 2016 primarily as a result of Entergy Texas's exit from the System Agreement in August 2016.

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

Income Taxes

The effective income tax rate was 26.2% for the second quarter 2017. The difference in the effective income tax rate for the second quarter 2017 versus the federal statutory rate of 35% was primarily due to the reversal of a portion of the provision for uncertain tax positions 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.

The effective income tax rate was 33% for the six months ended June 30, 2017. The difference in the effective income tax rate for the six months ended June 30, 2017 versus the federal statutory rate of 35% was primarily due to the reversal of a portion of the provision for uncertain tax positions 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 a write-off of a stock-based compensation deferred tax asset.

The effective income tax rates were 39.9% for the second quarter 2016 and 39.2% for the six months ended June 30, 2016. The differences in the effective income tax rates for the second quarter 2016 and for the six months ended June 30, 2016 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, partially offset by book and tax differences related to the allowance for equity funds used during construction.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$6,181	\$2,182
Cash flow provided by (used in):		
Operating activities	132,397	172,175
Investing activities	(140,929)	(179,483)
Financing activities	3,416	61,063
Net increase (decrease) in cash and cash equivalents	<u>(5,116)</u>	<u>53,755</u>
Cash and cash equivalents at end of period	<u>\$1,065</u>	<u>\$55,937</u>

Operating Activities

Net cash flow provided by operating activities decreased \$39.8 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the timing of recovery of fuel and purchased power costs.

Investing Activities

Net cash flow used in investing activities decreased \$38.6 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- a decrease of \$49 million in transmission construction expenditures primarily due to a lower scope of work performed in 2017 as compared to the same period in 2016, partially offset by an increase in baseline work performed in 2017 as compared to the same period in 2016; and
- money pool activity.

The decrease was partially offset by an increase of \$16.2 million in fossil-fueled generation construction expenditures primarily due to a higher scope of work performed in 2017 as compared to the same period in 2016.

Decreases in Entergy Texas's receivable from the money pool are a source of cash flow, and Entergy Texas's receivable from the money pool decreased by \$0.7 million for the six months ended June 30, 2017 compared to increasing by \$7 million for the six months ended June 30, 2016. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow provided by financing activities decreased \$57.6 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to the issuance of \$125 million of 2.55% Series first mortgage bonds in March 2016, partially offset by money pool activity. See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for more details on long-term debt.

Increases in Entergy Texas's payable to the money pool are a source of cash flow, and Entergy Texas's payable to the money pool increased by \$39.2 million for the six months ended June 30, 2017 compared to decreasing by \$22.1 million for the six months ended June 30, 2016.

Capital Structure

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

	June 30, 2017	December 31, 2016
Debt to capital	57.2%	58.5%
Effect of excluding the securitization bonds	(7.7%)	(8.3%)
Debt to capital, excluding securitization bonds (a)	49.5%	50.2%
Effect of subtracting cash	—%	(0.1%)
Net debt to net capital, excluding securitization bonds (a)	49.5%	50.1%

(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 information provided in the Form 10-K.

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

<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
(In Thousands)			
(\$39,222)	\$681	\$7,011	(\$22,068)

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 August 2021. The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2017, there were no cash borrowings and \$13.3 million of letters of credit outstanding under the credit facility. In addition, Entergy Texas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of June 30, 2017, a \$22.3 million letter of credit was outstanding under Entergy Texas's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

Montgomery County Power Station

In October 2016, Entergy Texas filed an application with the PUCT seeking certification that the public convenience and necessity would be served by the construction of the Montgomery County Power Station, a nominal 993 MW combined-cycle generating unit in Montgomery County, Texas on land adjacent to the existing Lewis Creek plant. The current estimated cost of the Montgomery County Power Station is \$937 million, including estimated costs of transmission interconnection and network upgrades and other related costs. The independent monitor, who oversaw the request for proposal process, filed testimony and a report affirming that the Montgomery County Power Station was selected through an objective and fair request for proposal process that showed no undue preference to any proposal. In June 2017, parties to the proceeding filed an unopposed stipulation and settlement agreement. The stipulation contemplates that Entergy Texas's level of cost-recovery for generation construction costs for Montgomery County Power Station is capped at \$831 million, subject to certain exclusions such as force majeure events. Also in June 2017, the administrative law judge issued a proposed order and remanded the proceeding to the PUCT for final decision. In July 2017 the PUCT approved the stipulation. Subject to the timely receipt of other permits and approvals, commercial operation is estimated to occur by mid-2021.

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. The following are updates to that discussion.

Retail Rates

In September 2016, Entergy Texas filed with the PUCT a request to amend its transmission cost recovery factor (TCRF) rider. The proposed amended TCRF rider is designed to collect approximately \$29.5 million annually from Entergy Texas's retail customers. This amount includes the approximately \$10.5 million annually that Entergy Texas is currently authorized to collect through the TCRF rider. In September 2016 the PUCT suspended the effective date of the tariff change to March 2017. In December 2016, Entergy Texas and the PUCT reached a settlement agreeing to the amended TCRF annual revenue requirement of \$29.5 million. The PUCT approved the settlement and issued a final order in March 2017. Entergy Texas implemented the amended TCRF rider beginning with bills covering usage on and after March 20, 2017.

In June 2017, Entergy Texas filed an application to amend its distribution cost recovery factor (DCRF) rider by increasing the total collection from \$8.65 million to approximately \$19 million. In July 2017, Entergy Texas, the PUCT, and the two other parties in the proceeding entered into an unopposed stipulation and settlement agreement resulting in an amended DCRF annual revenue requirement of \$18.3 million, with the resulting rates effective for usage no later than October 1, 2017. PUCT action on the stipulation and settlement agreement remains pending.

Fuel and purchased power cost recovery

As discussed in the Form 10-K, in July 2016, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period April 1, 2013 through March 31, 2016. In December 2016, Entergy Texas entered into a stipulation and settlement agreement resulting in a \$6 million disallowance not associated with any particular issue raised and a refund of the over-recovery balance of \$21 million as of November 30, 2016, to most customers beginning April 2017 through June 2017. The fuel reconciliation settlement was approved by the PUCT in March 2017 and the refunds were made.

In June 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.7 million for the months of December 2016 through April 2017. For most customers, the refunds will flow through bills for the months of July 2017 through September 2017. Also in June 2017, the PUCT's administrative law judge approved the refund on an interim basis. A final decision in this matter remains pending.

Advanced Metering Infrastructure (AMI) Filing

In its most recent regular session, the Texas legislature enacted legislation that extends statutory support for AMI deployment to Entergy Texas and directs that if Entergy Texas elects to deploy AMI, it shall do so as rapidly as practicable. In July 2017, Entergy Texas filed an application seeking an order from the PUCT approving Entergy Texas's deployment of AMI. Entergy Texas proposed to replace existing meters with advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Texas's modernized power grid. The filing identified a number of quantified and unquantified benefits, with Entergy Texas showing that its AMI deployment is expected to produce nominal net operational cost savings to customers of \$33 million. Entergy Texas also sought to continue to include in rate base the remaining book value, approximately \$41 million at December 31, 2016, of existing meters that will be retired as part of the AMI deployment and also to depreciate those assets using current depreciation rates. Entergy Texas proposed a seven-year depreciable life for the new advanced meters, the three-year deployment of which is expected to begin in 2019. Entergy Texas also proposed a surcharge tariff to recover the reasonable and necessary costs it has and will incur under the deployment plan for the full deployment of advanced meters. Further, Entergy Texas is seeking approval of fees that would be charged to customers who choose to opt out of receiving service through an advanced meter and instead receive electric service with a non-standard meter. Subject to approval by the PUCT, deployment of the communications network is expected to begin in 2018. Entergy Texas expects a decision from the PUCT by December 2017.

Federal Regulation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – **Federal Regulation**” in the Form 10-K for a discussion of federal regulation.

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 “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - **Nuclear Matters**” in the Form 10-K for further discussion.

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 utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See “**New Accounting Pronouncements**” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$378,488	\$412,922	\$742,415	\$791,226
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	46,142	71,478	104,155	163,882
Purchased power	160,325	167,071	310,709	297,483
Other operation and maintenance	56,577	54,135	110,483	107,170
Taxes other than income taxes	19,251	18,285	38,695	36,595
Depreciation and amortization	29,373	26,495	57,484	52,114
Other regulatory charges - net	19,033	17,419	34,260	34,674
TOTAL	330,701	354,883	655,786	691,918
OPERATING INCOME	47,787	58,039	86,629	99,308
OTHER INCOME				
Allowance for equity funds used during construction	1,632	2,270	2,913	4,702
Interest and investment income	211	268	412	468
Miscellaneous - net	(631)	(54)	(813)	(470)
TOTAL	1,212	2,484	2,512	4,700
INTEREST EXPENSE				
Interest expense	21,427	21,976	43,235	43,577
Allowance for borrowed funds used during construction	(1,001)	(1,473)	(1,762)	(3,054)
TOTAL	20,426	20,503	41,473	40,523
INCOME BEFORE INCOME TAXES	28,573	40,020	47,668	63,485
Income taxes	7,472	15,962	15,713	24,865
NET INCOME	\$21,101	\$24,058	\$31,955	\$38,620

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	2017	2016
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$31,955	\$38,620
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	57,484	52,114
Deferred income taxes, investment tax credits, and non-current taxes accrued	(16,766)	(40,175)
Changes in assets and liabilities:		
Receivables	(15,969)	(37,832)
Fuel inventory	(4,813)	14,129
Accounts payable	24,900	17,883
Prepaid taxes and taxes accrued	23,064	51,640
Interest accrued	(471)	(2,719)
Deferred fuel costs	6,144	54,066
Other working capital accounts	4,132	2,774
Provisions for estimated losses	83	(2,126)
Other regulatory assets	45,306	43,378
Pension and other postretirement liabilities	(13,286)	(12,850)
Other assets and liabilities	(9,366)	(6,727)
Net cash flow provided by operating activities	132,397	172,175
INVESTING ACTIVITIES		
Construction expenditures	(155,755)	(185,945)
Allowance for equity funds used during construction	2,992	4,761
Insurance proceeds received for property damages	2,431	—
Changes in money pool receivable - net	681	(7,011)
Changes in securitization account	8,722	8,712
Net cash flow used in investing activities	(140,929)	(179,483)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	123,605
Retirement of long-term debt	(38,134)	(36,659)
Change in money pool payable - net	39,222	(22,068)
Other	2,328	(3,815)
Net cash flow provided by financing activities	3,416	61,063
Net increase (decrease) in cash and cash equivalents	(5,116)	53,755
Cash and cash equivalents at beginning of period	6,181	2,182
Cash and cash equivalents at end of period	\$1,065	\$55,937
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$42,430	\$45,056
Income taxes	(\$1,446)	\$3,443

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$1,036	\$1,216
Temporary cash investments	29	4,965
Total cash and cash equivalents	1,065	6,181
Securitization recovery trust account	28,729	37,451
Accounts receivable:		
Customer	70,008	71,803
Allowance for doubtful accounts	(791)	(828)
Associated companies	40,867	39,447
Other	13,121	14,756
Accrued unbilled revenues	56,988	39,727
Total accounts receivable	180,193	164,905
Fuel inventory - at average cost	41,990	37,177
Materials and supplies - at average cost	38,807	36,631
Prepayments and other	14,585	18,599
TOTAL	305,369	300,944
OTHER PROPERTY AND INVESTMENTS		
Investments in affiliates - at equity	573	600
Non-utility property - at cost (less accumulated depreciation)	376	376
Other	19,018	18,801
TOTAL	19,967	19,777
UTILITY PLANT		
Electric	4,367,085	4,274,069
Construction work in progress	135,733	111,227
TOTAL UTILITY PLANT	4,502,818	4,385,296
Less - accumulated depreciation and amortization	1,542,664	1,526,057
UTILITY PLANT - NET	2,960,154	2,859,239
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	105,086	105,816
Other regulatory assets (includes securitization property of \$353,726 as of June 30, 2017 and \$384,609 as of December 31, 2016)	695,580	740,156
Other	8,674	7,149
TOTAL	809,340	853,121
TOTAL ASSETS	\$4,094,830	\$4,033,081

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	\$86,811	\$47,867
Other	108,341	77,342
Customer deposits	44,329	44,419
Taxes accrued	38,415	15,351
Interest accrued	25,506	25,977
Deferred fuel costs	60,687	54,543
Other	11,753	9,388
TOTAL	375,842	274,887
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,008,466	1,027,647
Accumulated deferred investment tax credits	12,459	12,934
Other regulatory liabilities	5,574	8,502
Asset retirement cost liabilities	6,650	6,470
Accumulated provisions	7,667	7,584
Pension and other postretirement liabilities	54,043	67,313
Long-term debt (includes securitization bonds of \$391,212 as of June 30, 2017 and \$429,043 as of December 31, 2016)	1,471,091	1,508,407
Other	52,089	50,343
TOTAL	2,618,039	2,689,200
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2017 and 2016	49,452	49,452
Paid-in capital	481,994	481,994
Retained earnings	569,503	537,548
TOTAL	1,100,949	1,068,994
TOTAL LIABILITIES AND EQUITY	\$4,094,830	\$4,033,081

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Common Equity			
	Common Stock	Paid-in Capital	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2015	\$49,452	\$481,994	\$430,010	\$961,456
Net income	—	—	38,620	38,620
Balance at June 30, 2016	<u>\$49,452</u>	<u>\$481,994</u>	<u>\$468,630</u>	<u>\$1,000,076</u>
Balance at December 31, 2016	\$49,452	\$481,994	\$537,548	\$1,068,994
Net income	—	—	31,955	31,955
Balance at June 30, 2017	<u>\$49,452</u>	<u>\$481,994</u>	<u>\$569,503</u>	<u>\$1,100,949</u>

See Notes to Financial Statements.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

Description	Three Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$143	\$130	\$13	10
Commercial	91	85	6	7
Industrial	95	94	1	1
Governmental	6	6	—	—
Total retail	335	315	20	6
Sales for resale:				
Associated companies	16	64	(48)	(75)
Non-associated companies	9	12	(3)	(25)
Other	18	22	(4)	(18)
Total	\$378	\$413	(\$35)	(8)
Billed Electric Energy Sales (GWh):				
Residential	1,274	1,209	65	5
Commercial	1,102	1,070	32	3
Industrial	1,973	1,938	35	2
Governmental	69	68	1	1
Total retail	4,418	4,285	133	3
Sales for resale:				
Associated companies	425	1,683	(1,258)	(75)
Non-associated companies	271	345	(74)	(21)
Total	5,114	6,313	(1,199)	(19)

Description	Six Months Ended		Increase/ (Decrease)	%
	2017	2016		
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	\$280	\$265	\$15	6
Commercial	181	169	12	7
Industrial	195	188	7	4
Governmental	12	12	—	—
Total retail	668	634	34	5
Sales for resale:				
Associated companies	29	117	(88)	(75)
Non-associated companies	14	18	(4)	(22)
Other	31	22	9	41
Total	\$742	\$791	(\$49)	(6)
Billed Electric Energy Sales (GWh):				
Residential	2,487	2,484	3	—
Commercial	2,108	2,087	21	1
Industrial	3,763	3,745	18	—
Governmental	132	138	(6)	(4)
Total retail	8,490	8,454	36	—
Sales for resale:				
Associated companies	763	3,105	(2,342)	(75)
Non-associated companies	348	494	(146)	(30)
Total	9,601	12,053	(2,452)	(20)

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.

Second Quarter 2017 Compared to Second Quarter 2016

Net income decreased \$5.7 million primarily due to a higher effective income tax rate in 2017 and provisions against revenue being recorded in 2017 in connection with the complaint against System Energy's return on equity. See Note 2 to the financial statements herein and "**Federal Regulation - Complaint Against System Energy**" below for further discussion of the complaint against System Energy.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net income decreased \$11.4 million primarily due to a higher effective income tax rate in 2017 and provisions against revenue being recorded in 2017 in connection with the complaint against System Energy's return on equity. See Note 2 to the financial statements herein and "**Federal Regulation - Complaint Against System Energy**" below for further discussion of the complaint against System Energy.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Cash and cash equivalents at beginning of period	\$245,863	\$230,661
Cash flow provided by (used in):		
Operating activities	171,460	137,292
Investing activities	(65,983)	(167,749)
Financing activities	(13,740)	(61,410)
Net increase (decrease) in cash and cash equivalents	<u>91,737</u>	<u>(91,867)</u>
Cash and cash equivalents at end of period	<u>\$337,600</u>	<u>\$138,794</u>

Operating Activities

Net cash flow provided by operating activities increased \$34.2 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to a decrease in spending of \$33.8 million on nuclear refueling outages in 2017 as compared to the same period in 2016.

Investing Activities

Net cash flow used in investing activities decreased \$101.8 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle; and
- a decrease of \$28.1 million in nuclear construction expenditures primarily as a result of a higher scope of work performed in 2016 on Grand Gulf outage projects and lower spending in 2017 on compliance with NRC post-Fukushima requirements.

The decrease was partially offset by money pool activity.

Increases in System Energy's receivable from the money pool are a use of cash flow and System Energy's receivable from the money pool increased by \$54.9 million for the six months ended June 30, 2017 compared to decreasing by \$22.2 million for the six months ended June 30, 2016. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow used in financing activities decreased \$47.7 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to:

- common stock dividends and distributions of \$139 million in 2016 in order to maintain the targeted capital structure; and
- the partial repayment caused by System Energy in May 2016 of \$22 million of 5.875% pollution control revenue bonds due 2022 issued on behalf of System Energy.

The decrease was partially offset by:

- a decrease in net borrowings of \$63.3 million on the nuclear fuel company variable interest entity's credit facility in 2017 compared to the same period in 2016; and
- the payment in February 2017, at maturity, of \$50 million of the System Energy nuclear fuel company variable interest entity's 4.02% Series H notes.

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

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 is primarily due to an increase in retained earnings.

	June 30, 2017	December 31, 2016
Debt to capital	43.7%	45.5%
Effect of subtracting cash	(18.2%)	(12.0%)
Net debt to net capital	<u>25.5%</u>	<u>33.5%</u>

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's receivables from the money pool were as follows:

<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
(In Thousands)			
\$88,669	\$33,809	\$17,718	\$39,926

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 \$120 million scheduled to expire in May 2019. As of June 30, 2017, \$53.2 million in letters of credit to support a like amount of commercial paper issued and \$50 million in loans were outstanding under the System Energy nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the variable interest entity credit facility.

Federal Regulation

See the "Rate, Cost-recovery, and Other Regulation - Federal Regulation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K and Note 2 to the financial statements herein and in the Form 10-K for a discussion of federal regulation.

Complaint Against System Energy

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%. The complaint alleges that the return on equity is unjust and unreasonable because current capital market and other considerations indicate that it is excessive. The complaint requests the FERC to institute proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017, as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes that a return on equity of 8.37% to 8.67% is just and reasonable. The LPSC and the City Council intervened in the proceeding expressing support for the complaint. System Energy is recording a provision against revenue for the potential outcome of this proceeding. Action by the FERC is pending.

Unit Power Sales Agreement

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

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, utility regulatory accounting, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

SYSTEM ENERGY RESOURCES, INC.
INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Three Months Ended		Six Months Ended	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	\$164,956	\$151,323	\$319,743	\$289,016
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	21,660	20,394	36,994	33,822
Nuclear refueling outage expenses	4,387	4,905	9,160	9,489
Other operation and maintenance	54,310	35,766	102,711	67,926
Decommissioning	13,452	12,593	26,684	24,980
Taxes other than income taxes	6,664	6,385	13,088	12,637
Depreciation and amortization	35,187	35,384	70,628	70,091
Other regulatory credits - net	(11,421)	(9,124)	(21,783)	(22,415)
TOTAL	124,239	106,303	237,482	196,530
OPERATING INCOME	40,717	45,020	82,261	92,486
OTHER INCOME				
Allowance for equity funds used during construction	1,318	1,602	2,412	4,331
Interest and investment income	3,723	5,124	8,397	8,398
Miscellaneous - net	(103)	(164)	(231)	(256)
TOTAL	4,938	6,562	10,578	12,473
INTEREST EXPENSE				
Interest expense	9,181	9,382	18,300	18,934
Allowance for borrowed funds used during construction	(322)	(401)	(589)	(1,097)
TOTAL	8,859	8,981	17,711	17,837
INCOME BEFORE INCOME TAXES	36,796	42,601	75,128	87,122
Income taxes	17,446	17,511	35,431	36,074
NET INCOME	\$19,350	\$25,090	\$39,697	\$51,048

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
	<u>(In Thousands)</u>	
OPERATING ACTIVITIES		
Net income	\$39,697	\$51,048
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	128,679	123,424
Deferred income taxes, investment tax credits, and non-current taxes accrued	35,498	83,733
Changes in assets and liabilities:		
Receivables	10,077	3,731
Accounts payable	3,469	(3,200)
Prepaid taxes and taxes accrued	(10,086)	(60,954)
Interest accrued	(609)	(145)
Other working capital accounts	2,960	(28,319)
Other regulatory assets	(4,904)	(9,844)
Pension and other postretirement liabilities	(8,116)	(9,071)
Other assets and liabilities	(25,205)	(13,111)
Net cash flow provided by operating activities	<u>171,460</u>	<u>137,292</u>
INVESTING ACTIVITIES		
Construction expenditures	(32,799)	(57,429)
Allowance for equity funds used during construction	2,412	4,331
Nuclear fuel purchases	(22,510)	(130,275)
Proceeds from the sale of nuclear fuel	60,188	11,467
Proceeds from nuclear decommissioning trust fund sales	253,487	289,414
Investment in nuclear decommissioning trust funds	(271,901)	(307,465)
Changes in money pool receivable - net	(54,860)	22,208
Net cash flow used in investing activities	<u>(65,983)</u>	<u>(167,749)</u>
FINANCING ACTIVITIES		
Retirement of long-term debt	(50,001)	(22,001)
Changes in credit borrowings - net	36,289	99,617
Common stock dividends and distributions	—	(139,000)
Other	(28)	(26)
Net cash flow used in financing activities	<u>(13,740)</u>	<u>(61,410)</u>
Net increase (decrease) in cash and cash equivalents	91,737	(91,867)
Cash and cash equivalents at beginning of period	<u>245,863</u>	<u>230,661</u>
Cash and cash equivalents at end of period	<u><u>\$337,600</u></u>	<u><u>\$138,794</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$17,656	\$18,494
Income taxes	\$—	\$3,402

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$555	\$786
Temporary cash investments	337,045	245,077
Total cash and cash equivalents	337,600	245,863
Accounts receivable:		
Associated companies	147,497	104,390
Other	5,313	3,637
Total accounts receivable	152,810	108,027
Materials and supplies - at average cost	84,418	82,469
Deferred nuclear refueling outage costs	15,867	24,729
Prepaid taxes	25,968	15,882
Prepayments and other	8,183	4,229
TOTAL	624,846	481,199
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	839,385	780,496
TOTAL	839,385	780,496
UTILITY PLANT		
Electric	4,304,301	4,331,668
Property under capital lease	585,084	585,084
Construction work in progress	61,617	43,888
Nuclear fuel	199,686	259,635
TOTAL UTILITY PLANT	5,150,688	5,220,275
Less - accumulated depreciation and amortization	3,125,020	3,063,249
UTILITY PLANT - NET	2,025,668	2,157,026
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	88,924	93,127
Other regulatory assets	420,319	411,212
Other	4,492	4,652
TOTAL	513,735	508,991
TOTAL ASSETS	\$4,003,634	\$3,927,712

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2017 and December 31, 2016
(Unaudited)

	2017	2016
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$3	\$50,003
Short-term borrowings	53,182	66,893
Accounts payable:		
Associated companies	6,719	5,843
Other	48,251	50,558
Interest accrued	13,440	14,049
Other	2,958	2,957
TOTAL	124,553	190,303
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,142,955	1,112,865
Accumulated deferred investment tax credits	39,686	41,663
Other regulatory liabilities	406,570	370,862
Decommissioning	845,001	854,202
Pension and other postretirement liabilities	109,734	117,850
Long-term debt	551,293	501,129
Other	5,322	15
TOTAL	3,100,561	2,998,586
Commitments and Contingencies		
COMMON EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2017 and 2016	679,350	679,350
Retained earnings	99,170	59,473
TOTAL	778,520	738,823
TOTAL LIABILITIES AND EQUITY	\$4,003,634	\$3,927,712

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CHANGES IN COMMON EQUITY
For the Six Months Ended June 30, 2017 and 2016
(Unaudited)

	Common Equity		
	Common Stock	Retained Earnings	Total
		(In Thousands)	
Balance at December 31, 2015	\$719,350	\$61,729	\$781,079
Net income	—	51,048	51,048
Common stock dividends and distributions	(40,000)	(99,000)	(139,000)
Balance at June 30, 2016	<u>\$679,350</u>	<u>\$13,777</u>	<u>\$693,127</u>
 Balance at December 31, 2016	 \$679,350	 \$59,473	 \$738,823
Net income	—	39,697	39,697
Balance at June 30, 2017	<u>\$679,350</u>	<u>\$99,170</u>	<u>\$778,520</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. Also see Note 1 and Note 2 to the financial statements herein and “**Item 5, Other Information, Environmental Regulation**” below for updates regarding environmental proceedings and regulation.

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)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum \$ Amount of Shares that May Yet be Purchased Under a Plan (b)
4/01/2017-4/30/2017	—	\$—	—	\$350,052,918
5/01/2017-5/31/2017	—	\$—	—	\$350,052,918
6/01/2017-6/30/2017	—	\$—	—	\$350,052,918
Total	—	\$—	—	

In accordance with Entergy’s stock-based compensation plans, Entergy periodically grants stock options to key employees, which may be exercised to obtain shares of Entergy’s common stock. According to the plans, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy’s management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans. In addition to this authority, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a \$500 million share repurchase program. The amount of share repurchases under these programs may vary as a result of material changes in business results or capital spending or new investment opportunities. In addition, in the first quarter 2017, Entergy withheld 1,054 shares of its common stock at \$70.58 per share, 122,148 shares of its common stock at \$70.61 per share, and 31,243 shares of its common stock at \$71.89 per share to pay income taxes due upon vesting of restricted stock granted and payout of performance units as part of its long-term incentive program.

- (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 relates only to the \$500 million plan and 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.

Item 5. Other Information

Regulation of the Nuclear Power Industry

Following are updates to the **Regulation of the Nuclear Power Industry** section of Part I, Item 1 of the Form 10-K.

Nuclear Waste Policy Act of 1982

Nuclear Plant Decommissioning

See the discussion in Part I, Item 1 in the Form 10-K for information regarding decommissioning funding for the nuclear plants. Following are updates to that discussion.

In March 2017 filings with the NRC were made for certain Entergy subsidiaries' nuclear plants reporting on decommissioning funding. Those reports showed that decommissioning funding for each of those nuclear plants met the NRC's financial assurance requirements.

In March 2017, Entergy sold the FitzPatrick plant to Exelon, and as part of the transaction, the FitzPatrick decommissioning trust fund, along with the decommissioning obligation for that plant, was transferred to Exelon. The FitzPatrick spent fuel disposal contract was assigned to Exelon as part of the transaction.

Environmental Regulation

Following are updates to the **Environmental Regulation** section of Part I, Item 1 of the Form 10-K.

Clean Air Act and Subsequent Amendments

Regional Haze

In June 2005 the EPA issued its final Clean Air Visibility Rule (CAVR) regulations that potentially could result in a requirement to install SO₂ and NO_x pollution control technology as Best Available Retrofit Control Technology (BART) to continue operating certain of Entergy's fossil generation units. The rule leaves certain CAVR determinations to the states.

In Arkansas, the Arkansas Department of Environmental Quality (ADEQ) prepared a State Implementation Plan (SIP) for Arkansas facilities to implement its obligations under the CAVR. In April 2012 the EPA finalized a decision addressing the Arkansas Regional Haze SIP, in which it disapproved a large portion of the Arkansas Regional Haze SIP, including the emission limits for NO_x and SO₂ at White Bluff. By Court order, the EPA had to issue a final federal implementation plan (FIP) for Arkansas Regional Haze by no later than August 31, 2016. In April 2015 the EPA published a proposed FIP for Arkansas, taking comment on requiring installation of scrubbers and low NO_x burners to continue operating both units at the White Bluff plant and both units at the Independence plant and NO_x controls to continue operating the Lake Catherine plant. Entergy filed comments by the deadline in August 2015. Among other comments, including opposition to the EPA's proposed controls on the Independence units, Entergy proposed to meet more stringent SO₂ and NO_x limits at both White Bluff and Independence within three years of the effective date of the final FIP and to cease the use of coal at the White Bluff units at a later date.

In September 2016 the EPA published the final Arkansas Regional Haze FIP. In most respects, the EPA finalized its original proposal but shortened the time for compliance for installation of the NO_x controls. The FIP requires an emission limitation consistent with SO₂ scrubbers at both White Bluff and Independence by October 2021 and NO_x controls by April 2018. The EPA declined to adopt Entergy's proposals related to ceasing coal use as an alternative to SO₂ scrubbers for White Bluff SO₂ BART. For some or all of the FIP, Entergy anticipates that Arkansas will submit a SIP to replace the FIP. In November 2016, Entergy and other interested parties such as the State of Arkansas filed

petitions for administrative reconsideration and stay at the EPA as well as petitions for judicial review to the U.S. Court of Appeals for the Eighth Circuit. In February 2017, Entergy, the State of Arkansas, and other parties requested the Court to judicially stay the FIP. In March 2017 the EPA granted in part the petitions for reconsideration and stated its intent to stay the FIP compliance deadlines by at least 90 days. Subsequently, the EPA granted a 90 day stay of the FIP effective dates and the Eighth Circuit granted the government's motion to hold the appeal litigation in abeyance pending settlement discussions.

In Louisiana, Entergy is working with the Louisiana Department of Environmental Quality (LDEQ) and the EPA to revise the Louisiana SIP for regional haze, which was disapproved in part in 2012. The LDEQ submitted a revised SIP in February 2017. In May 2017 the EPA proposed to approve a majority of the revisions, with a second SIP and EPA review to follow on the Nelson plant, with a final EPA decision expected in the fourth quarter 2017. At this time, it is premature to predict what controls, if any, might be required for compliance. Entergy continues to monitor the submission and to file comments in the process as appropriate.

New and Existing Source Performance Standards for Greenhouse Gas Emissions

As a part of a climate plan announced in June 2013, the EPA was directed to (i) reissue proposed carbon pollution standards for new power plants by September 20, 2013, with finalization of the rules to occur in a timely manner; (ii) issue proposed carbon pollution standards, regulations, or guidelines, as appropriate, for modified, reconstructed, and existing power plants no later than June 1, 2014; (iii) finalize those rules by no later than June 1, 2015; and (iv) include in the guidelines addressing existing power plants a requirement that states submit to the EPA the implementation plans required under Section 111(d) of the Clean Air Act and its implementing regulations by no later than June 30, 2016. In January 2014 the EPA issued the proposed New Source Performance Standards rule for new sources. In June 2014 the EPA issued proposed standards for existing power plants. Entergy has been actively engaged in the rulemaking process, having submitted comments to the EPA in December 2014. The EPA issued the final rules for both new and existing sources in August 2015, and they were published in the Federal Register in October 2015. The existing source rule, also called the Clean Power Plan, requires states to develop compliance plans with the EPA's emission standards. In February 2016 the U.S. Supreme Court issued a stay halting the effectiveness of the rule until the rule is reviewed by the D.C. Circuit and the U.S. Supreme Court, if review is granted. In March 2017 the current administration issued an executive order entitled "Promoting Energy Independence and Economic Growth" instructing the EPA to review, suspend, revise, or rescind the Clean Power Plan if appropriate. The EPA subsequently asked the D.C. Circuit to hold the challenges to the Clean Power Plan and the greenhouse gas new source performance standards in abeyance and signed a notice of withdrawal of the proposed federal plan, model trading rules, and the Clean Energy Incentive Program. The court placed the litigation in abeyance in April 2017. The EPA Administrator also sent a letter to the affected governors explaining that states are not currently required to meet Clean Power Plan deadlines, some of which have passed. In June 2017 the EPA submitted a rule, "Review of the Clean Power Plan" to the Office of Management and Budget to review, which typically takes 60-90 days. The content of this rule has not been made public.

Clean Water Act

The 1972 amendments to the Federal Water Pollution Control Act (known as the Clean Water Act) provide the statutory basis for the National Pollutant Discharge Elimination System (NPDES) permit program and the basic structure for regulating the discharge of pollutants from point sources to waters of the United States. The Clean Water Act requires virtually all discharges of pollutants to waters of the United States to be permitted. Section 316(b) of the Clean Water Act regulates cooling water intake structures, section 401 of the Clean Water Act requires a water quality certification from the state in support of certain federal actions and approvals, and section 404 regulates the dredge and fill of waters of the United States, including jurisdictional wetlands.

NPDES Permits and Section 401 Water Quality Certifications

NPDES permits are subject to renewal every five years. Consequently, Entergy is currently in various stages of the data evaluation and discharge permitting process for its power plants.

For thirteen years, Entergy participated in an administrative permitting process with the New York State Department of Environmental Conservation (NYSDEC) for renewal of the Indian Point 2 and Indian Point 3 discharge permit. That proceeding recently was settled along with other ongoing proceedings. In May 2017 a plaintiff filed two parallel state court appeals challenging New York State's actions in signing and implementing the Indian Point settlement with Entergy on the basis that the State failed to perform sufficient environmental analysis of its actions. All signatories to the settlement agreement, including the Entergy affiliates that hold NRC licenses for Indian Point, were named. For a discussion of the recent Indian Point settlement, see **"Entergy Wholesale Commodities Authorization to Operate Its Nuclear Power Plants"** in Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis.

316(b) Cooling Water Intake Structures

The EPA finalized regulations in July 2004 governing the intake of water at large existing power plants employing cooling water intake structures. The rule sought to reduce perceived impacts on aquatic resources by requiring covered facilities to implement technology or other measures to meet EPA-targeted reductions in water use and corresponding perceived aquatic impacts. Entergy, other industry members and industry groups, environmental groups, and a coalition of northeastern and mid-Atlantic states challenged various aspects of the rule. After litigation, in May 2014, the EPA issued a new final 316(b) rule, followed by publication in the Federal Register in August 2014, with the final rule effective in October 2014. Entergy is developing a compliance plan for each affected facility in accordance with the requirements of the final rule.

Entergy filed a petition for review of the final rule as a co-petitioner with the Utility Water Act Group. The case will be heard in the U.S. Court of Appeals for the Second Circuit. Briefing is complete and Entergy expects oral argument to be scheduled in mid- to late-2017.

Federal Jurisdiction of Waters of the United States

In September 2013 the EPA and the U.S. Army Corps of Engineers announced the intention to propose a rule to clarify federal Clean Water Act jurisdiction over waters of the United States. The announcement was made in conjunction with the EPA's release of a draft scientific report on the "connectivity" of waters that the agency said would inform the rulemaking. This report was finalized in January 2015. The final rule was published in the Federal Register in June 2015. The rule could significantly increase the number and types of waters included in the EPA's and the U.S. Army Corps of Engineers' jurisdiction, which in turn could pose additional permitting and pollutant management burdens on Entergy's operations. The final rule has been challenged in federal court by several parties, including most states. In August 2015 the District Court for North Dakota issued a preliminary injunction staying the new rule in 13 states. In October 2015 the U.S. Court of Appeals for the Sixth Circuit issued a nationwide stay of the rule. Entergy will continue to monitor this rulemaking and ensure compliance with existing permitting processes. In response to the stay, the EPA and the U.S. Army Corps of Engineers resumed nationwide use of the agencies' regulations as they existed prior to August 27, 2015. In February 2017 the current administration issued an executive order instructing the EPA and the U.S. Army Corps of Engineers to review the Waters of the United States rule and to revise or rescind, as appropriate. In June 2017 the EPA and the U.S. Army Corps of Engineers released a proposed rule that rescinds the June 2015 rule and recodifies the definition of "waters of the U.S." that was in effect prior to the 2015 rule. The administration is expected to propose a definition of "waters of the U.S." at a later date.

Other Environmental Matters

Entergy Louisiana and Entergy Texas

Several class action and other lawsuits have been filed in state and federal courts seeking relief from Entergy Gulf States, Inc. and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States, Inc.'s premises (see "Litigation" below).

Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, currently is involved in the second phase of the remedial investigation of the Lake Charles Service Center site, located in Lake Charles, Louisiana. A

manufactured gas plant (MGP) is believed to have operated at this site from approximately 1916 to 1931. Coal tar, a by-product of the distillation process employed at MGPs, apparently was routed to a portion of the property for disposal. The same area also has been used as a landfill. In 1999, Entergy Gulf States, Inc. signed a second administrative consent order with the EPA to perform a removal action at the site. In 2002 approximately 7,400 tons of contaminated soil and debris were excavated and disposed of from an area within the service center. In 2003 a cap was constructed over the remedial area to prevent the migration of contamination to the surface. In August 2005 an administrative order was issued by the EPA requiring that a 10-year groundwater study be conducted at this site. The groundwater monitoring study commenced in January 2006 and is continuing. The EPA released the second Five Year Review in 2015. The EPA indicated that the current remediation technique was insufficient and that Entergy would need to utilize other remediation technologies on the site. In July 2015, Entergy submitted a Focused Feasibility Study to the EPA outlining the potential remedies and suggesting installation of a Waterloo barrier. The estimated cost for this remedy is approximately \$2 million. Entergy is awaiting comments and direction from the EPA on the Focused Feasibility Study and potential remedy selection. In early 2017 the EPA indicated that the new remedial method (Waterloo barrier) may not be necessary. Entergy is continuing discussions with the EPA regarding the ongoing actions at the site.

Earnings Ratios (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

The Registrant Subsidiaries have calculated ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred dividends/distributions pursuant to Item 503 of Regulation S-K of the SEC as follows:

	Ratios of Earnings to Fixed Charges					
	Twelve Months Ended					Six Months Ended
	December 31,					June 30,
	2012	2013	2014	2015	2016	2017
Entergy Arkansas	3.79	3.62	3.08	2.04	3.32	2.54
Entergy Louisiana	2.61	3.30	3.44	3.36	3.57	3.30
Entergy Mississippi	2.79	3.19	3.23	3.59	3.96	3.86
Entergy New Orleans	2.91	1.85	3.55	4.90	4.61	4.62
Entergy Texas	1.76	1.94	2.39	2.22	2.92	2.08
System Energy	5.12	5.66	4.04	4.53	5.39	5.01

	Ratios of Earnings to Combined Fixed Charges and Preferred Dividends/Distributions					
	Twelve Months Ended					Six Months Ended
	December 31,					June 30,
	2012	2013	2014	2015	2016	2017
Entergy Arkansas	3.36	3.25	2.76	1.85	3.09	2.49
Entergy Louisiana	2.47	3.14	3.28	3.24	3.57	3.30
Entergy Mississippi	2.59	2.97	3.00	3.34	3.71	3.75
Entergy New Orleans	2.63	1.70	3.26	4.50	4.30	4.32

The Registrant Subsidiaries accrue interest expense related to unrecognized tax benefits in income tax expense and do not include it in fixed charges.

Item 6. Exhibits

- 4(a) - Eighty-eighth Supplemental Indenture, dated as of May 1, 2017, to Entergy Louisiana Mortgage and Deed of Trust, dated as of April 1, 1944 (4.43 to Form 8-K filed May 23, 2017 in 1-32718).
- 4(b) - Eighty-eighth Supplemental Indenture, dated as of May 1, 2017, to Entergy Louisiana Mortgage and Deed of Trust, dated as of September 1, 1926 (4.42 to Form 8-K filed May 23, 2017 in 1-32718).
- 4(c) - Eighth Supplemental Indenture, dated as of May 1, 2017, to Entergy Louisiana Mortgage and Deed of Trust, dated as of November 1, 2015 (4.41 to Form 8-K filed May 23, 2017 in 1-32718).
- 4(d) - Officer's Certificate No. 8-B-7, dated May 17, 2017, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, dated as of November 1, 2015 (4.40 to Form 8-K filed May 23, 2017 in 1-32718).
- *10(a) - First Amendment to The 2015 Entergy Corporation Non-Employee Director Stock Program Established under the 2015 Equity Ownership Plan of Entergy Corporation and Subsidiaries.
- *12(a) - Entergy Arkansas's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
- *12(b) - Entergy Louisiana's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Distributions, as defined.
- *12(c) - Entergy Mississippi's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
- *12(d) - Entergy New Orleans's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
- *12(e) - Entergy Texas's Computation of Ratios of Earnings to Fixed Charges, as defined.
- *12(f) - System Energy's Computation of Ratios of Earnings to Fixed Charges, as defined.
- *31(a) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- *31(b) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- *31(c) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- *31(d) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- *31(e) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.
- *31(f) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.
- *31(g) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.
- *31(h) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.
- *31(i) - Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.
- *31(j) - Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.
- *31(k) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.
- *31(l) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.
- *31(m) - Rule 13a-14(a)/15d-14(a) Certification for System Energy.
- *31(n) - Rule 13a-14(a)/15d-14(a) Certification for System Energy.
- *32(a) - Section 1350 Certification for Entergy Corporation.
- *32(b) - Section 1350 Certification for Entergy Corporation.
- *32(c) - Section 1350 Certification for Entergy Arkansas.

- *32(d) - Section 1350 Certification for Entergy Arkansas.
- *32(e) - Section 1350 Certification for Entergy Louisiana.
- *32(f) - Section 1350 Certification for Entergy Louisiana.
- *32(g) - Section 1350 Certification for Entergy Mississippi.
- *32(h) - Section 1350 Certification for Entergy Mississippi.
- *32(i) - Section 1350 Certification for Entergy New Orleans.
- *32(j) - Section 1350 Certification for Entergy New Orleans.
- *32(k) - Section 1350 Certification for Entergy Texas.
- *32(l) - Section 1350 Certification for Entergy Texas.
- *32(m) - Section 1350 Certification for System Energy.
- *32(n) - Section 1350 Certification for System Energy.
- *101 INS - XBRL Instance Document.
- *101 SCH - XBRL Taxonomy Extension Schema Document.
- *101 PRE - XBRL Taxonomy Presentation Linkbase Document.
- *101 LAB - XBRL Taxonomy Label Linkbase Document.
- *101 CAL - XBRL Taxonomy Calculation Linkbase Document.
- *101 DEF - XBRL Definition Linkbase Document.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, Entergy Corporation agrees to furnish to the Commission upon request any instrument with respect to long-term debt that is not registered or listed herein as an Exhibit because the total amount of securities authorized under such agreement does not exceed ten percent of the total assets of Entergy Corporation and its subsidiaries on a consolidated basis.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

ENTERGY CORPORATION
ENTERGY ARKANSAS, INC.
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, INC.
ENTERGY NEW ORLEANS, INC.
ENTERGY TEXAS, INC.
SYSTEM ENERGY RESOURCES, INC.

/s/ Alyson M. Mount

Alyson M. Mount
Senior Vice President and Chief Accounting Officer
(For each Registrant and for each as
Principal Accounting Officer)

Date: August 3, 2017