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

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FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2005

OR

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

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 500 Clinton Center Drive Clinton, Mississippi 39056 (Temporary Executive Office) Telephone (504) 576-4000 72-1229752	1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 446 North Boulevard Baton Rouge, LA 70802 Telephone (225) 381-5868 75-3206126
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830
1-27031	ENTERGY GULF STATES, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631 74-0662730	0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street, Building 529 New Orleans, Louisiana 70112 Telephone (504) 670-3620 72-0273040
1-8474	ENTERGY LOUISIANA HOLDINGS, INC. (a Texas corporation) 10055 Grogans Mill Road Parkwood II Building Suite 500 The Woodlands, Texas 77380 Telephone (281) 297-3647 72-0245590 Former name and address: ENTERGY LOUISIANA, INC. (a Louisiana corporation) 4809 Jefferson Highway Jefferson, Louisiana 70121	1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777

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

<u>Registrant</u>	<u>Title of Class</u>	<u>Name of Each Exchange on Which Registered</u>
Entergy Corporation	Common Stock, \$0.01 Par Value - 207,846,657 shares outstanding at February 28, 2006 Equity Units, 7.625%	New York Stock Exchange, Inc. Chicago Stock Exchange Inc. Pacific Exchange Inc. New York Stock Exchange, Inc.
Entergy Arkansas, Inc.	Mortgage Bonds, 6.7% Series due April 2032 Mortgage Bonds, 6.0% Series due November 2032	New York Stock Exchange, Inc. New York Stock Exchange, Inc.
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, \$100 Par Value: \$4.40 Dividend Series \$4.52 Dividend Series \$5.08 Dividend Series Adjustable Rate Series B (Depository Receipts)	New York Stock Exchange, Inc. New York Stock Exchange, Inc. New York Stock Exchange, Inc. New York Stock Exchange, Inc.
Entergy Louisiana, LLC	Mortgage Bonds, 7.6% Series due April 2032	New York Stock Exchange, Inc.
Entergy Mississippi, Inc.	Mortgage Bonds, 6.0% Series due November 2032 Mortgage Bonds, 7.25% Series due December 2032	New York Stock Exchange, Inc. New York Stock Exchange, Inc.

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

<u>Registrant</u>	<u>Title of Class</u>
Entergy Arkansas, Inc.	Preferred Stock, Cumulative, \$100 Par Value Preferred Stock, Cumulative, \$0.01 Par Value
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy Louisiana Holdings, Inc.	Preferred Stock, Cumulative, \$100 Par Value Preferred Stock, Cumulative, \$25 Par Value
Entergy Mississippi, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy New Orleans, Inc.	Preferred Stock, Cumulative, \$100 Par Value

Indicate by check mark if the registrants are a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
[]

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

	Large accelerated filer	Accelerated filer	Non-accelerated filer
Entergy Corporation	<input checked="" type="checkbox"/>		
Entergy Arkansas, Inc.			<input checked="" type="checkbox"/>
Entergy Gulf States, Inc.			<input checked="" type="checkbox"/>
Entergy Louisiana Holdings, Inc.			<input checked="" type="checkbox"/>
Entergy Louisiana, LLC			<input checked="" type="checkbox"/>
Entergy Mississippi, Inc.			<input checked="" type="checkbox"/>
Entergy New Orleans, Inc.			<input checked="" type="checkbox"/>
System Energy Resources, Inc.			<input checked="" type="checkbox"/>

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

The aggregate market value of Entergy Corporation Common Stock, \$0.01 Par Value, held by non-affiliates as of the end of the second quarter of 2005, was \$15.9 billion based on the reported last sale price of \$75.55 per share for such stock on the New York Stock Exchange on June 30, 2005. Entergy Corporation is the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana Holdings, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. Entergy Louisiana Holdings, Inc. is the sole holder of the common membership interests in Entergy Louisiana, LLC.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 12, 2006, are incorporated by reference into Parts I and III hereof.

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This combined Form 10-K is separately filed by Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana Holdings, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representations whatsoever as to any other company. References to Entergy Louisiana are intended to apply both to Entergy Louisiana Holdings on a consolidated basis and to Entergy Louisiana, LLC.

The report should be read in its entirety as it pertains to each respective registrant. No one section of the report deals with all aspects of the subject matter. Separate Item 6, 7, and 8 sections are provided for each registrant, except for the Notes to the financial statements. The Entergy Corporation Notes to the financial statements are separately presented, but the Notes to the financial statements for the other registrants are combined. These two sets of Notes are marked by headers. All other Items are combined for the registrants.

FORWARD-LOOKING INFORMATION

In this filing and from time to time, Entergy makes statements concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although Entergy believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements involve a number of risks and uncertainties, and there are factors that could cause actual results to differ materially from those expressed or implied in the statements. Some of those factors (in addition to others described elsewhere in this report and in subsequent securities filings) include:

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of new Texas legislation, and other regulatory proceedings, including those related to Entergy's System Agreement, Entergy's utility supply plan, recovery of storm costs, and recovery of fuel and purchased power costs
- Entergy's ability to manage its operation and maintenance costs
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- prices for power generated by Entergy's unregulated generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, and the prices and availability of fuel and power Entergy must purchase for its utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts
- Entergy's ability to develop and execute on a point of view regarding prices of electricity, natural gas, and other energy-related commodities
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria
- changes in inflation, interest rates, and foreign currency exchange rates
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the establishment of a regional transmission organization that includes Entergy's utility service territory, and the application of market power criteria by the FERC
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the northeastern United States
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities

FORWARD-LOOKING INFORMATION (Concluded)

- changes in law resulting from the new federal energy legislation, including the effects of PUHCA repeal
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- the economic climate, and particularly growth in Entergy's service territory
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of Hurricanes Katrina and Rita and recovery of costs associated with restoration including Entergy's ability to obtain financial assistance from governmental authorities in connection with these storms
- the outcome of the Chapter 11 bankruptcy proceeding of Entergy New Orleans, and the impact of this proceeding on other Entergy companies
- advances in technology
- the potential effects of threatened or actual terrorism and war
- the effects of Entergy's strategies to reduce tax payments
- the effects of litigation and government investigations
- changes in accounting standards, corporate governance, and securities law requirements
- Entergy's ability to attract and retain talented management and directors

DEFINITIONS

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

<u>Abbreviation or Acronym</u>	<u>Term</u>
AEEC	Arkansas Electric Energy Consumers
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
CPI-U	Consumer Price Index - Urban
DOE	United States Department of Energy
domestic utility companies	Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively
EITF	FASB's Emerging Issues Task Force
Energy Commodity Services	Entergy's business segment that includes Entergy-Koch, LP and Entergy's non-nuclear wholesale assets business
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy-Koch	Entergy-Koch, LP, a joint venture equally owned by subsidiaries of Entergy and Koch Industries, Inc.
Entergy Louisiana	Entergy Louisiana Holdings, Inc. and Entergy Louisiana, LLC
EPA	United States Environmental Protection Agency
EPDC	Entergy Power Development Corporation, a wholly-owned subsidiary of Entergy Corporation
FASB	Financial Accounting Standards Board
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
firm liquidated damages	Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset); if a party fails to deliver or receive energy, the defaulting party must compensate the other party as specified in the contract
FSP	FASB Staff Position
Grand Gulf	Unit No. 1 of Grand Gulf Steam Electric Generating Station (nuclear), 90% owned or leased by System Energy
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour(s)

DEFINITIONS (Continued)

<u>Abbreviation or Acronym</u>	<u>Term</u>
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
Mcf	1,000 cubic feet of gas
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatt(s)
MWh	Megawatt-hour(s)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, owned 70% by Entergy Gulf States
Net debt ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned or operated
Net revenue	Operating revenue net of fuel, fuel-related, and purchased power expenses; and other regulatory credits
Non-Utility Nuclear	Entergy's business segment that owns and operates five nuclear power plants and sells electric power produced by those plants to wholesale customers
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
OASIS	Open Access Same Time Information Systems
PPA	Purchased power agreement
production cost	Cost in \$/MMBtu associated with delivering gas, excluding the cost of the gas
PRP	Potentially responsible party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
PUHCA 1935	Public Utility Holding Company Act of 1935, as amended
PUHCA 2005	Public Utility Holding Company Act of 2005, which repealed PUHCA 1935, among other things
PURPA	Public Utility Regulatory Policies Act of 1978
Ritchie Unit 2	Unit 2 of the R.E. Ritchie Steam Electric Generating Station (gas/oil)
River Bend	River Bend Steam Electric Generating Station (nuclear), owned by Entergy Gulf States
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards as promulgated by the FASB
SMEPA	South Mississippi Electric Power Agency, which owns a 10% interest in Grand Gulf
spark spread	Dollar difference between electricity prices per unit and natural gas prices after assuming a conversion ratio for the number of natural gas units necessary to generate one unit of electricity
System Agreement	Agreement, effective January 1, 1983, as modified, among the domestic utility companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.

DEFINITIONS (Concluded)

Abbreviation or Acronym

Term

TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
unit-contingent	Transaction under which power is supplied from a specific generation asset; if the specified generation asset is unavailable as a result of forced outage or unanticipated event or circumstance, the seller is not liable to the buyer for any damages resulting from the seller's failure to deliver power
unit-contingent with availability guarantees	Transaction under which power is supplied from a specific generation asset; if the specified generation asset is unavailable as a result of forced outage or unanticipated event or circumstance, the seller is not liable to the buyer for any damages resulting from the seller's failure to deliver power unless the actual availability over a specified period of time is below an availability threshold specified in the contract
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
UK	The United Kingdom of Great Britain and Northern Ireland
U.S. Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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ENTERGY'S BUSINESS

Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail electric distribution operations. Entergy owns and operates power plants with approximately 30,000 MW of electric generating capacity, and it is the second-largest nuclear power generator in the United States. Entergy delivers electricity to 2.6 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy generated annual revenues of \$10.1 billion in 2005 and had approximately 14,100 employees as of December 31, 2005.

Entergy operates primarily through two business segments: U.S. Utility and Non-Utility Nuclear.

- **U.S. Utility** generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **Non-Utility Nuclear** owns and operates five nuclear power plants located in the northeastern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the Energy Commodity Services segment and the Competitive Retail Services business. Energy Commodity Services includes (i) Entergy-Koch, LP and (ii) Entergy's non-nuclear wholesale power marketing business. Entergy Koch is a non-operating entity, which prior to the fourth quarter of 2004, owned and operated an energy marketing/trading and gas transportation/storage business. The Competitive Retail Services business markets and sells electricity, thermal energy, and related services in competitive markets, primarily in the ERCOT region in Texas. Entergy has decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, and now reports this portion of the business as a discontinued operation. Entergy reports Energy Commodity Services and Competitive Retail Services as part of All Other in its segment disclosures.

OPERATING INFORMATION
For the Years Ended December 31, 2005, 2004, and 2003

	U.S. Utility	Non-Utility Nuclear (In Thousands)	Entergy Consolidated (a)
2005			
Operating revenues	\$8,526,943	\$1,421,547	\$10,106,247
Operating expenses	\$7,186,035	\$996,013	\$8,314,258
Other income	\$111,186	\$71,827	\$211,451
Interest and other charges	\$364,665	\$50,874	\$475,604
Income taxes	\$405,662	\$163,865	\$559,284
Loss from discontinued operations	\$-	\$-	(\$44,794)
Earnings applicable to common stock	\$659,760	\$282,622	\$898,331
2004			
Operating revenues	\$8,142,808	\$1,341,852	\$9,685,521
Operating expenses	\$6,795,146	\$978,688	\$8,035,349
Other income	\$108,925	\$78,141	\$125,999
Interest and other charges	\$383,032	\$53,657	\$477,776
Income taxes	\$406,864	\$142,620	\$365,305
Loss from discontinued operations	\$-	\$-	(\$41)
Earnings applicable to common stock	\$643,408	\$245,028	\$909,524
2003			
Operating revenues	\$7,584,857	\$1,274,983	\$9,032,714
Operating expenses	\$6,274,830	\$1,039,614	\$7,527,158
Other income	(\$35,965)	\$33,997	\$325,315
Interest and other charges	\$419,111	\$34,460	\$505,641
Income taxes	\$341,044	\$88,619	\$497,433
Loss from discontinued operations	\$-	\$-	(\$14,404)
Cumulative effect of accounting change	(\$21,333)	\$154,512	\$137,074
Earnings applicable to common stock	\$469,050	\$300,799	\$926,943

CASH FLOW INFORMATION
For the Years Ended December 31, 2005, 2004, and 2003

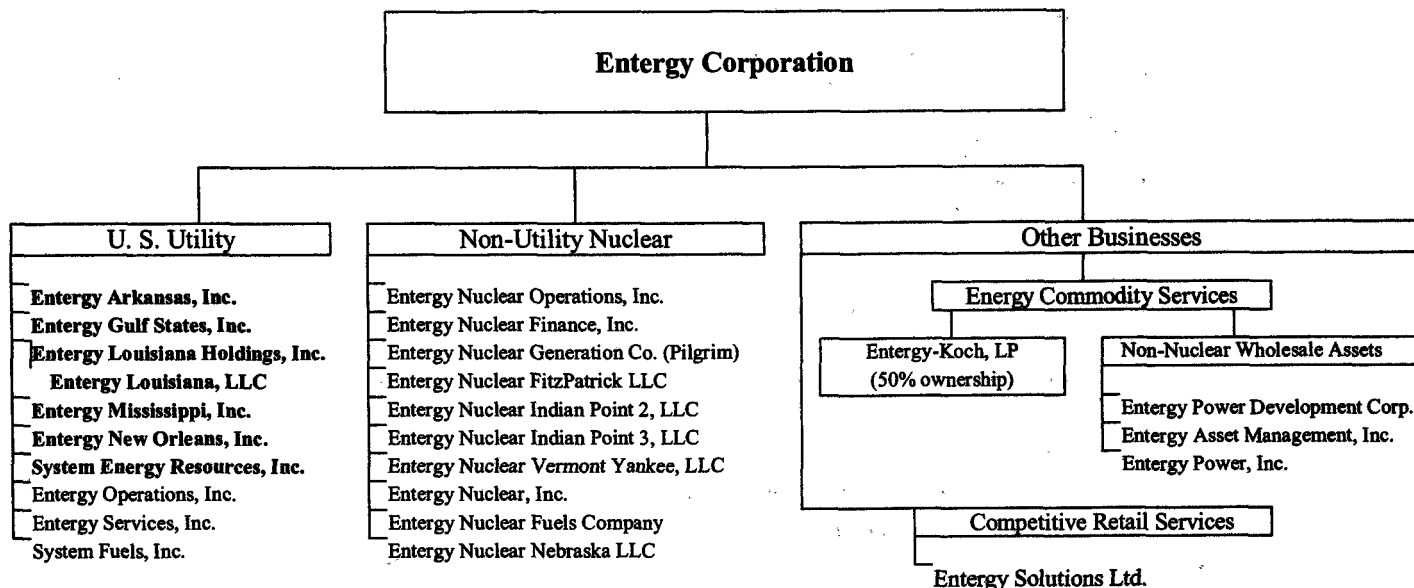
	U.S. Utility	Non-Utility Nuclear (In Thousands)	Entergy Consolidated (a)
2005			
Net cash flow provided by operating activities	\$973,692	\$551,263	\$1,467,808
Net cash flow used in investing activities	(\$1,709,175)	(\$368,497)	(\$1,992,608)
Net cash flow provided by (used in) financing activities	\$646,588	(\$110,482)	\$496,390
2004			
Net cash flow provided by operating activities	\$2,207,876	\$414,518	\$2,929,319
Net cash flow used in investing activities	(\$1,198,009)	(\$386,023)	(\$1,143,225)
Net cash flow used in financing activities	(\$824,579)	(\$37,894)	(\$1,671,859)
2003			
Net cash flow provided by operating activities	\$1,675,069	\$182,524	\$2,005,820
Net cash flow used in investing activities	(\$1,441,992)	(\$184,913)	(\$1,967,930)
Net cash flow used in financing activities	(\$919,983)	(\$6,672)	(\$869,130)

FINANCIAL POSITION INFORMATION
As of December 31, 2005 and 2004

	U.S. Utility	Non-Utility Nuclear (In Thousands)	Entergy Consolidated (a)
2005			
Current assets	\$3,182,160	\$699,299	\$4,056,294
Other property and investments	\$1,433,300	\$1,473,450	\$3,213,917
Property, plant and equipment - net	\$16,899,266	\$2,001,727	\$19,197,045
Deferred debits and other assets	\$3,727,706	\$713,096	\$4,384,013
Current liabilities	\$2,341,601	\$517,847	\$3,127,914
Non-current liabilities	\$16,238,484	\$2,254,827	\$19,980,608
Shareholders' equity	\$6,662,347	\$2,114,898	\$7,742,747
2004			
Current assets	\$2,292,959	\$590,580	\$3,077,276
Other property and investments	\$1,200,246	\$1,403,222	\$2,995,894
Property, plant and equipment - net	\$16,502,155	\$1,850,481	\$18,695,631
Deferred debits and other assets	\$2,941,877	\$687,322	\$3,541,976
Current liabilities	\$1,756,011	\$649,281	\$2,332,383
Non-current liabilities	\$15,214,095	\$1,832,477	\$17,681,707
Shareholders' equity	\$5,967,131	\$2,049,847	\$8,296,687

(a) In addition to the two operating segments presented here, Entergy Consolidated also includes Entergy Corporation (parent company), other business activity, and intercompany eliminations, including the Energy Commodity Services business, the Competitive Retail Services business, and earnings on the proceeds of sales of previously-owned businesses. The Energy Commodity Services business was presented as a reportable segment prior to 2005, but it did not meet the quantitative thresholds for a reportable segment in 2005 and 2004, and with the sale of Entergy-Koch's businesses in 2004, management does not expect the Energy Commodity Services business to meet the quantitative thresholds in the foreseeable future. The 2004 and 2003 information in the tables above has been restated to include the Energy Commodity Services business in the Entergy Consolidated column. As a result of the Entergy New Orleans bankruptcy filing, Entergy has discontinued the consolidation of Entergy New Orleans retroactive to January 1, 2005, and is reporting Entergy New Orleans results under the equity method of accounting in the U.S. Utility segment.

The following shows the principal subsidiaries and affiliates within Entergy's business segments. Companies that file reports and other information with the SEC under the Securities Exchange Act of 1934 are identified in bold-faced type.



Strategy

Entergy aspires to achieve industry-leading total shareholder returns by leveraging the scale and expertise inherent in its core nuclear and utility operations. Entergy's scope includes electricity generation, transmission and distribution as well as natural gas transportation and distribution. Entergy focuses on operational excellence with an emphasis on safety, reliability, customer service, sustainability, cost efficiency, and risk management. Entergy also focuses on portfolio management to make periodic buy, build, hold, or sell decisions based upon its analytically-derived points of view which are continuously updated as market conditions evolve.

Availability of SEC filings and other information on Entergy's website

Entergy's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments are available without charge on its website, <http://www.shareholder.com/entergy/edgar.cfm>, as soon as reasonably practicable after they are filed electronically with the SEC. Entergy is providing the address to its Internet site solely for the information of investors. Entergy does not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

Part I, Item 1 is continued on page 111.

ENTERGY CORPORATION AND SUBSIDIARIES REPORT OF MANAGEMENT

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

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

As a supplement to management's assessment, Entergy's independent auditors conduct an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting and issue an attestation report on the adequacy of management's assessment. They evaluate Entergy's internal control over financial reporting and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

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

Based on management's assessment of internal controls using the COSO criteria, management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2005. Management further believes that this assessment, combined with the policies and procedures noted above provide reasonable assurance that Entergy's financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

J. WAYNE LEONARD
Chief Executive Officer of Entergy Corporation

HUGH T. MCDONALD
Chairman, President, and Chief Executive Officer of Entergy Arkansas, Inc.

E. RENAE CONLEY
Chair of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC; President and Chief Executive Officer of Louisiana of Entergy Gulf States, Inc.

DANIEL F. PACKER
Chairman, President, and Chief Executive Officer of Entergy New Orleans, Inc.

THEODORE H. BUNTING, JR.
Vice President and Chief Financial Officer of System Energy Resources, Inc.

MICHAEL D. BAKEWELL
President of Entergy Louisiana Holdings, Inc.

LEO P. DENAULT
Executive Vice President and Chief Financial Officer of Entergy Corporation

JOSEPH F. DOMINO
Chairman of Entergy Gulf States, Inc., President and Chief Executive Officer - Texas of Entergy Gulf States, Inc.

CAROLYN C. SHANKS
Chairman, President, and Chief Executive Officer of Entergy Mississippi, Inc.

GARY J. TAYLOR
Chairman, President, and Chief Executive Officer of System Energy Resources, Inc.

JAY A. LEWIS
Vice President and Chief Financial Officer of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., and Entergy New Orleans, Inc.

ROBERT A. MALONE
Treasurer of Entergy Louisiana Holdings, Inc.

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: U.S. Utility and Non-Utility Nuclear.

- **U.S. Utility** generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **Non-Utility Nuclear** owns and operates five nuclear power plants located in the northeastern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the Energy Commodity Services segment and the Competitive Retail Services business. Energy Commodity Services includes Entergy-Koch, LP and Entergy's non-nuclear wholesale assets business. Entergy-Koch, LP engaged in two major businesses: energy commodity marketing and trading through Entergy-Koch Trading, and gas transportation and storage through Gulf South Pipeline. Entergy-Koch sold both of these businesses in the fourth quarter of 2004, and Entergy-Koch is no longer an operating entity. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with Entergy's market-based point-of-view. The Competitive Retail Services business markets and sells electricity, thermal energy, and related services in competitive markets, primarily in the ERCOT region in Texas. Entergy has decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, and now reports this portion of the business as a discontinued operation. Entergy reports Energy Commodity Services and Competitive Retail Services as part of All Other in its segment disclosures.

Following are the percentages of Entergy's consolidated revenues and net income generated by its operating segments and the percentage of total assets held by them:

Segment	% of Revenue			% of Net Income			% of Total Assets		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
U.S. Utility	84	84	84	74	72	52	82	80	79
Non-Utility Nuclear	14	14	14	30	26	32	16	16	15
Parent Company & Other Business Segments	2	2	2	(4)	2	16	2	4	6

Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to large portions of the U.S. Utility's service territory in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area. The storms and flooding resulted in widespread power outages, significant damage to electric distribution, transmission, and generation and gas infrastructure, and the loss of sales and customers due to mandatory evacuations and the destruction of homes and businesses. Total restoration costs for the repair and/or replacement of the U.S. Utility's electric and gas facilities damaged by Hurricanes Katrina and Rita and business continuity costs are estimated to be \$1.5 billion, including \$835.2 million in construction expenditures and \$664.8 million recorded as regulatory assets. The cost estimates do not include other potential incremental losses, such as the inability to recover fixed costs scheduled for recovery through base rates, which base rate revenue was not recovered due to a loss of anticipated sales. For instance, at Entergy New Orleans, the domestic utility company that continues to have significant lost revenue caused by Hurricane Katrina, Entergy estimates that lost net revenue due to Hurricane Katrina will total approximately

\$320 million through 2007. In addition, Entergy estimates that the hurricanes caused \$32 million of uncollectible U.S. Utility customer receivables.

The estimated storm restoration costs also do not include the longer-term accelerated replacement of the gas distribution system in New Orleans that Entergy New Orleans expects will be necessary due to the massive salt water intrusion into the system caused by the flooding in New Orleans. The salt water intrusion is expected to shorten the life of the gas distribution system, making it necessary to replace that system over time. Entergy New Orleans currently expects the cost of the gas system replacement to be \$355 million, with the project beginning in 2008 and extending for many years thereafter.

Entergy has recorded accruals for the portion of the estimated \$1.5 billion of storm restoration costs not yet paid. In accordance with its accounting policies, and based on historic treatment of such costs in the U.S. Utility's service territories and communications with local regulators, Entergy recorded assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. In December 2005, Entergy Gulf States' Louisiana jurisdiction, Entergy Louisiana, and Entergy Mississippi filed with their respective retail regulators for recovery of storm restoration costs. The filings are discussed in Note 2 to the consolidated financial statements. Because Entergy has not gone through the regulatory process regarding these storm costs, however, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs and incremental losses it may ultimately recover, or the timing of such recovery.

The temporary power outages associated with the hurricanes in the affected service territory caused Entergy Louisiana's and Entergy New Orleans' sales volume and receivable collections to be lower than normal beginning in September 2005. Revenues are expected to continue to be affected for a period of time that cannot be estimated as a result of customers at Entergy New Orleans and Entergy Louisiana that are unable to accept electric and gas service and as a result of changes in load patterns that could occur, including the effect of residential customers who can accept electric and gas service not permanently returning to their homes. Restoration for many of the customers who are unable to accept service will follow major repairs or reconstruction of customer facilities, and will be contingent on validation by local authorities of habitability and electrical safety of customers' structures. Entergy estimates that lost non-fuel revenues in 2006 caused by the hurricanes will be approximately \$123 million for Entergy New Orleans and \$39 million for Entergy Louisiana. Entergy's estimate of the revenue impact is subject to change, however, because of a range of uncertainties, in particular the timing of when individual customers will recommence taking service.

Entergy is pursuing a broad range of initiatives to recover storm restoration and business continuity costs and incremental losses. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for damage caused by Hurricanes Katrina and Rita, and, as noted above, pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies.

Entergy's non-nuclear property insurance program provides coverage up to \$400 million on an Entergy system-wide basis, subject to a \$20 million per occurrence self-insured retention, for all risks coverage for direct physical loss or damage, including boiler and machinery breakdown. Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes above-ground transmission and distribution lines, poles, and towers. The primary property program (excess of the deductible) is placed through Oil Insurance Limited (\$250 million layer) with the excess program (\$150 million layer) placed on a quota share basis through Underwriters at Lloyds (50%) and Hartford Steam Boiler Inspection and Insurance Company (50%). Coverage is in place for Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. There is an aggregation limit of \$1 billion for all parties insured by OIL for any one occurrence, and Entergy has been notified by OIL that it expects claims for Hurricane Katrina to materially exceed this limit. Entergy is currently evaluating the amount of the covered losses for each of the affected domestic utility companies, working with insurance adjusters, and preparing proofs of loss for Hurricanes Katrina and Rita. Entergy currently estimates that its net insurance recoveries for the losses caused

by the hurricanes, including the effect of the OIL aggregation limit being exceeded, will be approximately \$382 million.

In December 2005, the U.S. Congress passed and the President signed the Katrina Relief Bill, a hurricane aid package that includes \$11.5 billion in Community Development Block Grants (for the states affected by Hurricanes Katrina, Rita, and Wilma) that allows state and local leaders to fund individual recovery priorities. The bill includes language that permits funding for infrastructure restoration. It is uncertain how much funding, if any, will be designated for utility reconstruction, and the timing of such decisions is also uncertain. Entergy is currently preparing applications to seek Community Development Block Grant funding.

Entergy New Orleans Bankruptcy

Because of the effects of Hurricane Katrina, on September 23, 2005, Entergy New Orleans filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Louisiana seeking reorganization relief under the provisions of Chapter 11 of the United States Bankruptcy Code (Case No. 05-17697). Entergy Corporation owns 100 percent of the common stock of Entergy New Orleans, has continued to supply general and administrative services, and has provided debtor-in-possession financing to Entergy New Orleans. Uncertainties surrounding the nature, timing, and specifics of the bankruptcy proceedings, however, have caused Entergy to deconsolidate Entergy New Orleans and reflect Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change did not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations for any current or prior period, but did result in Entergy New Orleans' net income for 2005 being presented as "Equity in earnings (loss) of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for periods prior to 2005. Entergy reviewed the carrying value of its equity investment in Entergy New Orleans (\$149.9 million as of December 31, 2005) to determine if an impairment had occurred as a result of the storm, the flood, the power outages, restoration costs, and changes in customer load. Entergy determined that as of December 31, 2005, no impairment had occurred because, as discussed above, management believes that recovery is probable. In addition to Entergy's equity investment in Entergy New Orleans, as of December 31, 2005 Entergy New Orleans owed Entergy and its subsidiaries a total of approximately \$47 million in prepetition accounts payable. Entergy will continue to assess the carrying value of its investment in Entergy New Orleans as developments occur in Entergy New Orleans' recovery efforts.

Entergy continues to work with the federal, state, and local authorities to resolve the bankruptcy in a manner that allows Entergy New Orleans' customers to be served by a financially viable entity as required by law. Key factors that will influence the timing and outcome of the Entergy New Orleans bankruptcy include:

- The amount of insurance recovery, if any, and the timing of receipt of proceeds;
- The amount of assistance funding, if any, from the federal and state governments, and the timing of that funding, including Entergy's intended application for Community Development Block Grant funding;
- The level of economic recovery of New Orleans;
- The number of customers that return to New Orleans, and the timing of their return; and
- The amount and timing of any regulatory recovery approved by the City Council.

The exclusivity period for filing a final plan of reorganization by Entergy New Orleans is currently scheduled to end on April 21, 2006, with solicitation of acceptances of the plan scheduled to be complete by June 20, 2006. If a party to the bankruptcy proceeding, including Entergy New Orleans, requests it, the bankruptcy court has the authority to extend these deadlines. In addition, the bankruptcy judge has set a date of April 19, 2006 by which creditors with prepetition claims against Entergy New Orleans must, with certain exceptions, file their proofs of claim in the bankruptcy case.

The deconsolidation of Entergy New Orleans is retroactive to January 1, 2005, and its 2005 results of operations are presented as a component of "Equity in earnings (loss) of unconsolidated equity affiliates."

Transactions in 2005 between Entergy New Orleans and other Entergy subsidiaries are not eliminated in consolidation as they were in periods prior to 2005. The variance explanations for 2005 compared to 2004 in "Results of Operations" below reflect the 2004 results of operations of Entergy New Orleans as if it were deconsolidated in 2004, consistent with the 2005 presentation as "Equity in earnings (loss) of unconsolidated equity affiliates." The variance explanations for 2004 compared to 2003 are based on as reported amounts. Entergy's as reported consolidated results for 2004 and the amounts included in those consolidated results for Entergy New Orleans, which exclude inter-company items, are set forth in the table below.

For the Year Ended December 31, 2004		
	Entergy Corporation and Subsidiaries (as reported)	Amounts required to deconsolidate Entergy New Orleans in 2004 *
	(In Thousands)	
Operating Revenues	\$9,685,521	(\$435,194)
Operating Expenses:		
Fuel, fuel-related expenses, and gas purchased for resale and purchased power	4,189,818	(206,240)
Other operation and maintenance	2,268,332	(102,451)
Taxes other than income taxes	403,635	(43,577)
Depreciation and amortization	893,574	(29,657)
Other regulatory credits – net	(90,611)	4,670
Other operating expenses	370,601	-
Total Operating Expenses	\$8,035,349	(\$377,255)
Other Income	\$125,999	(\$2,044)
Interest and Other Charges	\$477,776	(\$15,043)
Income from Continuing Operations Before Income Taxes and Cumulative Effect of Accounting Changes	\$1,298,395	(\$17,833)
Income Taxes	\$365,305	(\$16,868)
Consolidated Net Income	\$933,049	(\$965)
Preferred Dividend Requirements and Other	\$23,525	(\$965)

* Reflects the entry necessary to deconsolidate Entergy New Orleans for 2004. The column includes intercompany eliminations.

Results of Operations

Earnings applicable to common stock for the years ended December 31, 2005, 2004, and 2003 by operating segment are as follows:

Operating Segment	2005	2004	2003
	(In Thousands)		
U.S. Utility	\$659,760	\$643,408	\$469,050
Non-Utility Nuclear	282,623	245,029	300,799
Parent Company & Other Business Segments	(44,052)	21,087	157,094
Total	<u>\$898,331</u>	<u>\$909,524</u>	<u>\$926,943</u>

Following is a discussion of Entergy's income before taxes according to the business segments listed above. Earnings for 2005 were negatively affected by \$44.8 million net-of-tax of discontinued operations due to the planned sale of the retail electric portion of Entergy's Competitive Retail Services business operating in the ERCOT region of Texas. This amount includes a net charge of \$25.8 million, net-of-tax, related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems.

Earnings for 2004 include a \$97 million tax benefit that resulted from the sale of preferred stock and less than 1% of the common stock in a subsidiary in the non-nuclear wholesale assets business; and a \$36 million net-of-tax impairment charge in the non-nuclear wholesale assets business, both of which are discussed below.

Earnings for 2003 include the \$137.1 million net-of-tax cumulative effect of changes in accounting principle that increased earnings in the first quarter of 2003, almost entirely resulting from the implementation of SFAS 143. Earnings were negatively affected in the fourth quarter of 2003 by voluntary severance program expenses of \$122.8 million net-of-tax. As part of an initiative to achieve productivity improvements with a goal of reducing costs, primarily in the Non-Utility Nuclear and U.S. Utility businesses, in the second half of 2003 Entergy offered a voluntary severance program to employees in various departments. Approximately 1,100 employees, including 650 employees in nuclear operations from the Non-Utility Nuclear and U.S. Utility businesses, accepted the offers.

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

U.S. UTILITY

The increase in earnings for the U.S. Utility from \$643 million in 2004 to \$660 million in 2005 was primarily due to higher net revenue and lower depreciation and amortization expenses, partially offset by lower other income, including equity in earnings of unconsolidated equity affiliates related to Entergy New Orleans, and higher taxes other than income taxes.

The increase in earnings for the U.S. Utility from \$469 million in 2003 to \$643 million in 2004 was primarily due to the following:

- the \$107.7 million (\$65.6 million net-of-tax) accrual in 2003 of the loss that would be associated with a final, non-appealable decision disallowing abeyed River Bend plant costs. Refer to Note 2 to the consolidated financial statements for more details regarding the River Bend abeyed plant costs;
- lower other operation and maintenance expenses primarily due to \$99.8 million (\$70.1 million net-of-tax) of charges recorded in 2003 in connection with the voluntary severance program;
- the \$21.3 million net-of-tax cumulative effect of a change in accounting principle that reduced earnings at Entergy Gulf States in the first quarter of 2003 upon implementation of SFAS 143. See "**Critical Accounting Estimates – Nuclear Decommissioning Costs**" below for discussion of the implementation of SFAS 143;
- miscellaneous other income of \$27.7 million (pre-tax) in 2004 resulting from a revision of the decommissioning liability for River Bend, as discussed in Note 8 to the consolidated financial statements;
- higher net revenue; and
- lower interest charges.

Net Revenue

2005 Compared to 2004

Net revenue, which is Entergy's measure of gross margin, 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 2005 to 2004.

	<u>Amount</u> (In Millions)
2004 net revenue	\$4,010.3
Price applied to unbilled sales	40.8
Rate refund provisions	36.4
Volume/weather	3.6
2004 deferrals	(15.2)
Other	(0.5)
2005 net revenue	<u>\$4,075.4</u>

The price applied to unbilled sales variance resulted primarily from an increase in the fuel cost component included in the price applied to unbilled sales. The increase in the fuel cost component is attributable to an increase in the market prices of natural gas and purchased power. See "**Critical Accounting Estimates – Unbilled Revenue**" and Note 1 to the consolidated financial statements for further discussion of the accounting for unbilled revenues.

The rate refund provisions variance is due primarily to accruals recorded in 2004 for potential rate action at Entergy Gulf States and Entergy Louisiana.

The volume/weather variance includes the effect of more favorable weather in 2005 compared to 2004 substantially offset by a decrease in weather-adjusted usage due to the effects of Hurricanes Katrina and Rita and a decrease in usage during the unbilled sales period. See "**Critical Accounting Estimates – Unbilled Revenue**" and Note 1 to the consolidated financial statements for further discussion of the accounting for unbilled revenues.

The 2004 deferrals variance is due to the deferrals related to Entergy's voluntary severance program, in accordance with a stipulation with the LPSC staff. The deferrals are being amortized over a four-year period effective January 2004.

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

Gross operating revenues include an increase in fuel cost recovery revenues of \$586.3 million resulting from increases in the market prices of purchased power and natural gas. As such, this revenue increase is offset by increased fuel and purchased power expenses. The price applied to unbilled sales and the rate refund provisions variances, discussed above, and an increase in gross wholesale revenue also contributed to the increase in gross operating revenues. Gross wholesale revenues increased \$84.2 million primarily due to an increase in the average price of energy available for resale.

Other regulatory charges (credits) have no material effect on net income due to recovery and/or refund of such expenses. Other regulatory credits decreased primarily due to the following:

- \$32.4 million due to the over-recovery of costs through the power management recovery rider at Entergy Mississippi as a result of gains recorded on gas hedging contracts; and
- \$22.6 million due to the over-recovery of Grand Gulf costs through Grand Gulf riders at Entergy Arkansas and Entergy Mississippi.

The decrease is partially offset by \$24.8 million of higher deferrals of capacity charges that are not currently recovered through base rates but are expected to be recovered in the future. See Note 2 to the consolidated financial statements for a discussion of the formula rate plan filings that will be effective in 2006 for the 2005 test year for Entergy Louisiana and the Louisiana jurisdiction of Entergy Gulf States.

2004 Compared to 2003

Net revenue, which is Entergy's measure of gross margin, 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 2004 to 2003.

	<u>Amount</u> (In Millions)
2003 net revenue	\$4,214.5
Volume/weather	68.3
Summer capacity charges	17.4
Base rates	10.6
Deferred fuel cost revisions	(46.3)
Price applied to unbilled sales	(19.3)
Other	(1.2)
2004 net revenue	<u>\$4,244.0</u>

The volume/weather variance resulted primarily from increased usage, partially offset by the effect of milder weather on sales during 2004 compared to 2003. Billed usage increased a total of 2,261 GWh in the industrial and commercial sectors.

The summer capacity charges variance was due to the amortization in 2003 at Entergy Gulf States and Entergy Louisiana of deferred capacity charges for the summer of 2001. Entergy Gulf States' amortization began in June 2002 and ended in May 2003. Entergy Louisiana's amortization began in August 2002 and ended in July 2003.

Base rates increased net revenue due to a base rate increase at Entergy New Orleans that became effective in June 2003.

The deferred fuel cost revisions variance resulted primarily from a revision in 2003 to an unbilled sales pricing estimate to more closely align the fuel component of that pricing with expected recoverable fuel costs at Entergy Louisiana. Deferred fuel cost revisions also decreased net revenue due to a revision in 2004 to the estimate of fuel costs filed for recovery at Entergy Arkansas in the March 2004 energy cost recovery rider.

The price applied to unbilled sales variance resulted from a decrease in fuel price in 2004 caused primarily by the effect of nuclear plant outages in 2003 on average fuel costs. See "**Critical Accounting Estimates – Unbilled Revenue**" and Note 1 to the consolidated financial statements for further discussion of the accounting for unbilled revenues.

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

Gross operating revenues include an increase in fuel cost recovery revenues of \$475 million and \$18 million in electric and gas sales, respectively, primarily due to higher fuel rates in 2004 resulting from increases in the market prices of purchased power and natural gas. As such, this revenue increase is offset by increased fuel and purchased power expenses.

Other regulatory charges (credits) have no material effect on net income due to recovery and/or refund of such expenses. Other regulatory credits increased primarily due to the following:

- cessation of the Grand Gulf Accelerated Recovery Tariff that was suspended in July 2003;
- the amortization in 2003 of deferred capacity charges for summer 2001 power purchases at Entergy Gulf States and Entergy Louisiana;
- the deferral in 2004 of \$14.3 million of capacity charges related to generation resource planning as allowed by the LPSC;
- the deferral in 2004 by Entergy Louisiana of \$11.4 million related to the voluntary severance program, in accordance with a proposed stipulation entered into with the LPSC staff; and
- the deferral in August 2004 of \$7.5 million of fossil plant maintenance and voluntary severance program costs at Entergy New Orleans as a result of a stipulation approved by the City Council.

Other Income Statement Variances

2005 Compared to 2004

Other operation and maintenance expenses increased slightly from \$1.467 billion in 2004 to \$1.471 billion in 2005. The variance includes the following:

- an increase of \$9.5 million in nuclear expenses for contract and material costs associated with maintenance outages and nuclear refueling outage pre-work;
- an increase of \$9.5 million in miscellaneous regulatory reserves;
- an increase of \$7.6 million in storm reserves (unrelated to Hurricanes Katrina and Rita);
- an increase of \$5.1 million in estimated loss provisions recorded for the bankruptcy of CashPoint, which managed a network of payment agents for the domestic utility companies;
- an increase of \$4.7 million in payroll and benefits costs which includes higher pension and post-retirement benefit costs substantially offset by incentive compensation true-ups;
- a decrease of \$18.2 million due to a shift in labor and material costs from normal maintenance work to storm restoration work; and
- a decrease of \$15.7 million related to proceeds received from the radwaste settlement, which is discussed further in "**Significant Factors and Known Trends** – Central States Compact Claim."

Taxes other than income taxes increased from \$300.7 million in 2004 to \$321.9 million in 2005 primarily due to higher employment taxes and higher assessed values for ad valorem tax purposes in 2005.

Depreciation and amortization expenses decreased from \$794.1 million in 2004 to \$783.8 million in 2005 primarily due to a change in the depreciation rate for Waterford 3 as approved by the LPSC effective April 2005.

Other income decreased from \$134 million in 2004 to \$111.2 million in 2005 primarily due to:

- a revision in 2004 to the estimated decommissioning cost liability for River Bend in accordance with a new decommissioning cost study that reflected a life extension for the plant. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous income of \$27.7 million;
- a decrease of \$26.3 million in Entergy New Orleans earnings, which is now reported as an unconsolidated equity affiliate for 2005 in the "Equity in earnings (loss) of unconsolidated equity affiliates" line on the Income Statement. The decrease in Entergy New Orleans' earnings is primarily a result of lower net revenue and higher depreciation and amortization expenses, partially offset by lower other operation and maintenance expenses and lower interest charges; and
- a decrease of \$10.1 million at Entergy Gulf States due to a reduction in 2004 in the loss provision for an environmental clean-up site.

The decrease was partially offset by an increase of \$35.3 million in interest and dividend income due to both the proceeds from the radwaste settlement, which is discussed further in "**Significant Factors and Known Trends - Central States Compact Claim**," and increased interest on temporary cash investments.

2004 Compared to 2003

Other operation and maintenance expenses decreased from \$1.613 billion in 2003 to \$1.569 billion in 2004 primarily due to voluntary severance program accruals of \$99.8 million in 2003 partially offset by an increase of \$30.5 million as a result of higher customer service support costs in 2004 and an increase of approximately \$33 million as a result of higher benefits costs in 2004. See "**Critical Accounting Estimates - Pension and Other Retirement Benefits**" and Note 10 to the consolidated financial statements for further discussion of benefit costs.

Depreciation and amortization expenses increased from \$797.6 million in 2003 to \$823.7 million in 2004 primarily due to higher depreciation of Grand Gulf due to a higher scheduled sale-leaseback principal payment in addition to an increase in plant in service.

Other income (deductions) changed from (\$36.0 million) in 2003 to \$108.9 million in 2004 primarily due to the following:

- the \$107.7 million accrual in the second quarter of 2003 for the loss that would be associated with a final, non-appealable decision disallowing abeyed River Bend plant costs. See Note 2 to the consolidated financial statements for more details regarding the River Bend abeyed plant costs;
- a reduction in the decommissioning liability for River Bend in 2004, as discussed in Note 8 to the consolidated financial statements; and
- a \$10 million reduction in the loss provision for an Entergy Gulf States environmental clean-up site.

Interest on long-term debt decreased from \$433.5 million in 2003 to \$390.7 million in 2004 primarily due to the net retirement and refinancing of long-term debt in 2003 and the first six months of 2004. See Note 5 to the consolidated financial statements for details on long-term debt.

NON-UTILITY NUCLEAR

Following are key performance measures for Non-Utility Nuclear:

	2005	2004	2003
Net MW in operation at December 31	4,105	4,058	4,001
Average realized price per MWh	\$42.39	\$41.26	\$39.38
Generation in GWh for the year	33,539	32,524	32,379
Capacity factor for the year	93%	92%	92%

2005 Compared to 2004

The increase in earnings for Non-Utility Nuclear from \$245 million in 2004 to \$282.6 million in 2005 was primarily due to the following:

- higher revenues, which increased from \$1.342 billion in 2004 to \$1.422 billion in 2005, primarily resulting from higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2005 due to power uprates at several plants completed in 2004 and 2005 and fewer planned and unplanned outages in 2005; and
- miscellaneous income of \$15.8 million net-of-tax resulting from a reduction in the decommissioning liability for a plant in 2005, as discussed in Note 8 to the consolidated financial statements.

The increase in earnings was partially offset by the following:

- higher fuel and purchased power expenses, which increased from \$125.7 million in 2004 to \$147.9 million in 2005; and
- miscellaneous income of \$11.9 million net-of-tax resulting from a reduction in the decommissioning liability for a plant in 2004, as discussed in Note 8 to the consolidated financial statements.

2004 Compared to 2003

The decrease in earnings for Non-Utility Nuclear from \$300.8 million in 2003 to \$245 million in 2004 was primarily due to the \$154.5 million net-of-tax cumulative effect of a change in accounting principle that increased earnings in the first quarter of 2003 upon implementation of SFAS 143. See "Critical Accounting Estimates – Nuclear Decommissioning Costs" below for discussion of the implementation of SFAS 143. Earnings before the cumulative effect of accounting change increased by \$98.7 million primarily due to the following:

- lower operation and maintenance expenses, which decreased from \$681.8 million in 2003 to \$595.7 million in 2004, primarily resulting from charges recorded in 2003 in connection with the voluntary severance program;
- higher revenues, which increased from \$1.275 billion in 2003 to \$1.342 billion in 2004, primarily resulting from higher contract pricing. The addition of a support services contract for the Cooper Nuclear Station and increased generation in 2004 due to power uprates completed in 2003 and fewer planned and unplanned outages in 2004 also contributed to the higher revenues; and
- miscellaneous income of \$11.9 million net-of-tax resulting from a reduction in the decommissioning liability for a plant, as discussed in Note 8 to the consolidated financial statements.

Partially offsetting this increase were the following:

- higher income taxes, which increased from \$88.6 million in 2003 to \$142.6 million in 2004; and
- higher depreciation expense, which increased from \$34.3 million in 2003 to \$48.9 million in 2004, due to additions to plant in service.

PARENT COMPANY & OTHER BUSINESS SEGMENTS

Sales of Entergy-Koch Businesses

In the fourth quarter of 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. Entergy-Koch will continue in existence pending final receipt of the purchase price. In 2004, Entergy received \$862 million of the sales proceeds in the form of a cash distribution by Entergy-Koch. Entergy ultimately expects to receive total net cash distributions exceeding \$1 billion. Entergy expects to record an approximate \$60 million net-of-tax gain when the remainder of the proceeds are received in 2006.

Entergy Corporation has guaranteed up to 50% of Entergy-Koch's indemnification obligations to the purchasers. However, Entergy does not expect any material claims under these indemnification obligations.

Results of Operations

2005 Compared to 2004

The decrease in earnings for Parent Company & Other Business Segments from \$21.1 million in earnings to a \$44.1 million loss was primarily due to the following:

- a tax benefit resulting from the sale in December 2004 of preferred stock and less than 1% of the common stock of Entergy Asset Management, an Entergy subsidiary. An Entergy subsidiary sold the stock to a third party for \$29.75 million. The sale resulted in a capital loss for tax purposes of \$370 million, producing a net tax benefit of \$97 million that Entergy recorded in the fourth quarter of 2004; and
- a loss from discontinued operations of \$44.8 million net-of-tax due to the planned divestiture of Entergy's Competitive Retail Services retail electric business in the ERCOT region of Texas. This amount includes a net charge of \$39.8 million (\$25.8 million net-of-tax), related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems.

These decreases were partially offset by the following:

- a charge recorded in 2004 of approximately \$55 million (\$36 million net-of-tax) as a result of an impairment of the value of the Warren Power plant, which is owned in the non-nuclear wholesale assets business. Entergy concluded that the plant is impaired based on valuation studies prepared in connection with the Entergy Asset Management stock sale discussed above;
- a loss of \$46.4 million in 2004 from Entergy's investment in Entergy-Koch, primarily resulting from Entergy-Koch's trading business reporting a loss from its operations in 2004; and
- miscellaneous income from proceeds of \$18.9 million from the sale of SO₂ allowances.

2004 Compared to 2003

The decrease in earnings for Parent Company & Other Business Segments from \$157.1 million to \$21.1 million was primarily due to:

- earnings from Entergy's investment in Entergy-Koch were \$254 million lower in 2004, primarily as a result of Entergy-Koch's trading business reporting a loss from its operations in 2004; and
- a charge recorded in 2004 of approximately \$55 million (\$36 million net-of-tax) as a result of an impairment of the value of the Warren Power plant, which is owned in the non-nuclear wholesale assets business. Entergy concluded that the plant is impaired based on valuation studies prepared in connection with the Entergy Asset Management stock sale discussed below.

Partially offsetting the decrease in earnings was the following:

- a tax benefit resulting from the sale of preferred stock and less than 1% of the common stock of Entergy Asset Management, an Entergy subsidiary. In December 2004, an Entergy subsidiary sold the stock to a third party for \$29.75 million. The sale resulted in a capital loss for tax purposes of \$370 million, producing a net tax benefit of \$97 million that Entergy recorded in the fourth quarter of 2004;
- realization of \$16.7 million of tax benefits related to the Entergy-Koch investment; and
- a loss from discontinued operations of \$14.4 million net-of-tax in 2003 from Entergy's Competitive Retail Services business.

Income Taxes

The effective income tax rates for 2005, 2004, and 2003 were 36.7%, 28.2%, and 37.9%, respectively. See Note 3 to the consolidated financial statements for a reconciliation of the federal statutory rate of 35.0% to the

effective income tax rates. The lower effective income tax rate in 2004 is primarily due to the tax benefits resulting from the Entergy Asset Management stock sale discussed above.

Liquidity and Capital Resources

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

Liquidity Effects of Hurricane Katrina and Hurricane Rita

As discussed above, Hurricanes Katrina and Rita impacted Entergy's service territory. In addition to the direct costs caused by the storms, Hurricanes Katrina and Rita have had other impacts that have affected the U.S. Utility's liquidity position. The Entergy New Orleans bankruptcy caused fuel and power suppliers to increase their scrutiny of the remaining domestic utility companies with the concern that one of them could suffer similar impacts, particularly after Hurricane Rita. As a result, some suppliers began requiring accelerated payments and decreased credit lines. In addition, the hurricanes damaged certain gas supply lines, thereby decreasing the number of potential suppliers. The hurricanes also exacerbated a market run-up in natural gas and power prices, thereby increasing the U.S. Utility's ongoing costs, which consumed available credit lines more quickly and in some instances required the posting of additional collateral. The U.S. Utility managed through these events thus far, adequately supplied the Entergy System with fuel and power, and as a result of steps taken by it regarding its storm costs expects to have adequate liquidity and credit to continue supplying the Entergy System with fuel and power. The Non-Utility Nuclear business also has had to post increased collateral (principally in the form of Entergy Corporation guarantees) due to rising fuel and power prices, and it has had adequate liquidity to meet that demand.

After the hurricanes, Entergy implemented a new financing plan that sourced \$2.5 billion through a combination of debt and equity units intended to provide adequate liquidity and capital resources to Entergy and its subsidiaries while storm restoration cost recovery is pursued. In addition, the plan is intended to provide adequate liquidity and capital resources to support Non-Utility Nuclear and the Competitive Retail Services business. The plan, which Entergy accomplished primarily in the fourth quarter 2005, included 1) increasing Entergy's credit revolver capacity by establishing a new \$1.5 billion Entergy Corporation facility; 2) issuing \$0.5 billion of equity units; 3) issuing approximately \$0.5 billion of new debt at various utility operating companies; and 4) providing capital in the amount of \$300 million from Entergy Corporation to Entergy Gulf States.

Debtor-in-Possession Credit Agreement

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. On December 9, 2005, the bankruptcy court issued its final order approving the DIP Credit Agreement. The indenture trustee of Entergy New Orleans' first mortgage bonds appealed the final order, and that appeal is pending. Subsequent to the indenture trustee filing its notice of appeal, Entergy New Orleans, Entergy Corporation, and the indenture trustee filed with the bankruptcy court a motion to approve a settlement among the parties. The settlement would result in the dismissal of the indenture trustee's appeal. The settlement is set for hearing in the bankruptcy court on March 22, 2006.

The credit facility provides for up to \$200 million in loans. These funds were requested to enable Entergy New Orleans to meet its liquidity needs, including employee wages and benefits and payments under power purchase and gas supply agreements, and to continue its efforts to repair and restore the facilities needed to serve its electric and gas customers. The facility enables Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. As of December 31, 2005, Entergy New Orleans had \$90 million of outstanding borrowings under the DIP credit agreement. Management currently expects the bankruptcy court-authorized funding level to be sufficient to fund Entergy New Orleans' expected level of operations through 2006.

Borrowings under the DIP credit agreement are due in full, and the agreement will terminate, at the earliest of (i) August 23, 2006, or such later date as Entergy Corporation shall agree to in its sole discretion, (ii) the acceleration of the loans and the termination of the DIP credit agreement in accordance with its terms, (iii) the date of the closing of a sale of all or substantially all of Entergy New Orleans' assets pursuant to section 363 of the United States Bankruptcy Code or a confirmed plan of reorganization, or (iv) the effective date of a plan of reorganization in Entergy New Orleans' bankruptcy case.

As security for Entergy Corporation as the lender, the terms of the December 9, 2005 bankruptcy court order provide that all borrowings by Entergy New Orleans under the DIP Credit Agreement are: (i) entitled to superpriority administrative claim status pursuant to section 364(c)(1) of the Bankruptcy Code; (ii) secured by a perfected first priority lien on all property of Entergy New Orleans pursuant to sections 364(c)(2) and 364(d) of the Bankruptcy Code, except on any property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens of the lender on Entergy New Orleans' \$15 million credit facility; and (iii) secured by a perfected junior lien pursuant to section 364(c)(3) of the Bankruptcy Code on all property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens in favor of the lender on Entergy New Orleans' \$15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition.

The interest rate on borrowings under the DIP credit agreement will be the average interest rate of borrowings outstanding under Entergy Corporation's \$2 billion revolving credit facility, which was approximately 4.7% per annum at December 31, 2005.

Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital percentage from 2004 to 2005 is the result of increased debt outstanding due to additional borrowings on Entergy Corporation's \$2 billion revolving credit facility, additional debt issuances, including Entergy Corporation's equity units issuance, along with a decrease in shareholders' equity, primarily due to repurchases of common stock.

	2005	2004	2003
Net debt to net capital at the end of the year	51.5%	45.3%	45.9%
Effect of subtracting cash from debt	1.6%	2.1%	1.6%
Debt to capital at the end of the year	53.1%	47.4%	47.5%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, preferred stock with sinking fund, and long-term debt, including the currently maturing portion. Capital consists of debt, shareholders' equity, and preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy 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's financial condition.

Long-term debt, including the currently maturing portion, makes up substantially all of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities as of December 31, 2005 by operating segment. The figures below include principal payments on the Entergy Louisiana and System Energy sale-leaseback transactions, which are included in long-term debt on the balance sheet.

Long-term debt maturities	2006	2007	2008	2009-2010	after 2010
	(In Millions)				
U.S. Utility	\$23	\$93	\$802	\$746	\$4,705
Non-Utility Nuclear	81	80	20	42	151
Parent Company and Other					
Business Segments	-	-	272	1,327	586
Total	\$104	\$173	\$1,094	\$2,115	\$5,442

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

In May 2005, Entergy Corporation terminated its two separate, revolving credit facilities, a \$500 million five-year credit facility and a \$965 million three-year credit facility. At that time, Entergy Corporation entered into a \$2 billion five-year revolving credit facility, which expires in May 2010. As of December 31, 2005, \$785 million in borrowings were outstanding on this facility.

In December 2005, Entergy Corporation entered into a \$1.5 billion three-year revolving credit facility, which expires in December 2008. As of December 31, 2005, no borrowings were outstanding on this facility.

Entergy also has the ability to issue letters of credit against the total borrowing capacity of both the three-year and the five-year credit facilities, and \$239.5 million of letters of credit had been issued against the five-year facility at December 31, 2005.

Following is a summary of the borrowings outstanding and capacity available under these facilities as of December 31, 2005.

<u>Facility</u>	<u>Capacity</u>	<u>Borrowings</u>	<u>Letters of Credit</u>	<u>Capacity Available</u>
		(In Millions)		
5-Year Facility	\$2,000	\$785	\$240	\$975
3-Year Facility	\$1,500	\$-	\$-	\$1,500

Entergy Corporation's credit facilities require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this debt ratio, or if Entergy or the domestic utility companies (other than Entergy New Orleans) default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the credit facilities' maturity dates may occur.

Capital lease obligations, including nuclear fuel leases, are a minimal part of Entergy's overall capital structure, and are discussed further in Note 9 to the consolidated financial statements. Following are Entergy's payment obligations under those leases:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009-2010</u>	<u>after 2010</u>
			(In Millions)		
Capital lease payments, including nuclear fuel leases	\$133	\$171	\$1	\$-	\$2

Notes payable includes borrowings outstanding on credit facilities with original maturities of less than one year. Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi each have 364-day credit facilities available as follows:

<u>Company</u>	<u>Expiration Date</u>	<u>Amount of Facility</u>	<u>Amount Drawn as of Dec. 31, 2005</u>
Entergy Arkansas	April 2006	\$85 million (a)	-
Entergy Louisiana	April 2006	\$85 million (a)	\$40 million
Entergy Louisiana	May 2006	\$15 million (b)	-
Entergy Mississippi	May 2006	\$25 million	-

- (a) The combined amount borrowed by Entergy Arkansas and Entergy Louisiana under these facilities at any one time cannot exceed \$85 million. Entergy Louisiana granted a security interest in its receivables to secure its \$85 million facility.

- (b) The combined amount borrowed by Entergy Louisiana under its \$15 million facility and by Entergy New Orleans under a \$15 million facility that it has with the same lender cannot exceed \$15 million at any one time. Because Entergy New Orleans' facility is fully drawn, no capacity is currently available on Entergy Louisiana's facility.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition or results of operations. Following are Entergy's payment obligations as of December 31, 2005 on non-cancelable operating leases with a term over one year:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009-2010</u>	<u>after 2010</u>
	(In Millions)				
Operating lease payments	\$95	\$77	\$63	\$88	\$196

The operating leases are discussed more thoroughly in Note 9 to the consolidated financial statements.

Summary of Contractual Obligations of Consolidated Entities

<u>Contractual Obligations</u>	<u>2006</u>	<u>2007-2008</u>	<u>2009-2010</u>	<u>after 2010</u>	<u>Total</u>
	(In Millions)				
Long-term debt (1)	\$104	\$1,267	\$2,115	\$5,442	\$8,928
Capital lease payments (2)	\$133	\$172	\$-	\$2	\$307
Operating leases (2)	\$95	\$140	\$88	\$196	\$519
Purchase obligations (3)	\$1,012	\$1,507	\$1,109	\$643	\$4,271

- (1) Long-term debt is discussed in Note 5 to the consolidated financial statements.
- (2) Capital lease payments include nuclear fuel leases. Lease obligations are discussed in Note 9 to the consolidated financial statements.
- (3) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Approximately 99% of the total pertains to fuel and purchased power obligations that are recovered in the normal course of business through various fuel cost recovery mechanisms in the U.S. Utility business.

In addition to these contractual obligations, Entergy expects to contribute \$349 million to its pension plans and \$60 million to other postretirement plans in 2006. \$109 million of the pension plan contribution was made in January 2006. \$107 million of this contribution was originally planned for 2005; however, it was delayed as a result of the Katrina Emergency Tax Relief Act.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2006 through 2008, excluding Entergy New Orleans:

<u>Planned construction and capital investments</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	(In Millions)		
Maintenance Capital:			
U.S. Utility	\$604	\$713	\$719
Non-Utility Nuclear	62	64	50
Parent and Other	2	2	2
	<u>668</u>	<u>779</u>	<u>771</u>
Capital Commitments:			
U.S. Utility	277	203	301
Non-Utility Nuclear	143	96	86
Parent and Other	6	6	5
	<u>426</u>	<u>305</u>	<u>392</u>
Total	<u>\$1,094</u>	<u>\$1,084</u>	<u>\$1,163</u>

In addition to the planned spending in the table above, the U.S. Utility, excluding Entergy New Orleans, also expects to pay for \$310 million of capital investments in 2006 related to Hurricane Katrina and Rita restoration work that have been accrued as of December 31, 2005. Entergy New Orleans' planned capital expenditures for the years 2006-2008 total \$93 million, and Entergy New Orleans expects to pay for \$46 million of capital investments in 2006 related to Hurricane Katrina and Rita restoration work that have been accrued as of December 31, 2005.

Maintenance Capital refers to amounts Entergy plans to spend on routine capital projects that are necessary to support reliability of its service, equipment, or systems and to support normal customer growth.

Capital Commitments refers to non-routine capital investments for which Entergy is either contractually obligated, has Board approval, or is otherwise required to make pursuant to a regulatory agreement or existing rule or law. Amounts reflected in this category include the following:

- Transmission expansion designed to address immediate load growth needs and to provide improved transmission flexibility for the southeastern Louisiana and Texas regions of Entergy's service territory.
- Purchase of additional generation supply sources within the U.S. Utility's service territory, including Entergy Mississippi's January 2006 purchase of the 480 MW, natural gas-fired Attala power plant.
- Nuclear site dry cask spent fuel storage and license renewals.

From time to time, Entergy considers other capital investments as potentially being necessary or desirable in the future, including additional nuclear plant power uprates, generation supply assets, various transmission upgrades, environmental compliance expenditures, or investments in new businesses or assets. Because no contractual obligation, commitment, or Board approval exists to pursue these investments, they are not included in Entergy's planned construction and capital investments. These potential investments are also subject to evaluation and approval in accordance with Entergy's policies before amounts may be spent. In addition, Entergy's capital spending plans do not include spending for transmission upgrades requested by merchant generators, other than projects currently underway.

Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints, environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital.

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon Entergy's earnings, financial strength, and future investment opportunities. At its January 2006 meeting, the Board declared a dividend of \$0.54 per share. In 2005, Entergy paid approximately \$453.5 million in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plan, Entergy periodically grants stock options to its employees, which may be exercised to obtain shares of Entergy's common stock. According to the plan, 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 approved a program under which Entergy was authorized to repurchase up to \$1.5 billion of its common stock through 2006. The amount of repurchases under the program may vary as a result of material changes in business results or capital spending, or as a result of material new investment opportunities. As a result of Hurricanes Katrina and Rita, the \$1.5 billion share repurchase program was suspended, and the Board has extended authorization for completion of the plan through 2008. Entergy has \$400 million of authority remaining under the \$1.5 billion plan. In 2005, Entergy repurchased 12,280,500 shares of common stock under both programs for a total purchase price of \$878.2 million.

Sources of Capital

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

- internally generated funds;
- cash on hand (\$582.8 million as of December 31, 2005);
- securities issuances;
- bank financing under new or existing facilities; and
- sales of assets.

The majority of Entergy's internally generated funds come from the U.S. Utility. Circumstances such as weather patterns, price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the level of internally generated funds in the future. In the following section, Entergy's cash flow activity for the previous three years is discussed.

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. As of December 31, 2005, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of \$396.4 million and \$68.5 million, respectively. All debt and common and preferred stock issuances by the domestic utility companies and System Energy require prior regulatory approval and their preferred stock and debt issuances are also subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The domestic utility companies and System Energy have sufficient capacity under these tests to meet foreseeable capital needs.

After the repeal of PUHCA 1935, effective February 8, 2006, the FERC, under the Federal Power Act, and not the SEC, has jurisdiction over authorizing securities issuances by the domestic utility companies and System Energy (except securities with maturities longer than one year issued by (a) Entergy Arkansas which are subject to the jurisdiction of the APSC and (b) Entergy New Orleans which are currently subject to the jurisdiction of the bankruptcy court). Under PUHCA 2005 and the Federal Power Act, no approvals are necessary for Entergy Corporation to issue securities. Under a savings provision in PUHCA 2005, each of the domestic utility companies and System Energy may rely on the financing authority in its existing PUHCA 1935 SEC order or orders through December 31, 2007 or until the SEC authority is superceded by FERC authorization. The FERC has issued an order

("FERC Short-Term Order") approving the short-term borrowing limits of the domestic utility companies (except Entergy New Orleans) and System Energy through March 31, 2008. Entergy New Orleans may rely on existing SEC PUHCA 1935 orders for its short-term financing authority, subject to bankruptcy court approval. In addition to borrowings from commercial banks, the FERC Short-Term Order authorized the domestic utility companies (except Entergy New Orleans which is authorized by an SEC PUHCA 1935 order) and System Energy to continue as participants in the Entergy System money pool through February 8, 2007. Entergy Gulf States and Entergy Louisiana, LLC have obtained long-term financing authorization from the FERC. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short-term borrowings combined may not exceed authorized limits. As of December 31, 2005, Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was \$2.0 billion, the aggregate outstanding borrowing from the money pool was \$379.7 million, and Entergy's subsidiaries' outstanding short-term borrowing from external sources was \$40 million. To the extent that the domestic utility companies and System Energy wish to rely on SEC financing orders under PUHCA 1935 there are capitalization and investment grade ratings conditions that must be satisfied in connection with security issuances, other than money pool borrowings. See Note 4 to the consolidated financial statements for further discussion of Entergy's short-term borrowing limits.

Cash Flow Activity

As shown in Entergy's Statements of Cash Flows, cash flows for the years ended December 31, 2005, 2004, and 2003 were as follows:

	2005	2004	2003
		(In Millions)	
Cash and cash equivalents at beginning of period	\$620	\$507	\$1,335
Effect of deconsolidating Entergy New Orleans in 2005	(8)	-	-
Cash flow provided by (used in):			
Operating activities	1,468	2,929	2,006
Investing activities	(1,992)	(1,143)	(1,968)
Financing activities	496	(1,672)	(869)
Effect of exchange rates on cash and cash equivalents	(1)	(1)	3
Net increase (decrease) in cash and cash equivalents	(29)	113	(828)
Cash and cash equivalents at end of period	\$583	\$620	\$507

Operating Cash Flow Activity

2005 Compared to 2004

Entergy's cash flow provided by operating activities decreased in 2005 primarily due to the following:

- The U.S. Utility provided \$964 million in cash from operating activities compared to providing \$2,208 million in 2004. The decrease resulted primarily from restoration spending and lost net revenue caused by Hurricanes Katrina and Rita. Changes in the timing of fuel cost recovery compared to the prior period due to higher natural gas prices, which caused an increase in deferred fuel cost balances, also contributed to the decrease in cash from operating activities. Also contributing to the decrease in the U.S. Utility segment were increases in income tax payments and in pension plan contributions, and a \$90 million refund to customers in the Louisiana jurisdiction made as a result of an LPSC-approved settlement.
- Entergy received dividends from Entergy-Koch of \$529 million in 2004 and did not receive any dividends

from Entergy-Koch in 2005.

- Offsetting the decreases in those two businesses, the Non-Utility Nuclear business provided \$551 million in cash from operating activities compared to providing \$415 million in 2004. The increase resulted primarily from lower intercompany income tax payments and increases in generation and contract pricing that led to an increase in revenues.

2004 Compared to 2003

Entergy's cash flow provided by operating activities increased in 2004 primarily due to the following:

- The U.S. Utility provided \$2,208 million in cash from operating activities compared to providing \$1,675 million in 2003. The increase resulted primarily from the receipt of intercompany income tax refunds from the parent company, Entergy Corporation. Income tax refunds/payments contributed approximately \$400 million of the increase in cash from operating activities in 2004. Improved recovery of fuel costs and a reduction in interest paid also contributed to the increase in 2004.
- The Non-Utility Nuclear business provided \$415 million in cash from operating activities compared to providing \$183 million in 2003. The increase resulted primarily from lower intercompany income tax payments and increases in generation and contract pricing that led to an increase in revenues.
- Entergy's investment in Entergy-Koch, LP provided \$526 million in cash from operating activities compared to using \$41 million in 2003. Entergy received dividends from Entergy-Koch of \$529 million in 2004 compared to \$100 million in 2003. In addition, tax payments related to the investment were higher in 2003 because the investment had higher net income in 2003.
- The non-nuclear wholesale asset business used \$46 million in cash from operating activities compared to using \$70 million in 2003. The decrease in cash used resulted primarily from a one-time \$33 million payment in 2003 related to a generation contract in the non-nuclear wholesale assets business.
- The parent company, Entergy Corporation, used \$146 million in cash from operating activities in 2004 compared to providing \$209 million in 2003 primarily due to higher intercompany income tax payments.

In 2003, the domestic utility companies and System Energy filed, with the IRS, notification of a change in tax accounting method for their respective calculations of cost of goods sold. The adjustment implemented a simplified method of allocation of overhead to the production of electricity, which is provided under the IRS capitalization regulations. The cumulative adjustment placing these companies on the new methodology resulted in a \$2.8 billion deduction on Entergy's 2003 income tax return. There was no tax cash benefit from the method change in 2003. In addition, on a consolidated basis, no cash tax benefit was realized in 2004 or 2005. The Internal Revenue Service has issued new proposed regulations effective in 2005 that may preclude a significant portion of the benefit of this tax accounting method change. In 2005, the domestic utility companies and System Energy filed a notice with the IRS of a new tax accounting method for their respective calculations of cost of goods sold. This new method is also subject to IRS scrutiny.

In 2005, Non-Utility Nuclear changed its method of accounting for income tax purposes related to its wholesale electric power contracts. The adjustment placing these companies on the new mark-to-market methodology is expected to result in a \$3.8 billion deduction on Entergy's 2005 income tax return. The election did not reduce book income tax expense. This deduction is expected to reverse over the next four years. The timing of the reversal of this deduction depends on several variables, including the price of power. On a consolidated basis, it is estimated that there was a \$7 million cash tax benefit from the method change in 2005.

In August of 2005, the Energy Policy Act of 2005 was enacted. This Act contains provisions that enable the full accumulation of nuclear decommissioning funds on a tax deductible basis, shortens the depreciation recovery period for certain transmission capital expenditures, provides a production credit for electricity generated by new nuclear plants, and expands the net operating loss carry-back period to five years for 2003, 2004, and 2005 losses to the extent of 20% of transmission capital expenditures incurred in 2005, 2006, and 2007.

In December of 2005, the Gulf Opportunity Zone Act of 2005 was enacted. The Act contains provisions that allow a public utility incurring a net operating loss as a result of Hurricane Katrina to carry back the casualty loss portion of the net operating loss ten years to offset previously taxed income. The Act also allows a five-year carry back of the portion of the net operating loss attributable to Hurricane Katrina repairs expense and first year depreciation deductions, including 50% bonus depreciation, on Hurricane Katrina capital expenditures.

Entergy expects the above provisions to generate 2006 income tax refunds of approximately \$300 million, including Entergy New Orleans.

Investing Activities

2005 Compared to 2004

Net cash used in investing activities increased in 2005 primarily due to the following activity:

- Construction expenditures were \$47 million higher in 2005 than in 2004, including an increase of \$147 million in the U.S. Utility business and a decrease of \$82 million in the Non-Utility Nuclear business. U.S. Utility construction expenditures in 2005 include \$302 million caused by Hurricanes Katrina and Rita.
- The non-nuclear wholesale assets business realized \$75 million in net proceeds from sales of portions of three of its power plants in 2004.
- Entergy Louisiana purchased the 718 MW Perryville power plant in June 2005 for \$162 million.
- Entergy received net returns of invested capital from Entergy-Koch of \$49 million in 2005 compared to \$284 million in 2004 after the sale by Entergy-Koch of its trading and pipeline businesses. This activity is reported in the "Decrease in other investments" line in the cash flow statement.
- Approximately \$60 million of the cash collateral for a letter of credit that secured the installment obligations owed to NYPA for the acquisition of the FitzPatrick and Indian Point 3 nuclear power plants was released to Entergy in 2004.
- The U.S. Utility used \$390 million in 2005 and \$54 million in 2004 for other regulatory investments as a result of fuel cost under-recovery. See Note 1 to the consolidated financial statements for discussion of the accounting treatment of these fuel cost under-recoveries.

Offsetting these factors was the following:

- The non-nuclear wholesale assets business received a return of invested capital of \$34 million in 2005 from the Top Deer wind power joint venture after Top Deer obtained debt financing.

2004 Compared to 2003

Net cash used in investing activities decreased in 2004 primarily due to the following:

- Construction expenditures were \$158 million lower in 2004 than in 2003, including decreases of \$81 million in the U.S. Utility business, \$39 million in the Non-Utility Nuclear business, and \$42 million in the non-nuclear wholesale assets business.
- Entergy received net returns of invested capital from Entergy-Koch of \$284 million in 2004 after the sale by Entergy-Koch of its trading and pipeline businesses. This activity is reported in the "Decrease in other investments" line in the cash flow statement.
- Approximately \$60 million of the cash collateral for a letter of credit that secures the installment obligations owed to NYPA for the acquisition of the FitzPatrick and Indian Point 3 nuclear power plants was released to Entergy in 2004. Approximately \$172 million of this cash collateral was released to Entergy in 2003, and the letter of credit is no longer secured by cash collateral. This activity is reported in the "Decrease in other investments" line in the cash flow statement.
- The non-nuclear wholesale assets business realized \$75 million in net proceeds from sales of portions of three

of its power plants in 2004.

- Entergy made temporary investments of \$50 million in 2003, and these investments matured in the first quarter of 2004.
- The U.S. Utility used \$156 million for other regulatory investments in 2003 as a result of fuel cost under-recovery. In 2004, the U.S. Utility used \$54 million for other regulatory investments related to fuel cost under-recovery.

Financing Activities

2005 Compared to 2004

Financing activities provided \$496 million of cash in 2005 compared to using \$1,672 million of cash in 2004 primarily due to the following activity:

- Net issuances of long-term debt by the U.S. Utility segment provided \$462 million of cash in 2005 compared to retirements of long-term debt net of issuances using \$345 million in 2004. See Note 5 to the consolidated financial statements for the details of long-term debt outstanding at December 31, 2005 and 2004.
- Entergy Corporation increased the net borrowings on its credit facility by \$735 million in 2005 compared to \$50 million during 2004. See Note 4 to the consolidated financial statements for a description of the Entergy Corporation credit facility.
- Entergy Corporation repurchased \$878 million of its common stock in 2005 compared to \$1,018 million in 2004, as discussed above in the "**Capital Expenditure Plans and Other Uses of Capital**" section.
- Entergy Corporation issued \$500 million of long-term notes in connection with its equity units offering in December 2005.
- Entergy Louisiana, LLC issued \$100 million of preferred membership interests in December 2005.

2004 Compared to 2003

Net cash used in financing activities increased in 2004 primarily due to the following:

- Entergy Corporation issued \$538 million of long-term notes in 2003.
- Entergy Corporation repurchased \$1.018 billion of its common stock in 2004, as discussed above in the "**Capital Expenditure Plans and Other Uses of Capital**" section.
- Entergy Corporation paid \$65 million more in common stock dividends in 2004 than in 2003.

Offsetting the factors that caused an increase in cash used in financing activities in 2004 were the following:

- Retirements of long-term debt net of issuances by the U.S. Utility segment used \$345 million in 2004 and used \$359 million in 2003. See Note 5 to the consolidated financial statements for the details of the long-term debt activity in 2004.
- In 2003, Entergy Corporation decreased the net borrowings on its credit facility by \$500 million, while in 2004, net borrowings on its credit facilities increased by \$50 million.
- The non-nuclear wholesale assets business retired the \$79 million Top of Iowa wind project debt at its maturity in January 2003.

Significant Factors and Known Trends

Following are discussions of significant factors and known trends affecting Entergy's business, including rate regulation and fuel-cost recovery, federal regulation, market and credit risks, and nuclear matters.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that the domestic utility companies and System Energy charge for their services are an important item influencing Entergy's financial position, results of operations, and liquidity. These companies are closely regulated and the rates charged to their customers are determined in regulatory proceedings, except for a portion of Entergy Gulf States' operations. Governmental agencies, including the APSC, the City Council, the LPSC, the MPSC, the PUCT, and the FERC, are primarily responsible for approval of the rates charged to customers. The status of material retail rate proceedings is summarized below and described in more detail in Note 2 to the consolidated financial statements.

Company	Authorized ROE	Pending Proceedings/Events
Entergy Arkansas.....	11.0%	<ul style="list-style-type: none"> - No base rate cases are pending. - Base rates have been in effect since 1998. The timing of its next general rate case will depend on, among other factors, the ultimate resolution of the System Agreement case at the FERC involving rough production cost equalization. - Entergy Arkansas completed recovery in January 2006 of transition to competition costs through an \$8.5 million transition cost recovery rider that has been in effect since October 2004.
Entergy Gulf States-Texas.....	10.95%	<ul style="list-style-type: none"> - Base rates are currently set at rates approved by the PUCT in June 1999. - In June 2005, a Texas law was enacted that provides for a base rate freeze until mid-2008, but allows Entergy Gulf States to seek before then recovery of certain incremental purchased power capacity costs and recover reasonable and necessary transition to competition costs. An \$18 million annual capacity rider was implemented effective December 31, 2005. A \$14.5 million annual transition cost recovery rider was implemented effective March 1, 2006, subject to finalization of a settlement among the parties and approval by the PUCT.
Entergy Gulf States-Louisiana.....	9.9%-11.4%	<ul style="list-style-type: none"> - A filing was made in December 2005 with the LPSC for interim recovery of \$141 million of storm costs. A hearing was held and the LPSC ordered recovery of up to \$6 million of storm costs through the fuel adjustment clause during the period March 2006 to September 2006. Beginning September 2006, Entergy Gulf States will recover \$0.85 million per month of interim storm costs through base rates. The filing included provisions for updating the surcharge to reflect actual costs incurred as well as the receipt of insurance or federal aid. - In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues. The settlement resulted in credits of \$76 million to retail electricity customers in Entergy Gulf States' Louisiana service territory. The credits were issued in connection with the April 2005 billings. - A three-year formula rate plan is in place with an ROE mid-point of 10.65% for the initial three-year term of the plan. Entergy Gulf States made its first formula rate plan filing in June 2005 for the test year ending December 31, 2004. - A base rate increase of \$37.2 million associated with the initial formula rate plan filing and the purchase of Perryville was effective in October 2005, subject to refund after consideration by the LPSC.

Entergy Louisiana	9.45%- 11.05%	<ul style="list-style-type: none"> - A filing was made in December 2005 with the LPSC for interim recovery of \$355 million of storm costs. A hearing was held and the LPSC ordered recovery of up to \$14 million of storm costs through the fuel adjustment clause during the period March 2006 to September 2006. Beginning September 2006, Entergy Louisiana will recover \$2 million per month of interim storm costs through base rates. The filing included provisions for updating the surcharge to reflect actual costs incurred as well as the receipt of insurance or federal aid. - In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues. The settlement resulted in credits of \$14 million to retail electricity customers which were issued in connection with the April 2005 billings. - A three-year formula rate plan is in place with an ROE mid-point of 10.25% for the initial three-year term of the plan. The initial formula rate plan filing will be in May 2006 based on a 2005 test year with rates effective September 2006.
Entergy Mississippi...	9.1%- 11.9%	<ul style="list-style-type: none"> - In December 2005, Entergy Mississippi filed with the MPSC a Notice of Intent to change rates by implementing a Storm Damage Rider to recover storm damage restoration costs associated with Hurricanes Katrina and Rita totaling approximately \$84 million as of November 30, 2005. The notice proposes recovery of approximately \$14.7 million, including carrying charges, annually over a five-year period. A hearing on this matter is expected in April 2006. Entergy Mississippi plans to make a second filing in late spring of 2006 to recover additional restoration costs associated with the hurricanes incurred after November 30, 2005. - An annual formula rate plan is in place. Entergy Mississippi made its annual formula rate plan filing in March 2005 based on a 2004 test year. There was no change in rates based on an adjusted ROE mid-point of 10.50%.
Entergy New Orleans	9.75%- 11.75% Electric; 10.25%- 11.25% Gas	<ul style="list-style-type: none"> - Entergy New Orleans made a formula rate plan filing in April 2005. The mid-point ROE of the electric and gas plans is 10.75%. The City Council ordered a reduction in electric rates of \$2.5 million and no change in gas rates. The City Council approved the continuation of the formula rate plan for two more annual cycles, including a target equity component of the capital structure of 45%. The ROE mid-point for gas operations for the 2005 test year is 10.75% with a zero basis point band-width.
System Energy	10.94%	<ul style="list-style-type: none"> - ROE approved by July 2001 FERC order. No cases pending before FERC.

In addition to the regulatory scrutiny connected with base rate proceedings, the domestic utility companies' fuel and purchased power costs recovered from customers are subject to regulatory scrutiny. The domestic utility companies' significant fuel and purchased power cost proceedings are described in Note 2 to the consolidated financial statements.

Federal Regulation

The FERC regulates wholesale rates (including Entergy intrasystem sales pursuant to the System Agreement) and interstate transmission of electricity, as well as rates for System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement.

System Agreement Proceedings

The domestic utility companies historically have engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which is a rate schedule that has been approved by the FERC. The LPSC pursued litigation involving the System Agreement at the FERC. The proceeding includes challenges to the allocation of costs as defined by the System Agreement and raises questions of imprudence by the domestic utility companies in their execution of the System Agreement.

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

- The System Agreement no longer roughly equalizes total production costs among the domestic utility companies.
- In order to reach rough production cost equalization, the FERC will impose a bandwidth remedy by which each company's total annual production costs would have to be within +/- 11% of Entergy System average total annual production costs.
- When calculating the production costs for this purpose, output from the Vidalia hydroelectric power plant will not reflect the actual Vidalia price for that year but will be priced at that year's average price for the exchange of electric energy among the domestic utility companies under the System Agreement, thereby reducing the amount of Vidalia costs reflected in the comparison of the domestic utility companies' total production costs.
- The remedy ordered by FERC calls for no refunds and would be effective based on the calendar year 2006 production costs with the first potential reallocation payments, if required, to be made in 2007.

The FERC's decision would reallocate total production costs of the domestic utility companies whose relative total production costs expressed as a percentage of Entergy System average production costs are outside an upper or lower bandwidth. This would be accomplished by payments from domestic utility companies whose production costs are more than 11% below Entergy System average production costs to domestic utility companies whose production costs are more than 11% above Entergy System average production costs.

An assessment of the potential effects of the FERC's decision requires assumptions regarding the future total production cost of each domestic utility company, which assumptions include the mix of solid fuel and gas-fired generation available to each company and the costs of natural gas and purchased power. Entergy Louisiana, Entergy Gulf States, and Entergy Mississippi are more dependent upon gas-fired generation sources than Entergy Arkansas or Entergy New Orleans. Of these, Entergy Arkansas is the least dependent upon gas-fired generation sources. Therefore, increases in natural gas prices likely will increase the amount by which Entergy Arkansas' total production costs are below the average total production costs of the domestic utility companies.

Considerable uncertainty exists regarding future gas prices. Annual average Henry Hub gas prices (daily midpoint prices sourced from Platts Gas Daily) have varied significantly over recent years, ranging from \$2.007/mmBtu to \$8.529/mmBtu for the 1996-2005 period, and averaging \$4.098/mmBtu during the ten-year period 1996-2005 and \$5.434/mmBtu during the five-year period 2001-2005. Recent market conditions have resulted in gas prices that averaged \$8.529/mmBtu for the twelve months ended December 2005. During the twelve-month period January 1, 2005 to December 31, 2005 forward gas contracts for each of the next four years based on daily NYMEX close averaged \$8.74/mmBtu (2006), \$7.95/mmBtu (2007), \$7.32/mmBtu (2008), and \$6.83/mmBtu (2009). If, after pending appeals, the FERC's decision becomes final and if gas prices occur similar to the NYMEX average closing prices given, the following potential annual total production cost reallocations among the domestic utility companies could result:

	Range of Annual Payments or (Receipts)	Average Annual Payment or (Receipt) for 2007-2010 period
	(In Millions)	
Entergy Arkansas	\$293 to \$385	\$328
Entergy Gulf States	(\$264) to (\$196)	(\$230)
Entergy Louisiana	(\$96) to (\$51)	(\$77)
Entergy Mississippi	(\$31) to (\$3)	(\$21)
Entergy New Orleans	\$0	\$0

If natural gas prices deviate by \$1/mmBtu up or down from the NYMEX average closing prices given above, it is expected that Entergy Arkansas' annual payments will change in the same direction by approximately \$70 to \$80 million.

The LPSC, APSC, MPSC, and the AEEC have appealed the FERC decision to the Court of Appeals for the D.C. Circuit. Entergy has intervened in the LPSC appeal and intends to intervene in the other appeals. The City of New Orleans has also intervened in the LPSC appeal.

Entergy will be required to file with the FERC a compliance filing to implement the provisions of the FERC's decision. Management believes that any changes in the allocation of production costs resulting from the FERC's decision and related retail proceedings should result in similar rate changes for retail customers. The timing of recovery of these costs in rates could be the subject of additional proceedings before Entergy's retail regulators. Although the outcome and timing of the FERC and other proceedings cannot be predicted at this time, Entergy does not believe that the ultimate resolution of these proceedings will have a material effect on its financial condition or results of operations.

Citing its concerns that the benefits of its continued participation in the current form of the System Agreement have been seriously eroded, in December 2005, Entergy Arkansas submitted its notice that it will terminate its participation in the current System Agreement effective 96 months from December 19, 2005 or such earlier date as authorized by the FERC. Entergy Arkansas indicated, however, that a properly structured replacement agreement could be a viable alternative. In response to an ALJ Initial Decision in the System Agreement proceeding in 2004, the APSC had previously commenced an investigation into whether Entergy Arkansas' continued participation in the System Agreement is in the best interest of its customers, and had also commenced investigations concerning Entergy Louisiana's Vidalia purchased power contract and Entergy Louisiana's then pending acquisition of the Perryville power plant.

Independent Coordinator of Transmission

In 2000, the FERC issued an order encouraging utilities to voluntarily place their transmission facilities under the control of independent RTOs (regional transmission organizations) by December 15, 2001. Delays in implementing the FERC order have occurred due to a variety of reasons, including the fact that utility companies, other stakeholders, and federal and state regulators continue to work to resolve various issues related to the establishment of such RTOs.

In April 2004, Entergy filed a proposal with the FERC to commit voluntarily to retain an independent entity (Independent Coordinator of Transmission or ICT) to oversee the granting of transmission or interconnection service on Entergy's transmission system, to implement a transmission pricing structure that ensures that Entergy's retail native load customers are required to pay for only those upgrades necessary to reliably serve their needs, and to have the ICT serve as the security coordinator for the Entergy region. The proposal was structured to not transfer control of Entergy's transmission system to the ICT, but rather to vest with the ICT broad oversight authority over transmission planning and operations.

After additional filings and subsequent declaratory orders issued by the FERC, on May 27, 2005, the domestic utility companies filed an enhanced ICT proposal with the FERC. Entergy believes that the filing is consistent with the FERC guidance received in the FERC's declaratory orders on the ICT. Among other things, the enhanced ICT filing states that the ICT will (1) grant or deny transmission service on the domestic utility companies' transmission system; (2) administer the domestic utility companies' OASIS node for purposes of processing and evaluating transmission service requests and ensuring compliance with the domestic utility companies' obligation to post transmission-related information; (3) develop a base plan for the domestic utility companies' transmission system that will result in the ICT making the determination on whether costs of transmission upgrades should be rolled into the domestic utility companies' transmission rates or directly assigned to the customer requesting or causing an upgrade to be constructed; (4) serve as the reliability coordinator for the Entergy transmission system; and (5) oversee the operation of the weekly procurement process. The enhanced ICT proposal clarifies the rights that customers receive when they fund a supplemental upgrade and also contains a detailed methodology describing the process by which the ICT will evaluate interconnection-related investments already made on the Entergy System for purposes of determining the future allocation of the uncredited portion of these investments.

On June 3, 2005, a group of generators filed with the FERC a request that the FERC schedule a technical conference on the enhanced ICT proposal in order for Entergy to provide additional information on the enhanced ICT proposal. In response, a stakeholder meeting was held in New Orleans on June 30, 2005. Interventions, protests, and comments were filed by interested parties on August 5, 2005. Entergy filed a response to the various pleadings on August 22, 2005. Entergy anticipates receiving a FERC order on the May 27, 2005 filing during the second quarter 2006.

As discussed below in "Available Flowgate Capacity Proceedings," on October 31, 2005, the domestic utility companies notified parties to the ICT proceeding of the potential loss of historical data related to Entergy's calculation of available transfer capability for its transmission system.

In March 2004, the APSC initiated a proceeding to review Entergy's proposal and compare the benefits of such a proposal to the alternative of Entergy joining the Southwest Power Pool RTO. The APSC sought comments from all interested parties on this issue. Various parties, including the APSC General Staff, filed comments opposing the ICT proposal. A public hearing has not been scheduled by the APSC at this time, although Entergy Arkansas has responded to various APSC data requests. In May 2004, Entergy Mississippi filed a petition for review with the MPSC requesting MPSC support for the ICT proposal. A hearing in that proceeding was held in August 2004. Entergy New Orleans appeared before the Utility Committee of the City Council in June 2005 to provide information on the ICT proposal. Entergy Louisiana and Entergy Gulf States have filed an application with the LPSC requesting that the LPSC find that the ICT proposal is a prudent and appropriate course of action. A hearing in the LPSC proceeding on the ICT proposal was held in October 2005, and Entergy Louisiana and Entergy Gulf States await the ALJ's initial decision.

Market-based Rate Authority

On May 5, 2005, the FERC instituted a proceeding under Section 206 of the FPA to investigate whether Entergy satisfies the FERC's transmission market power and affiliate abuse/reciprocal dealing standards for the granting of market-based rate authority, and established a refund effective date pursuant to the provisions of Section 206, for purposes of the additional issues set for hearing. However, the FERC decided to hold that investigation in abeyance pending the outcomes of the ICT proceeding and Entergy's affiliate purchased power agreements proceeding. On June 6, 2005, Entergy sought rehearing of the May 5 Order and that request for rehearing is pending.

On July 22, 2005, Entergy notified the FERC that it was withdrawing its request for market-based rate authority for sales within its control area. Instead, the domestic utility companies and their affiliates will transact at cost-based rates for wholesale sales within the Entergy control area. On November 1, 2005, Entergy submitted proposed cost-based rates for both the domestic utility companies and Entergy's non-regulated entities that sell at wholesale within the Entergy control area. Separately, the FERC accepted for filing Entergy Gulf States' proposed cost-based rates for wholesale sales to three separate municipalities. Additionally, Entergy reserves its right to

request market-based rate authority for sales within its control area in the future. The relinquishment of market-based rates for sales within the Entergy control area is not expected to have a material effect on the financial results of Entergy.

Available Flowgate Capacity Proceeding

On December 17, 2004, the FERC issued an order initiating a hearing and investigation concerning the justness and reasonableness of the Available Flowgate Capacity (AFC) methodology, the methodology used to evaluate short-term transmission service requests under the domestic utility companies' open access transmission tariff, and establishing a refund effective date. In its order, the FERC indicated that although it "appreciates that Entergy is attempting to explore ways to improve transmission access on its system," it believed that an investigation was warranted to gather more evidence in light of the concerns raised by certain transmission customers and certain issues raised in a FERC audit report finding errors and problems with the predecessor methodology used by Entergy for evaluating short-term transmission requests, the Generator Operating Limits methodology. The FERC order indicates that the investigation will include an examination of (i) Entergy's implementation of the AFC program, (ii) whether Entergy's implementation has complied with prior FERC orders and open access transmission tariff provisions addressing the AFC program, and (iii) whether Entergy's provision of access to short-term transmission on its transmission system was just, reasonable, and not unduly discriminatory.

On March 22, 2005, the FERC issued an order that holds the AFC hearing in abeyance pending action on Entergy's ICT filing. The order holding the hearing in abeyance further indicated that it would cancel the hearing when the ICT begins to perform its functions. On April 8, 2005, several intervenors filed Emergency Motions for Interim Relief and Expedited Commission Action requesting that, during the interim period before the implementation of the ICT, the FERC (1) institute an audit process to examine and modify Entergy's current AFC process; and (2) require the Southwest Power Pool (SPP) to become involved in the AFC stakeholder process and order certain modifications to Entergy's stakeholder process. The audit process being proposed by the intervenors would not involve an independent auditor, but instead would be an investigation performed by a representative from the intervenors, Entergy, and possibly SPP. On April 25, 2005, Entergy filed its response to the emergency motion urging the FERC to reject the intervenors' request for the "audit" because the type of investigation proposed by the intervenors would be neither independent nor fair and would only distract from the implementation of the ICT. Instead, Entergy has proposed that the ICT conduct an independent review of the AFC process and procedures as part of its transition to assuming the identified ICT responsibilities, including the calculation of the AFCs. Entergy subsequently retained SPP to conduct an audit of the AFC processes and procedures. The SPP released its audit report on the AFC processes in which the SPP, among other things, identified an issue concerning limited instances in which transmission service was granted when there was insufficient AFC available. In light of this, the SPP has recommended that the AFC process be further automated to ensure the correct processing of every transmission service request. Entergy has advised the FERC Staff of this issue.

On April 21, 2005, the intervenors filed a separate request for rehearing arguing that the FERC must allow the AFC hearing to proceed in parallel with the establishment of the ICT.

On October 31, 2005, the domestic utility companies notified participants in the ICT proceeding that certain historic data related to the hourly AFC models may have been inadvertently lost due to errors in the implementation of a data archiving process. The data at issue is certain hourly AFC data for the nine-month period April 27, 2004 through January 31, 2005. Although Entergy is continuing to pursue all avenues for recovery and retrieval of the historic hourly data, it is difficult to predict whether and to what extent these efforts will ultimately be successful. Since discovering the potential loss of data, the domestic utility companies have taken steps to ensure that these errors cannot recur and to ensure that the current AFC hourly data, including the hourly data from February 1, 2005 forward, is adequately protected and retained. Entergy self-reported the event to the FERC's Office of Market Oversight and Investigations and is providing information to the investigation staff concerning this event. Additionally, Entergy will request that the ICT review the current process for retaining AFC-related data as part of its independent review discussed above.

Interconnection Orders

The domestic utility companies (except Entergy New Orleans) are currently defendants to several complaints and rehearing requests before the FERC in which independent generation entities (GenCos) are seeking a refund of monies that the GenCos had previously paid to the Entergy companies for facilities necessary to connect their generation facilities to Entergy's transmission system. The FERC has issued orders in response to three complaints and in certain other dockets ordering Entergy to refund approximately \$123 million in expenses and tax obligations previously paid by the GenCos, including \$42 million for Entergy Arkansas, \$28 million for Entergy Gulf States, \$24 million for Entergy Louisiana, and \$29 million for Entergy Mississippi. The refunds will be in the form of transmission credits that will be utilized over time as the GenCos take transmission service from Entergy. There are other complaints that have been filed with FERC in an approximate amount of \$43 million, including \$27 million for Entergy Arkansas, \$8 million for Entergy Gulf States, and \$8 million for Entergy Louisiana, in which the FERC has not taken action.

To the extent the Entergy companies are ordered to provide such refunds, these costs will qualify for inclusion in the Entergy companies' rates. The recovery of these costs is not automatic, however, especially at the retail level, where the majority of the cost recovery would occur. Entergy intends to pursue all regulatory and legal avenues available to it in order to have these orders reversed and have the affected interconnection agreements reinstated as agreed to originally by the generators.

Energy Policy Act of 2005

The Energy Policy Act of 2005 became law in August 2005. The legislation contains electricity provisions that, among other things:

- Repealed PUHCA 1935, through enactment of PUHCA 2005, effective February 8, 2006; PUHCA 2005 and/or related amendments to Section 203(a) of the Federal Power Act (a) remove various limitations on Entergy Corporation as a registered holding company under PUHCA 1935; (b) require the maintenance and retention of books and records by certain holding company system companies for inspection by the FERC and state commissions, as appropriate; and (c) effectively leave to the jurisdiction of the FERC (or state or local regulatory bodies, as appropriate) (i) the issuance by an electric utility of securities; (ii) (A) the disposition of jurisdictional FERC electric facilities by an electric utility; (B) the acquisition by an electric utility of securities of an electric utility; (C) the acquisition by an electric utility of electric generating facilities (in each of the cases in (A), (B) and (C) only in transactions in excess of \$10 million); (iv) electric public utility mergers; and (v) the acquisition by an electric public utility holding company of securities of an electric public utility company or its holding company in excess of \$10 million or the merger of electric public utility holding company systems. PUHCA 2005 and the related FERC rule-making also provide a savings provision which permits continued reliance on certain PUHCA 1935 rules and orders after the repeal of PUHCA 1935.
- Codifies the concept of participant funding, a form of cost allocation for transmission interconnections and upgrades, and allows the FERC to apply participant funding in all regions of the country. Participant funding helps ensure that a utility's native load customers only bear the costs that are necessary to provide reliable transmission service to them and not bear costs required by generators who seek to deliver power to other regions.
- Provides financing benefits, including loan guarantees and production tax credits, for new nuclear plant construction, and reauthorizes the Price-Anderson Act, the law that provides an umbrella of insurance protection for the payment of public liability claims in the event of a major nuclear power plant incident.
- Revises current tax law treatment of nuclear decommissioning trust funds by allowing regulated and non-regulated taxpayers to make deductible contributions to fund the entire amount of estimated future decommissioning costs.
- Provides a more rapid tax depreciation schedule for transmission assets to encourage investment.
- Creates mandatory electricity reliability guidelines with enforceable penalties to help ensure that the nation's power transmission grid is kept in good repair and that disruptions in the electricity system are minimized.

Entergy already voluntarily complies with National Electricity Reliability Council standards, which are similar to the guidelines mandated by the Energy Policy Act of 2005.

- Establishes conditions for the elimination of the Public Utility Regulatory Policy Act's (PURPA) mandatory purchase obligation from qualifying facilities.
- Significantly increased the FERC's authorization to impose criminal and civil penalties for violations of the provisions of the Federal Power Act.

The Energy Policy Act requires several rulemakings by the FERC and other government agencies in order to implement its provisions and the FERC in its rule-makings has indicated it plans, by February 8, 2007, for further review of, and possible changes to, its implementation of PUHCA 2005 and the repeal of PUHCA 1935. Therefore, it will be a period of time before a full assessment of its effects on Entergy and the energy industry can be completed.

Market and Credit Risks

Market risk is the risk of changes in the value of commodity and financial instruments, or in future operating results or cash flows, in response to changing market conditions. Entergy is exposed to the following significant market risks:

- The commodity price risk associated with Entergy's Non-Utility Nuclear and Energy Commodity Services segments.
- The foreign currency exchange rate risk associated with certain of Entergy's contractual obligations.
- The interest rate and equity price risk associated with Entergy's investments in decommissioning trust funds, particularly in the Non-Utility Nuclear business.
- The interest rate risk associated with changes in interest rates as a result of Entergy's issuances of debt. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the consolidated financial statements for the details of Entergy's debt outstanding.

Entergy is also exposed to credit risk. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract or agreement. Credit risk also includes potential demand on liquidity due to collateral requirements within supply or sales agreements. Where it is a significant consideration, counterparty credit risk is addressed in the discussions that follow.

Commodity Price Risk

Power Generation

The sale of electricity from the power generation plants owned by Entergy's Non-Utility Nuclear business and Energy Commodity Services, unless otherwise contracted, is subject to the fluctuation of market power prices. Entergy's Non-Utility Nuclear business has entered into PPAs and other contracts to sell the power produced by its power plants at prices established in the PPAs. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new PPAs with other parties. Following is a summary of the amount of the Non-Utility Nuclear business' output that is currently sold forward under physical or financial contracts:

	2006	2007	2008	2009	2010
Non-Utility Nuclear:					
Percent of planned generation sold forward:					
Unit-contingent	34%	32%	25%	19%	12%
Unit-contingent with availability guarantees	53%	47%	32%	13%	5%
Firm liquidated damages	4%	2%	0%	0%	0%
Total	91%	81%	57%	32%	17%
Planned generation (TWh)	35	34	34	35	34
Average contracted price per MWh	\$41	\$45	\$49	\$54	\$45

The Vermont Yankee acquisition included a 10-year PPA under which the former owners will buy the power produced by the plant, which is through the expiration in 2012 of the current operating license for the plant. The PPA includes an adjustment clause under which the prices specified in the PPA will be adjusted downward monthly, beginning in November 2005, if power market prices drop below PPA prices.

A sale of power on a unit contingent basis coupled with an availability guarantee provides for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding availability guarantees provide for dollar limits on Entergy's maximum liability under such guarantees.

Non-Utility Nuclear's purchase of the Fitzpatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. Under the value sharing agreements, to the extent that the average annual price of the energy sales from each of the two plants exceeds specified strike prices, the Non-Utility Nuclear business will pay 50% of the amount exceeding the strike prices to NYPA. These payments, if required, will be recorded as adjustments to the purchase price of the plants. The annual energy sales subject to the value sharing agreements are limited to the lesser of actual generation or generation assuming an 85% capacity factor based on the plants' capacities at the time of the purchase. The value sharing agreements are effective through 2014. The strike prices for Fitzpatrick range from \$37.51/MWh in 2005 increasing by approximately 3.5% each year to \$51.30/MWh in 2014, and the strike prices for Indian Point 3 range from \$42.26/MWh in 2005 increasing by approximately 3.5% each year to \$57.77/MWh in 2014.

Some of the agreements to sell the power produced by Entergy's Non-Utility Nuclear power plants and the wholesale supply agreements entered into by Entergy's Competitive Retail business contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary may be required to provide collateral based upon the difference between the current market and contracted power prices in the regions where the Non-Utility Nuclear and Competitive Retail businesses sell power. The primary form of the collateral to satisfy these requirements would be an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At December 31, 2005, based on power prices at that time, Entergy had in place as collateral \$1,630 million of Entergy Corporation guarantees for wholesale transactions, \$237 million of which support letters of credit. The assurance requirement associated with Non-Utility Nuclear is estimated to increase by an amount up to \$400 million if gas prices increase \$1 per MMBtu in both the short- and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, Entergy may be required to replace Entergy Corporation guarantees with cash or letters of credit under some of the agreements.

In addition to selling the power produced by its plants, the Non-Utility Nuclear business sells installed capacity to load-serving distribution companies in order for those companies to meet requirements placed on them by the ISO in their area. Following is a summary of the amount of the Non-Utility Nuclear business' installed capacity that is currently sold forward, and the blended amount of the Non-Utility Nuclear business' planned generation output and installed capacity that is currently sold forward:

	2006	2007	2008	2009	2010
Non-Utility Nuclear:					
Percent of capacity sold forward:					
Bundled capacity and energy contracts	12%	12%	12%	12%	12%
Capacity contracts	77%	46%	36%	24%	3%
Total	89%	58%	48%	36%	15%
Planned net MW in operation	4,184	4,200	4,200	4,200	4,200
Average capacity contract price per kW per month	\$1.0	\$1.1	\$1.1	\$1.0	\$0.9
<u>Blended Capacity and Energy (based on revenues)</u>					
% of planned generation and capacity sold forward	82%	71%	47%	27%	12%
Average contract revenue per MWh	\$42	\$46	\$50	\$55	\$46

As of December 31, 2005, approximately 96% of Non-Utility Nuclear's counterparty exposure from energy and capacity contracts is with counterparties with investment grade credit ratings.

Following is a summary of the amount of Energy Commodity Services' output and installed capacity that is currently sold forward under physical or financial contracts at fixed prices:

	2006	2007	2008	2009	2010
Energy Commodity Services:					
<u>Capacity</u>					
Planned MW in operation	1,578	1,578	1,578	1,578	1,578
% of capacity sold forward	33%	29%	29%	19%	17%
<u>Energy</u>					
Planned generation (TWh)	4	4	4	4	4
% of planned generation sold forward	47%	41%	43%	36%	36%
<u>Blended Capacity and Energy (based on revenues)</u>					
% of planned energy and capacity sold forward	25%	23%	26%	17%	17%
Average contract revenue per MWh	\$26	\$28	\$28	\$21	\$20

Entergy continually monitors industry trends in order to determine whether asset impairments or other losses could result from a decline in value, or cancellation, of merchant power projects, and records provisions for impairments and losses accordingly. As discussed in "**Results of Operations**" above, in 2004 Entergy determined that the value of the Warren Power plant owned by the non-nuclear wholesale assets business was impaired, and recorded the appropriate provision for the loss.

Foreign Currency Exchange Rate Risk

Entergy Gulf States, System Fuels, and Entergy's Non-Utility Nuclear business enter into foreign currency forward contracts to hedge the Euro-denominated payments due under certain purchase contracts. The notional amounts of the foreign currency forward contracts are 16.7 million Euro and the forward currency rates range from .96370 to 1.32540. The maturities of these forward contracts depend on the purchase contract payment dates and range in time from January 2006 to January 2007. The mark-to-market valuation of the forward contracts at December 31, 2005 was a net asset of \$3.5 million. The counterparty banks obligated on these agreements are rated by Standard & Poor's Rating Services at AA on their senior debt obligations as of December 31, 2005.

Interest Rate and Equity Price Risk - Decommissioning Trust Funds

Entergy's nuclear decommissioning trust funds are exposed to fluctuations in equity prices and interest rates. The NRC requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1 and 2, and Vermont Yankee (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and FitzPatrick). The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. Management believes that exposure of the various funds to market fluctuations will not affect Entergy's financial results of operations as it relates to the ANO 1 and 2, River Bend, Grand Gulf, and Waterford 3 trust funds because of the application of regulatory accounting principles. The Pilgrim, Indian Point 1 and 2, and Vermont Yankee trust funds collectively hold approximately \$952 million of fixed-rate, fixed-income securities as of December 31, 2005. These securities have an average coupon rate of approximately 5.2%, an average duration of approximately 5.6 years, and an average maturity of approximately 9.2 years. The Pilgrim, Indian Point 1 and 2, and Vermont Yankee trust funds also collectively hold equity securities worth approximately \$519 million as of December 31, 2005. These securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index, and a relatively small percentage of the securities are held in a fund intended to replicate the return of the

Wilshire 4500 Index. The decommissioning trust funds are discussed more thoroughly in Notes 1, 8, and 15 to the consolidated financial statements.

Central States Compact Claim

The Low-Level Radioactive Waste Policy Act of 1980 holds each state responsible for disposal of low-level radioactive waste originating in that state, but allows states to participate in regional compacts to fulfill their responsibilities jointly. Arkansas and Louisiana participate in the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact or Compact). Commencing in early 1988, Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana made a series of contributions to the Central States Compact to fund the Central States Compact's development of a low-level radioactive waste disposal facility to be located in Boyd County, Nebraska. In December 1998, Nebraska, the host state for the proposed Central States Compact disposal facility, denied the compact's license application for the proposed disposal facility. Several parties, including the commission that governs the compact (the Compact Commission), filed a lawsuit against Nebraska seeking damages resulting from Nebraska's denial of the proposed facility's license. After a trial, the U.S. District Court concluded that Nebraska violated its good faith obligations regarding the proposed waste disposal facility and rendered a judgment against Nebraska in the amount of \$151 million. In August 2004, Nebraska agreed to pay the Compact \$141 million in settlement of the judgment. In July 2005, the Compact Commission decided to distribute a substantial portion of the proceeds from the settlement to the nuclear power generators that had contributed funding for the Boyd County facility, including Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana. On August 1, 2005, Nebraska paid \$145 million, including interest, to the Compact, and the Compact distributed from the settlement proceeds \$23.6 million to Entergy Arkansas, \$19.9 million to Entergy Gulf States, and \$19.4 million to Entergy Louisiana. The proceeds caused an increase in pre-tax earnings of \$28.7 million.

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

Entergy owns a significant number of nuclear generation facilities in both its U.S. Utility and Non-Utility Nuclear business units. Regulations require Entergy to decommission its nuclear power plants after each facility is taken out of service, and money is collected and deposited in trust funds during the facilities' operating lives in order to provide for this obligation. Entergy conducts periodic decommissioning cost studies (typically updated every three to five years) to estimate the costs that will be incurred to decommission the facilities. The following key assumptions have a significant effect on these estimates:

- **Cost Escalation Factors** - Entergy's decommissioning revenue requirement studies include an assumption that decommissioning costs will escalate over present cost levels by annual factors ranging from approximately CPI-U to 5.5%. A 50 basis point change in this assumption could change the ultimate cost of decommissioning a facility by as much as 11%.
- **Timing** - In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated. The expiration of the plant's operating license is typically used for this purpose, but more often the assumption is made that the plant will be relicensed and operate for some time beyond the original license term. Second, an assumption must be made whether decommissioning will begin immediately upon plant retirement, or whether the plant will be