ENTERGY LOUISIANA HOLDINGS, INC. AND SUBSIDIARIES AND ENTERGY LOUISIANA, LLC
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2005	2004	2003	2002	2001
			(In Thousands)		
Operating revenues	$2,650,181	$2,226,986	$2,165,570	$1,815,352	$1,901,913
Net Income	$128,082	$127,495	$146,154	$144,709	$132,550
Total assets - Entergy Louisiana Holdings, Inc.	$5,801,902	$4,878,994	$4,674,539	$4,753,704	$4,149,701
Total assets - Entergy Louisiana, LLC	$5,855,053	$4,845,597	$4,641,142	$4,720,307	$4,116,304
Long-term obligations (1)	$1,208,140	$939,598	$917,247	$919,319	$1,197,473

(1) Included long-term debt (excluding currently maturing debt) and noncurrent capital lease obligations.

	2005	2004	2003	2002	2001
			(Dollars In Millions)		
Electric Operating Revenues:					
Residential	$828	$770	$739	$638	$658
Commercial	539	501	473	403	429
Industrial	834	779	723	637	760
Governmental	41	38	41	36	39
Total retail	2,242	2,088	1,976	1,714	1,886
Sales for resale:					
Associated companies	339	96	102	8	25
Non-associated companies	14	13	12	11	23
Other	55	30	76	82	(32)
Total	$2,650	$2,227	$2,166	$1,815	$1,902
Billed Electric Energy Sales (GWh):					
Residential	8,559	8,842	8,795	8,780	8,255
Commercial	5,554	5,762	5,622	5,538	5,369
Industrial	12,348	13,140	12,870	14,738	14,402
Governmental	428	439	491	510	498
Total retail	26,889	28,183	27,778	29,566	28,524
Sales for resale:					
Associated companies	2,451	1,129	1,344	146	381
Non-associated companies	109	122	132	139	334
Total	29,449	29,434	29,254	29,851	29,239

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members
Entergy Louisiana, LLC:

We have audited the accompanying balance sheets of Entergy Louisiana, LLC as of December 31, 2005 and 2004 and the related statements of income, members' equity, and cash flows (pages 239 through 244 and applicable items in pages 302 through 376) for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy Louisiana LLC, as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the notes to respective financial statements, in 2003 Entergy Louisiana, LLC adopted the provisions of Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations.*

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
March 9, 2006

ENTERGY LOUISIANA, LLC
INCOME STATEMENTS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$2,650,181	$2,226,986	$2,165,570
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	916,779	671,549	525,645
Purchased power	872,026	667,893	668,337
Nuclear refueling outage expenses	15,351	13,633	11,130
Other operation and maintenance	356,084	367,824	376,770
Decommissioning	18,785	21,958	20,569
Taxes other than income taxes	73,860	68,999	70,084
Depreciation and amortization	186,281	197,380	192,972
Other regulatory credits - net	(70,119)	(43,765)	(2,160)
TOTAL	2,369,047	1,965,471	1,863,347
OPERATING INCOME	281,134	261,515	302,223
OTHER INCOME			
Allowance for equity funds used during construction	10,251	7,494	6,900
Interest and dividend income	19,882	8,209	8,820
Miscellaneous - net	(7,539)	(929)	(3,100)
TOTAL	22,594	14,774	12,620
INTEREST AND OTHER CHARGES			
Interest on long-term debt	73,691	70,210	73,227
Other interest - net	11,727	3,931	3,529
Allowance for borrowed funds used during construction	(6,591)	(4,822)	(5,475)
TOTAL	78,827	69,319	71,281
INCOME BEFORE INCOME TAXES	224,901	206,970	243,562
Income taxes	96,819	79,475	97,408
NET INCOME AND EARNINGS APPLICABLE TO COMMON EQUITY	$128,082	$127,495	$146,154

See Notes to Respective Financial Statements.

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ENTERGY LOUISIANA, LLC
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$128,082	$127,495	$146,154
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Reserve for regulatory adjustments	(13,674)	14,076	1,858
Other regulatory credits - net	(70,119)	(43,765)	(2,160)
Depreciation, amortization, and decommissioning	205,066	219,338	213,541
Deferred income taxes and investment tax credits	124,679	75,078	859,157
Changes in working capital:			
Receivables	(112,828)	4,364	(45,735)
Accounts payable	40,382	4,455	30,174
Taxes accrued	141,741	89,079	(804,805)
Interest accrued	10,004	(1,791)	(10,324)
Deferred fuel costs	(13,231)	21,955	(56,211)
Other working capital accounts	(26,873)	20,693	10,395
Provision for estimated losses and reserves	512	6,119	12,194
Changes in other regulatory assets	(111,641)	(14,456)	59,169
Other	(131,024)	(22,770)	(66,353)
Net cash flow provided by operating activities	171,076	499,870	347,054
INVESTING ACTIVITIES			
Construction expenditures	(389,220)	(240,283)	(257,754)
Allowance for equity funds used during construction	10,251	7,494	6,900
Nuclear fuel purchases	(54,498)	-	(41,525)
Proceeds from the sale/leaseback of nuclear fuel	54,158	-	41,525
Payment for purchase of plant	(162,075)	-	-
Proceeds from nuclear decommissioning trust fund sales	107,291	35,987	53,479
Investment in nuclear decommissioning trust funds	(115,552)	(48,602)	(70,985)
Change in money pool receivable - net	40,549	(40,549)	18,854
Change in other investments - net	-	2,173	(12)
Other regulatory investments	(40,357)	-	-
Net cash flow used in investing activities	(549,453)	(283,780)	(249,518)
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	401,928	282,745	-
Preferred stock	97,982	-	-
Retirement of long-term debt	(219,374)	(203,756)	(296,366)
Change in money pool payable - net	68,677	(41,317)	41,317
Changes in short-term borrowings	40,000	-	-
Dividends paid:			
Common equity	(51,600)	(116,500)	(145,500)
Net cash flow provided by (used in) financing activities	337,613	(78,828)	(400,549)
Net increase (decrease) in cash and cash equivalents	(40,764)	137,262	(303,013)
Cash and cash equivalents at beginning of period	146,049	8,787	311,800
Cash and cash equivalents at end of period	$105,285	$146,049	$8,787
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	$71,831	$73,170	$84,089
Income taxes	$11,116	($70,650)	$35,128

See Notes to Respective Financial Statements.

ENTERGY LOUISIANA, LLC
BALANCE SHEETS
ASSETS

	December 31, 2005	December 31, 2004
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$105,285	$3,875
Temporary cash investments - at cost, which approximates market	-	142,174
Total cash and cash equivalents	105,285	146,049
Accounts receivable:		
Customer	176,169	88,154
Allowance for doubtful accounts	(6,141)	(3,135)
Associated companies	24,453	43,121
Other	12,553	13,070
Accrued unbilled revenues	149,908	143,453
Total accounts receivable	356,942	284,663
Deferred fuel costs	21,885	8,654
Accumulated deferred income taxes	3,884	12,712
Materials and supplies - at average cost	92,275	77,665
Deferred nuclear refueling outage costs	15,337	5,605
Prepayments and other	173,055	6,861
TOTAL	768,663	542,209
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	187,101	172,083
Non-utility property - at cost (less accumulated depreciation)	1,852	2,009
Other	4	4
TOTAL	188,957	174,096
UTILITY PLANT		
Electric	6,233,711	5,985,889
Property under capital lease	250,610	250,964
Construction work in progress	415,475	188,848
Nuclear fuel under capital lease	58,492	31,655
TOTAL UTILITY PLANT	6,958,288	6,457,356
Less - accumulated depreciation and amortization	2,805,944	2,799,936
UTILITY PLANT - NET	4,152,344	3,657,420
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	104,893	132,686
Other regulatory assets	498,542	302,456
Long-term receivables	8,222	10,736
Other	133,432	25,994
TOTAL	745,089	471,872
TOTAL ASSETS	$5,855,053	$4,845,597

See Notes to Respective Financial Statements.

ENTERGY LOUISIANA, LLC
BALANCE SHEETS
LIABILITIES AND MEMBERS' EQUITY

	December 31, 2005	December 31, 2004
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$-	$55,000
Notes payable	40,000	-
Accounts payable:		
Associated companies	121,382	57,681
Other	398,507	128,523
Customer deposits	66,705	66,963
Taxes accrued	88,548	7,268
Interest accrued	28,442	18,438
Obligations under capital leases	22,753	22,753
Other	8,721	10,428
TOTAL	775,058	367,054
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,055,083	1,805,410
Accumulated deferred investment tax credits	92,439	96,130
Obligations under capital leases	35,740	8,903
Other regulatory liabilities	58,129	51,260
Decommissioning	221,291	347,255
Accumulated provisions	93,165	92,653
Long-term debt	1,172,400	930,695
Other	146,576	113,534
TOTAL	3,874,823	3,445,840
Commitments and Contingencies		
MEMBERS' EQUITY		
Preferred stock without sinking fund	100,000	-
Members' equity	1,105,172	1,032,703
TOTAL	1,205,172	1,032,703
TOTAL LIABILITIES AND MEMBERS' EQUITY	$5,855,053	$4,845,597

See Notes to Respective Financial Statements.

ENTERGY LOUISIANA, LLC
STATEMENTS OF MEMBERS' EQUITY

	For the Years Ended December 31,		
	2005	2004	2003
	(In Thousands)		
Members' Equity, January 1	$1,032,703	$1,021,716	$1,021,070
Add:			
Net income	128,082	127,495	146,154
Total	128,082	127,495	146,154
Deduct:			
Dividends declared:			
Common equity	51,600	116,500	145,500
Other	4,013	8	8
Total	55,613	116,508	145,508
Members' Equity, December 31	$1,105,172	$1,032,703	$1,021,716

See Notes to Respective Financial Statements.

Hurricane Katrina

In August 2005, Hurricane Katrina hit Entergy Mississippi's service territory causing power outages and significant infrastructure damage to Entergy Mississippi's distribution and transmission systems. Total restoration costs for the repair and/or replacement of Entergy Mississippi's electric facilities damaged by Hurricane Katrina, and business continuity costs, and a small amount of damage caused by Hurricane Rita, are estimated to be $120 million, including $38.8 million in construction expenditures and $81.2 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.

Entergy Mississippi has recorded accruals for the portion of the estimated storm restoration costs not yet paid. In accordance with its accounting policies, and based on historic treatment of such costs in its service territories and communications with local regulators, Entergy Mississippi recorded assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. In December 2005, Entergy Mississippi filed with the MPSC a notice of intent to change rates by implementing a storm damage rider for costs incurred through November 30, 2005 and intends to make a second filing in late spring of 2006 to recover additional storm restoration costs incurred after November 30, 2005. The filing is discussed below in "**Significant Factors and Known Trends.**" Because Entergy Mississippi 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.

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 Entergy and each of the affected domestic utility companies, working with insurance adjusters, and preparing proofs of loss for Hurricanes Katrina and Rita. Entergy Mississippi 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 $4 million.

In December 2005, the U.S. Congress passed 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 to be provided to publicly owned utilities. 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.

Results of Operations

Net Income

2005 Compared to 2004

Net income decreased $11.4 million primarily due to lower net revenue, higher taxes other than income taxes, and higher depreciation and amortization expenses.

2004 Compared to 2003

Net income increased $6.4 million primarily due to higher net revenue partially offset by higher other operation and maintenance expenses and higher taxes other than income taxes.

Net Revenue

2005 Compared to 2004

Net revenue, which is Entergy Mississippi'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 charges (credits). Following is an analysis of the change in net revenue comparing 2005 to 2004.

	Amount (In Millions)
2004 net revenue	$443.5
Reserve Equalization	(3.0)
Price applied to unbilled sales	(2.1)
Volume/weather	6.0
Other	(4.9)
2005 net revenue	**$439.5**

The reserve equalization variance is primarily due to a revision of reserve equalization payments between Entergy companies due to a FERC ruling regarding the inclusion of interruptible loads in reserve equalization calculations, and Entergy Louisiana's purchase of the Perryville plant, which also affected the reserve calculation.

The price applied to unbilled sales variance is due to lower cost per kWh that occurs when sales increase and a decrease in Grand Gulf rates applied to unbilled sales in 2005. See "**Critical Accounting Estimates**" below and Note 1 to the domestic utility companies and System Energy financial statements for further discussion of the accounting for unbilled revenues.

The volume/weather variance is primarily due to more favorable weather on billed sales in 2005 compared to 2004. Billed usage increased a total of 363 GWh in the service territory.

The other variance includes several individually insignificant items.

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

Gross operating revenues increased primarily due to an increase of $48.6 million in fuel cost recovery revenues due to higher fuel rates and an increase of $30.5 million in gross wholesale revenue as a result of increased volume due to higher net generation and purchases in excess of net area demand resulting in more energy available for resale sales coupled with an increase in the average price of energy available for resale.

Fuel and purchased power expenses increased primarily due to increases in the market prices of natural gas and purchased power. The increase was partially offset by the under-recovery of fuel and purchased power costs as a result of higher fuel costs. Refer to Note 2 to the domestic and System Energy financial statements for discussion of the energy cost recovery rider.

Other regulatory charges increased primarily due to the over-recovery of costs through the power management recovery rider as a result of gains recorded on gas hedging contracts in addition to the over-recovery through the Grand Gulf rider of Grand Gulf capacity charges. The rider have no material effect on net income due to the refund and/or recovery through quarterly adjustments to the rider.

2004 Compared to 2003

Net revenue, which is Entergy Mississippi'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 charges (credits). Following is an analysis of the change in net revenue comparing 2004 to 2003.

	Amount
	(In Millions)
2003 net revenue	$426.6
Volume/weather	6.4
Net wholesale revenue	5.0
Other	5.5
2004 net revenue	**$443.5**

The volume/weather variance resulted from an increase of 247 GWh in weather-adjusted usage, partially offset by the effect of milder weather on billed sales.

The net wholesale revenue variance resulted from an increase in energy available for resale sales, partially offset by a decrease in the average price of energy supplied for affiliated sales.

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

Gross operating revenues increased primarily due to an increase of $174.0 million in fuel cost recovery revenues due to higher fuel rates and an increase of $26.3 million in gross wholesale revenue. The increase was partially offset by a decrease of $37.6 million in Grand Gulf revenue as a result of the cessation of the Grand Gulf Accelerated Tariff in July 2003.

Fuel and purchased power expenses increased primarily due to the over-recovery of fuel and purchased power costs as a result of higher fuel rates. Entergy Mississippi's fuel rates include an energy cost recovery rider to recover projected energy costs. Actual fuel and purchased power costs were lower than those projected in the computation of the energy cost factors for the third quarter of 2004 which contributed to the over-recovery of fuel and purchased power costs. The MPSC has allowed Entergy Mississippi to refund these over-recoveries in the second and third quarters of 2005. Refer to Note 2 to the domestic and System Energy financial statements for discussion of the energy cost recovery rider.

Other regulatory credits increased primarily due to the under-recovery of costs through the Grand Gulf rider of Grand Gulf capacity charges. The rider has no material effect on net income due to the refund and/or recovery through quarterly adjustments to the rider.

Other Income Statement Variances

2005 Compared to 2004

Taxes other than income taxes increased primarily due to higher assessed values for ad valorem tax purposes and higher franchise taxes in 2005.

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

2004 Compared to 2003

Other operation and maintenance expenses increased primarily due to:

- an increase of $6.6 million in customer service support costs; and
- an increase of $3.7 million in benefit costs.

The increase was partially offset by the absence of the voluntary severance program accruals of $7.1 million that occurred in 2003.

Taxes other than income taxes increased primarily due to a higher assessment of ad valorem and franchise taxes compared to the same period in 2003.

Income Taxes

The effective income tax rates for 2005, 2004, and 2003 were 35.3%, 33.5%, and 33.9%, respectively. See Note 3 to the domestic utility companies and System Energy financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rate. Tax reserves not expected to reverse within the next year are reflected as non-current taxes accrued on the balance sheet.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2005, 2004, and 2003 were as follows:

	2005	2004	2003
		(In Thousands)	
Cash and cash equivalents at beginning of period	$80,396	$63,838	$147,721
Cash flow provided by (used in):			
Operating activities	4,935	257,687	266,662
Investing activities	(138,510)	(151,013)	(277,869)
Financing activities	57,702	(90,116)	(72,676)
Net increase (decrease) in cash and cash equivalents	(75,873)	16,558	(83,883)
Cash and cash equivalents at end of period	$4,523	$80,396	$63,838

Operating Activities

Cash flow from operations decreased by $252.8 million in 2005 primarily due to a decrease in recovery of deferred fuel and purchased power costs and also due to storm restoration spending caused by Hurricane Katrina.

Cash flow from operations decreased by $9.0 million in 2004 primarily due to a $12 million income tax payment in 2004 compared to a $78 million income tax refund in 2003 and decreased collections of customer receivables, almost entirely offset by an increase in recovery of deferred fuel and purchased power costs.

In addition to the direct costs caused by the storms, Hurricanes Katrina and Rita have had other impacts that have affected Entergy Mississippi'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 Entergy Mississippi's ongoing costs, which consumed available credit lines more quickly and in some instances required the posting of additional collateral. Entergy managed through these events thus far, adequately supplied Entergy Mississippi 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 Entergy Mississippi with fuel and power.

In 2003, the domestic utility companies and System Energy filed, with the IRS a change in tax accounting method notification 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 $1.13 billion deduction for Entergy Arkansas, a $641 million deduction for Entergy Gulf States, a $474 million deduction for Entergy Louisiana, a $111 million deduction for Entergy Mississippi, a $32 million deduction for Entergy New Orleans, and a $440 million deduction for System Energy on Entergy's 2003 income tax return. Entergy's current estimates of the utilization through 2005 indicate that Entergy Arkansas realized $115 million, Entergy Gulf States realized $46 million, Entergy Louisiana realized $64 million, Entergy Mississippi realized $2 million, and System Energy realized $138 million in cash tax benefit from the method change. The Internal Revenue Service issued new proposed regulations, effective in 2005, which disallow a portion of Entergy's method. Approximately $776 million of tax deductions have to be reversed and will be recognized in taxable income equally over two years, 2005 and 2006. Entergy Arkansas' share of this reversal is $270 million, Entergy Gulf States' share is $148 million, Entergy Louisiana's share is $145 million, Entergy Mississippi's share is $124 million, Entergy New Orleans' share is $27 million, and System Energy's share is $62 million. 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. It is anticipated that this new method will offset a significant portion of the previously stated adjustment to taxable income. As Entergy is in a consolidated net operating loss position, the adjustment required by the new regulations has the effect of reducing the consolidated net operating loss and does not require a payment to the IRS at this time. However, to the extent the individual companies making this election do not have other deductions or other sufficient net operating losses, they will have to pay back their benefits received to other Entergy companies under the Entergy Tax Allocation Agreement. At this time, it is estimated that Entergy Mississippi would owe $1 million, and System Energy would owe $9 million. The new tax accounting method is also subject to IRS scrutiny. Should the IRS fully deny the use of Entergy's tax accounting method for cost of goods sold, the companies would have to pay back all of the benefits received.

Investing Activities

Net cash used in investing activities decreased $12.5 million in 2005 primarily due to money pool activity, partially offset by the maturity in 2004 of $7.5 million of other temporary investments that had been made in 2003, which provided cash in 2004.

Capital expenditures incurred during 2005 as a result of Hurricane Katrina were $22.4 million.

Net cash used in investing activities decreased $126.9 million in 2004 primarily due to:

- cash used in 2003 for other regulatory investments of $72.6 million as a result of under-recovered fuel and purchased power costs;
- a decrease of $25.6 million in capital expenditures in 2004 due to decreased spending on customer care projects and less transmission upgrade work requested by merchant generators; and
- the maturity in 2004 of $7.5 million of other temporary investments that had been made in 2003, which provided cash in 2004.

Financing Activities

Financing activities provided $57.7 million of cash in 2005 compared to using $90.1 million in 2004 primarily due to money pool activity, the net retirement of $39.9 million in long-term debt in 2004, and a decrease of $24.9 million in common stock dividends paid.

Net cash used in financing activities increased $17.4 million in 2004 primarily due to an increase of $15.1 million in common stock dividends paid.

See Note 5 to the domestic utility companies and System Energy financial statements for details on long-term debt.

Capital Structure

Entergy Mississippi's capitalization is balanced between equity and debt, as shown in the following table. The decrease in the debt to capital percentage as of December 31, 2005 is primarily due to increased retained earnings.

	December 31, 2005	December 31, 2004
Net debt to net capital	52.6%	51.1%
Effect of subtracting cash from debt	0.1%	3.1%
Debt to capital	52.7%	54.2%

Net debt consists of debt less cash and cash equivalents. Debt consists of capital lease obligations and long-term debt, including the currently maturing portion. Capital consists of debt and shareholders' equity. Net capital consists of capital less cash and cash equivalents. Entergy Mississippi uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi's financial condition.

Uses of Capital

Entergy Mississippi requires capital resources for:

- construction and other capital investments;
- debt and preferred stock maturities;
- working capital purposes, including the financing of fuel and purchased power costs; and
- dividend and interest payments.

Following are the amounts of Entergy Mississippi's planned construction and other capital investments, and existing debt obligations:

	2006	2007-2008	2009-2010	After 2010	Total
			(In Millions)		
Planned construction and capital investment (1)	$219	$270	N/A	N/A	$489
Long-term debt	$-	$100	$-	$595	$695
Operating leases	$8	$9	$6	$9	$32
Purchase obligations (2)	$186	$330	$328	$1,839	$2,683

(1) Includes approximately $110 to $123 million annually for maintenance capital, which is planned spending on routine capital projects that are necessary to support reliability of service, equipment or systems, and to support normal customer growth.

(2) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy Mississippi, almost all of the total consists of unconditional fuel and purchased power obligations, including its obligations under the Unit Power Sales Agreement, which is discussed in Note 8 to the domestic utility companies and System Energy financial statements.

In addition to the planned spending in the table above, Entergy Mississippi also expects to make $7 million of payments in 2006 related to Hurricane Katrina restoration work. Also, Entergy Mississippi expects to contribute $16.4 million to its pension plans and $5 million to other postretirement plans in 2006.

The planned capital investment estimate for Entergy Mississippi reflects capital required to support existing business, customer growth, and the anticipated acquisition of additional generation supply resources. The estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints, environmental compliance, market volatility, economic trends, and the ability to access capital. Management provides more information on long-term debt and preferred stock maturities in Notes 5 and 6 to the domestic utility companies and System Energy financial statements.

In January 2006, Entergy Mississippi purchased for $88 million the Attala power plant, a 480 MW natural gas-fired, combined-cycle generating facility owned by Central Mississippi Generating Company (CMGC). Entergy Mississippi plans to invest approximately $20 million in facility upgrades at the Attala plant plus $3 million in other costs, bringing the total capital cost of the project to approximately $111 million. In November 2005, the MPSC issued an order approving the acquisition of the Attala plant. In December 2005, the MPSC issued an order approving the investment cost recovery through the power management rider and limited the recovery to a period that begins with the closing date of the purchase and ends the earlier of the date costs are incorporated into base rates or December 31, 2006. The planned construction and other capital investments line includes the majority of the estimated cost of the Attala acquisition as a 2006 capital commitment.

As a wholly-owned subsidiary, Entergy Mississippi dividends its earnings to Entergy Corporation at a percentage determined monthly. Entergy Mississippi's long-term debt indentures restrict the amount of retained earnings available for the payment of cash dividends or other distributions on its common and preferred stock. As of December 31, 2005, Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $68.5 million.

Sources of Capital

Entergy Mississippi's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt or preferred stock issuances; and
- bank financing under new or existing facilities.

Entergy Mississippi may refinance or redeem debt and preferred stock prior to maturity, to the extent market conditions and interest and dividend rates are favorable.

All debt and common and preferred stock issuances by Entergy Mississippi require prior regulatory approval. Preferred stock and debt issuances are also subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. Entergy Mississippi has sufficient capacity under these tests to meet its foreseeable capital needs.

In June 2005, Entergy Mississippi issued 1,200,000 shares of $25 par value 6.25% Series Preferred Stock, all of which are outstanding as of December 31, 2005. The dividends are cumulative and are payable quarterly. The preferred stock is redeemable on or after July 1, 2010, at Entergy Mississippi's option, at the call price of $25 per share. The proceeds from this issuance were used in the third quarter of 2005 to redeem $20 million of Entergy Mississippi's $100 par value 8.36% Series Preferred Stock and $10 million of Entergy Mississippi's $100 par value 7.44% Series Preferred Stock.

In January 2006, Entergy Mississippi issued $100 million of 5.92% Series of First Mortgage Bonds due February 2016. Entergy Mississippi used the proceeds to purchase the Attala power plant from Central Mississippi Generating Company, LLC, discussed above, and to repay short-term indebtedness.

Prior to February 8, 2006, borrowings and securities issuances by Entergy Mississippi were limited to amounts authorized by the SEC. Effective with repeal of PUHCA 1935 on that date, the FERC, under the Federal Power Act, has jurisdiction over its securities issuances. Entergy Mississippi has obtained a short-term borrowing authorization from the FERC under which it may borrow through March 31, 2008, up to the aggregate amount, at any one time outstanding, of $175 million.

Under a savings provision in PUHCA 2005 which repealed PUHCA 1935, Entergy Mississippi can rely, after the repeal, on the long-term securities issuance authority in its SEC PUHCA 1935 order unless superceded by FERC authorization. Under its SEC order, Entergy Mississippi cannot incur additional indebtedness or issue other securities unless (a) it and Entergy Corporation maintain a common equity ratio of at least 30% and (b) with the exception of money pool borrowings, the security to be issued (if rated) and all outstanding securities of Entergy Mississippi, as well as all outstanding securities of Entergy Corporation, that are rated, are rated investment grade. See Note 4 to the domestic utility companies and System Energy financial statements for further discussion of Entergy Mississippi's short-term borrowing limits.

Entergy Mississippi's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years:

2005	2004	2003	2002
	(In Thousands)		
($84,066)	$21,584	$22,076	$8,702

See Note 4 to the domestic utility companies and System Energy financial statements for a description of the money pool.

Significant Factors and Known Trends

State and Local Rate Regulation

The rates that Entergy Mississippi charges for electricity significantly influence its financial position, results of operations, and liquidity. Entergy Mississippi is closely regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the MPSC, is primarily responsible for approval of the rates charged to customers.

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 60-month 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.

Entergy Mississippi made its annual formula rate plan filing with the MPSC in March 2005 based on a 2004 test year. In May 2005, the MPSC approved a joint stipulation entered into between the Mississippi Public Utilities Staff and Entergy Mississippi that provides for no change in rates based on a performance-adjusted ROE mid-point of 10.50%, establishing an allowed regulatory earnings range of 9.1% to 11.9%.

Entergy Mississippi's fuel costs recovered from customers are subject to regulatory scrutiny. Entergy Mississippi's retail rate matters and proceedings, including fuel cost recovery-related issues are discussed more thoroughly in Note 2 to the domestic utility companies and System Energy financial statements.

Federal Regulation

System Agreement Proceedings

See "System Agreement Proceedings" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for discussion of the proceeding at FERC involving the System Agreement and of other related proceedings.

Transmission

See "Independent Coordinator of Transmission" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion.

Interconnection Orders

See "Interconnection Orders" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion.

Available Flowgate Capacity Proceeding

See "Available Flowgate Capacity Proceeding" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion.

Energy Policy Act of 2005

See "**Energy Policy Act of 2005**" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion, including a discussion of the implications of repeal of PUHCA 1935 and ongoing FERC regulation under the Federal Power Act.

Utility Restructuring

The MPSC has recommended not pursuing open access at this time.

Market and Credit Risks

Entergy Mississippi has certain market and credit risks inherent in its business operations. Market risks represent 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. Credit risk is risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract or agreement.

Critical Accounting Estimates

The preparation of Entergy Mississippi'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 there is the potential for future changes in the assumptions and measurements could produce estimates that would have a material impact on the presentation of Entergy Mississippi's financial position or results of operations.

Unbilled Revenue

As discussed in Note 1 to the domestic utility companies and System Energy financial statements, Entergy Mississippi records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period, in addition to changes in certain components of the calculation including changes to estimates such as line loss, which affects the estimate of unbilled customer usage, and assumptions regarding price such as the fuel cost recovery mechanism.

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified defined benefit pension plans which cover substantially all employees. Additionally, Entergy currently provides postretirement health care and life insurance benefits for substantially all employees who reach retirement age while still working for Entergy. Entergy's reported costs of providing these benefits, as described in Note 10 to the domestic utility companies and System Energy financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

<u>Assumptions</u>

Key actuarial assumptions utilized in determining these costs include:

- Discount rates used in determining the future benefit obligations;
- Projected health care cost trend rates;
- Expected long-term rate of return on plan assets; and
- Rate of increase in future compensation levels.

Entergy reviews these assumptions on an annual basis and adjusts them as necessary. The falling interest rate environment and worse-than-expected performance of the financial equity markets over the past several years have impacted Entergy's funding and reported costs for these benefits. In addition, these trends have caused Entergy to make a number of adjustments to its assumptions.

In selecting an assumed discount rate to calculate benefit obligations, Entergy reviews market yields on high-quality corporate debt and matches these rates with Entergy's projected stream of benefit payments. Based on recent market trends, Entergy reduced its discount rate used to calculate benefit obligations from 6.25% in 2003 to 6.00% in 2004 and to 5.90% in 2005. Entergy reviews actual recent cost trends and projected future trends in establishing health care cost trend rates. Based on this review, Entergy increased its health care cost trend rate assumption used in calculating the December 31, 2005 accumulated postretirement benefit obligation to a 12% increase in health care costs in 2006 gradually decreasing each successive year, until it reaches a 4.5% annual increase in health care costs in 2012 and beyond.

In determining its expected long-term rate of return on plan assets, Entergy reviews past long-term performance, asset allocations, and long-term inflation assumptions. Entergy targets an asset allocation for its pension plan assets of roughly 65% equity securities, 31% fixed income securities, and 4% other investments. The target allocation for Entergy's other postretirement benefit assets is 51% equity securities and 49% fixed income securities. Based on recent market trends, Entergy reduced its expected long-term rate of return on plan assets used to calculate benefit obligations from 8.75% for 2003 to 8.5% in both 2004 and 2005. The assumed rate of increase in future compensation levels used to calculate benefit obligations was 3.25% in 2003, 2004, and 2005.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2005 Qualified Pension Cost	Impact on Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$607	$6,909
Rate of return on plan assets	(0.25%)	$420	-
Rate of increase in compensation	0.25%	$289	$1,594

The following chart reflects the sensitivity of postretirement benefit cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2005 Postretirement Benefit Cost	Impact on Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Health care cost trend	0.25%	$216	$1,344
Discount rate	(0.25%)	$132	$1,743

Each fluctuation above assumes that the other components of the calculation are held constant.

Accounting Mechanisms

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into cost only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees.

Additionally, Entergy accounts for the impact of asset performance on pension expense over a twenty-quarter phase-in period through a "market-related" value of assets calculation. Since the market-related value of assets recognizes investment gains or losses over a twenty-quarter period, the future value of assets will be impacted as previously deferred gains or losses are recognized. As a result, the losses that the pension plan assets experienced in 2002 has had and may continue to have an adverse impact on pension cost in future years depending on whether the actuarial losses at each measurement date exceed the 10% corridor in accordance with SFAS 87.

Costs and Funding

Total qualified pension cost for Entergy Mississippi in 2005 was $5 million. Entergy anticipates 2006 qualified pension cost to increase to $6 million. Entergy Mississippi contributed $1 million to its qualified pension plans in 2005, and under current law, projects 2006 contributions will be $16.4 million. In January 2006, $2.2 million was funded. All of the amount funded in January 2006 was originally planned for 2005; however, it was delayed as a result of the Katrina Emergency Tax Relief Act. The rise in pension funding requirements is due to declining interest rates and the phased-in effect of asset underperformance from 2000 to 2002, partially offset by the Pension Funding Equity Act relief passed in April 2004.

Entergy Mississippi's qualified pension accumulated benefit obligation at December 31, 2005 and 2004 exceeded plan assets. As a result, Entergy Mississippi was required to recognize an additional minimum liability as prescribed by SFAS 87. At December 31, 2005, Entergy Mississippi increased its additional minimum liability for its qualified pension plans to $42.9 million from $23.5 million at December 31, 2004. Entergy Mississippi decreased its intangible asset for the unrecognized prior service cost to $2.4 million at December 31, 2005 from $3.3 million at December 31, 2004. Entergy Mississippi also increased the regulatory asset to $40.5 million at December 31, 2005 from $20.2 million at December 31, 2004. Net income for 2005, 2004, and 2003 was not impacted.

Total postretirement health care and life insurance benefit costs for Entergy Mississippi in 2005 were $4.4 million, including $1.8 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy Mississippi expects 2006 postretirement health care and life insurance benefit costs to approximate $5 million, including $2 million in savings due to the estimated effect of future Medicare Part D subsidies. The increase in postretirement health care and life insurance benefit costs is due to the decrease in the discount rate (from 6.00% to 5.90%) and an increase in the health care cost trend rate used to calculate benefit obligations.

New Accounting Pronouncements

In December 2005, Entergy Mississippi implemented FASB Interpretation 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143", (FIN 47), effective as of that date, which required the recognition of additional asset retirement obligations other than nuclear decommissioning which are conditional in nature. The obligations recognized upon implementation represent Entergy Mississippi's obligation to remove and dispose of asbestos at many of its non-nuclear generating units if and when those units are retired from commercial service and dismantled. The net effect of implementing FIN 47 for Entergy Mississippi was recorded as a regulatory asset, with no resulting effect on Entergy Mississippi's net income. Entergy Mississippi recorded this regulatory asset because its existing rate mechanisms allow the recovery in rates of the ultimate costs of asbestos removal, either through cost of service or in rate base, from current and future customers. Upon implementation of FIN 47 in December 2005, assets and liabilities increased by $4.0 million as a result of recording the asset retirement obligation at its fair value as determined under FIN 47, increasing utility plant by $0.4 million, increasing accumulated depreciation by $0.3 million, and recording the related regulatory asset of $3.9 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Entergy Mississippi, Inc.:

We have audited the accompanying balance sheets of Entergy Mississippi, Inc. as of December 31, 2005 and 2004, and the related statements of income, retained earnings, and cash flows (pages 258 through 262 and applicable items in pages 302 through 376) for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy Mississippi, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
March 9, 2006

ENTERGY MISSISSIPPI, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$1,306,543	$1,213,629	$1,035,360
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	136,870	335,271	155,168
Purchased power	688,800	436,013	449,971
Other operation and maintenance	176,202	178,007	174,192
Taxes other than income taxes	58,540	53,443	47,734
Depreciation and amortization	72,028	65,452	62,984
Other regulatory charges (credits) - net	41,414	(1,171)	3,664
TOTAL	1,173,854	1,067,015	893,713
OPERATING INCOME	132,689	146,614	141,647
OTHER INCOME			
Allowance for equity funds used during construction	3,490	4,402	4,576
Interest and dividend income	2,560	2,550	1,030
Miscellaneous - net	(1,613)	(1,508)	(2,242)
TOTAL	4,437	5,444	3,364
INTEREST AND OTHER CHARGES			
Interest on long-term debt	39,406	41,681	43,879
Other interest - net	4,301	2,956	3,585
Allowance for borrowed funds used during construction	(2,636)	(3,116)	(3,942)
TOTAL	41,071	41,521	43,522
INCOME BEFORE INCOME TAXES	96,055	110,537	101,489
Income taxes	33,952	37,040	34,431
NET INCOME	62,103	73,497	67,058
Preferred dividend requirements and other	3,316	3,369	3,369
EARNINGS APPLICABLE TO COMMON STOCK	$58,787	$70,128	$63,689

See Notes to Respective Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$62,103	$73,497	$67,058
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Other regulatory charges (credits) - net	41,414	(1,171)	3,664
Depreciation and amortization	72,028	65,452	62,984
Deferred income taxes and investment tax credits	158,004	61,829	34,836
Changes in working capital:			
Receivables	(33,549)	(15,386)	(9,805)
Fuel inventory	1,050	940	575
Accounts payable	37,204	432	1,244
Taxes accrued	(69,377)	(27,759)	74,487
Interest accrued	1,164	(1,285)	(5,922)
Deferred fuel costs	(136,749)	111,871	21,669
Other working capital accounts	4,487	2,684	11,255
Provision for estimated losses and reserves	(3,283)	2,789	(1,137)
Changes in other regulatory assets	(63,618)	9,401	(9,061)
Other	(65,943)	(25,607)	14,815
Net cash flow provided by operating activities	4,935	257,687	266,662
INVESTING ACTIVITIES			
Construction expenditures	(163,584)	(163,413)	(188,995)
Allowance for equity funds used during construction	3,490	4,402	4,576
Change in money pool receivable - net	21,584	492	(13,374)
Changes in other temporary investments - net	-	7,506	(7,506)
Other regulatory investments	-	-	(72,570)
Net cash flow used in investing activities	(138,510)	(151,013)	(277,869)
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	-	178,510	292,393
Preferred stock	29,151	-	-
Retirement of long-term debt	-	(218,457)	(330,000)
Redemption of preferred stock	(30,269)	-	-
Change in money pool payable - net	84,066	-	-
Dividends paid:			
Common stock	(21,900)	(46,800)	(31,700)
Preferred stock	(3,346)	(3,369)	(3,369)
Net cash flow provided by (used in) financing activities	57,702	(90,116)	(72,676)
Net increase (decrease) in cash and cash equivalents	(75,873)	16,558	(83,883)
Cash and cash equivalents at beginning of period	80,396	63,838	147,721
Cash and cash equivalents at end of period	$4,523	$80,396	$63,838
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	$40,445	$43,824	$51,126
Income taxes	$4,446	$11,995	($78,091)

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS

	December 31, 2005	December 31, 2004
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$4,523	$4,716
Temporary cash investment - at cost, which approximates market	-	75,680
Total cash and cash equivalents	4,523	80,396
Accounts receivable:		
Customer	102,202	68,821
Allowance for doubtful accounts	(1,826)	(1,126)
Associated companies	5,415	22,616
Other	9,254	12,133
Accrued unbilled revenues	33,712	34,348
Total accounts receivable	148,757	136,792
Deferred fuel costs	113,956	-
Accumulated deferred income taxes	-	27,924
Fuel inventory - at average cost	3,087	4,137
Materials and supplies - at average cost	21,521	18,414
Prepayments and other	62,759	15,413
TOTAL	354,603	283,076
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	5,531	5,531
Non-utility property - at cost (less accumulated depreciation)	6,199	6,465
TOTAL	11,730	11,996
UTILITY PLANT		
Electric	2,473,035	2,385,465
Property under capital lease	50	95
Construction work in progress	119,354	89,921
TOTAL UTILITY PLANT	2,592,439	2,475,481
Less - accumulated depreciation and amortization	886,687	870,188
UTILITY PLANT - NET	1,705,752	1,605,293
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	17,073	17,628
Other regulatory assets	186,197	82,674
Long-term receivable	3,270	4,510
Other	32,418	31,009
TOTAL	238,958	135,821
TOTAL ASSETS	$2,311,043	$2,036,186

See Notes to Respective Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,	
	2005	**2004**
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$158,579	$65,806
Other	83,306	25,543
Customer deposits	44,025	37,333
Taxes accrued	33,121	40,106
Accumulated deferred income taxes	13,233	-
Interest accrued	13,651	12,487
Deferred fuel costs	-	22,793
Obligations under capital leases	40	43
Other	2,739	8,341
TOTAL	348,694	212,452
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	491,857	438,321
Accumulated deferred investment tax credits	12,358	13,687
Obligations under capital leases	11	52
Other regulatory liabilities	34,368	-
Retirement cost liabilities	4,016	-
Accumulated provisions	9,436	12,718
Long-term debt	695,146	695,073
Other	91,588	76,071
TOTAL	1,338,780	1,235,922
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	50,381	50,381
Common stock, no par value, authorized 15,000,000 shares; issued and outstanding 8,666,357 shares in 2005 and 2004	199,326	199,326
Capital stock expense and other	(682)	(59)
Retained earnings	374,544	338,164
TOTAL	623,569	587,812
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,311,043	$2,036,186

See Notes to Respective Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2005	2004	2003
	(In Thousands)		
Retained Earnings, January 1	$338,164	$314,836	$282,847
Add:			
Net income	62,103	73,497	67,058
Deduct:			
Preferred dividend requirements and other	3,316	3,369	3,369
Dividends declared on common stock	21,900	46,800	31,700
Capital stock and other expenses	507	-	-
Total	25,723	50,169	35,069
Retained Earnings, December 31	$374,544	$338,164	$314,836

See Notes to Respective Financial Statements.

ENTERGY MISSISSIPPI, INC.
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2005	2004	2003	2002	2001
			(In Thousands)		
Operating revenues	$1,306,543	$1,213,629	$1,035,360	$991,095	$1,093,741
Net Income	$62,103	$73,497	$67,058	$52,408	$39,620
Total assets	$2,311,043	$2,036,186	$1,952,352	$1,832,372	$1,683,026
Long-term obligations (1)	$695,157	$695,125	$655,051	$510,240	$589,937

(1) Included long-term debt (excluding currently maturing debt) and noncurrent capital lease obligations.

	2005	2004	2003	2002	2001
			(Dollars In Millions)		
Electric Operating Revenues:					
Residential	$503	$467	$410	$375	$391
Commercial	421	397	342	310	328
Industrial	209	204	174	165	191
Governmental	41	38	32	29	31
Total retail	1,174	1,106	958	879	941
Sales for resale:					
Associated companies	62	39	21	63	111
Non-associated companies	37	30	21	15	21
Other	34	39	35	34	22
Total	$1,307	$1,214	$1,035	$991	$1,095
Billed Electric Energy Sales (GWh):					
Residential	5,333	5,085	5,092	5,092	4,867
Commercial	4,630	4,518	4,476	4,445	4,322
Industrial	2,967	2,977	2,939	2,910	3,051
Governmental	411	398	384	382	381
Total retail	13,341	12,978	12,891	12,829	12,621
Sales for resale:					
Associated companies	516	305	112	1,123	1,728
Non-associated companies	420	393	331	197	289
Total	14,277	13,676	13,334	14,149	14,638

ENTERGY NEW ORLEANS, INC. (Debtor-in-possession)
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Hurricane Katrina

In August 2005, Hurricane Katrina caused catastrophic damage to Entergy New Orleans' service territory, including the effect of extensive flooding that resulted from levee breaks in and around the New Orleans area. The storms and flooding resulted in 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 Entergy New Orleans' electric and gas facilities damaged by Hurricane Katrina and business continuity costs are estimated to be \$275 million, including \$184.1 million in construction expenditures and \$90.9 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, Entergy New Orleans estimates that lost net revenue due to Hurricane Katrina will total approximately \$320 million through 2007. In addition, Entergy New Orleans estimates that the hurricanes caused \$22 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 New Orleans has recorded accruals for the portion of the estimated \$275 million of storm restoration costs not yet paid. In accordance with its accounting policies, and based on historic treatment of such costs in its service territories and communications with local regulators, Entergy New Orleans recorded assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. Because Entergy New Orleans 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.

Entergy New Orleans has made power available to customers who can take service in most areas of its service territory. Some customers in the most devastated areas of New Orleans are unable to accept electric and gas service for a period of time that cannot be estimated. Entergy New Orleans estimates that lost non-fuel revenues in 2006 caused by Hurricane Katrina will be approximately \$123 million. Entergy New Orleans's estimate of the revenue impact of customers who are currently unable to accept electric and gas service is subject to change, however, because of a range of uncertainties, in particular the timing of when individual customers will return to service. Restoration for many of these customers 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. As a result of the power outages associated with the hurricane, revenues and receivable collections were significantly lower than normal from September 2005 through December 2005. Because of the uncertainty regarding the collection of its outstanding accounts receivable related to the customer losses, Entergy New Orleans increased its allowance for doubtful accounts by \$22 million, with a corresponding increase in regulatory assets.

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 New Orleans currently estimates that its net insurance recoveries for the losses caused by Hurricane Katrina, including the effect of the OIL aggregation limit being exceeded, will be approximately $250 million.

In December 2005, the U.S. Congress passed 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 to be provided to publicly owned utilities. 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.

Bankruptcy Proceedings

As a result of Hurricane Katrina Entergy New Orleans' cash receipts were significantly below normal levels due to the number of customers displaced by the storm and the extended interruption in customers' ability to take power. Entergy New Orleans' need to make cash payments continued, however, due to costs associated with fuel used before the hurricane outages along with recurring payments associated with fuel and purchased power contracts, in addition to storm restoration costs and other obligations. 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. Entergy New Orleans continues to operate its business as a debtor-in-possession (DIP) under the jurisdiction of the bankruptcy court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the bankruptcy court.

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. The facility provides the ability for Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. On December 9, 2005, the bankruptcy court issued its order giving final approval for a $200 million debtor-in-possession credit facility and the priority and lien status of the indebtedness under 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 DIP credit agreement is discussed in further detail in the "**Liquidity and Capital Resources**" section below.

The bankruptcy court has also issued orders allowing Entergy New Orleans to pay certain pre-petition vendors deemed critical to its restoration efforts and allowing Entergy New Orleans to pay certain pre-petition wages, employee benefits, and employment-related taxes.

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, if any, from federal and state government, 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.

Results of Operations

Net Income

2005 Compared to 2004

Net income decreased $26.8 million primarily due to lower net revenue and higher depreciation and amortization expenses, partially offset by lower other operation and maintenance expenses and lower interest charges.

2004 Compared to 2003

Net income increased $20.2 million primarily due to higher net revenue.

Net Revenue

2005 Compared to 2004

Net revenue, which is Entergy New Orleans' measure of gross margin, consists of operating revenues net of: 1) fuel, fuel-related, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing 2005 to 2004.

	Amount (In Millions)
2004 net revenue	$239.0
Volume/weather	(59.7)
Net gas revenue	(16.2)
Net wholesale revenue	18.1
Other	(2.0)
2005 net revenue	**$179.2**

The volume/weather variance is due to a decrease in electricity usage in the service territory caused by Hurricane Katrina. Billed electricity usage decreased a total of 1,343 GWh compared to 2004.

The net gas revenue variance is due to a decrease in gas usage in the service territory caused by Hurricane Katrina.

The net wholesale variance is due to an increase in volume as a result of increased generation resulting in more energy available for resale sales in early 2005.

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

Gross operating revenues decreased primarily due to the net revenue items mentioned above.

Fuel and purchased power expenses decreased primarily due to a decrease in electricity generated and power purchased as a result of Hurricane Katrina, partially offset by an increase in the market prices of purchased power and natural gas.

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 deferral in 2004 of voluntary severance plan and fossil plant maintenance expenses in accordance with a stipulation approved by the City Council in August 2004. The stipulation allows for the recovery of these costs through amortization of a regulatory asset. The voluntary severance plan and fossil plant maintenance expenses are being amortized over a five-year period that became effective January 2004 and January 2003, respectively.

2004 Compared to 2003

Net revenue, which is Entergy New Orleans' measure of gross margin, consists of operating revenues net of: 1) fuel, fuel-related, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing 2004 to 2003.

	Amount
	(In Millions)
2003 net revenue	$208.3
Base rates	10.6
Volume/weather	8.3
2004 deferrals	7.5
Price applied to unbilled electric sales	3.7
Other	0.6
2004 net revenue	**$239.0**

The increase in base rates was effective June 2003. The rate increase is discussed in Note 2 to the domestic utility companies and System Energy financial statements.

The volume/weather variance is primarily due to increased billed electric usage of 162 GWh in the industrial service sector. The increase was partially offset by milder weather in the residential and commercial sectors.

The 2004 deferrals variance is due to a stipulation approved by the City Council in August 2004, discussed above.

The price applied to unbilled electric sales variance is due to an increase in the fuel price applied to unbilled sales. See "**Critical Accounting Estimates**" below and Note 1 to the domestic utility companies and System Energy 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 increased primarily due to an increase in gross wholesale revenue as a result of an increase of $32.4 million in sales to affiliates and an increase of $28.7 million in fuel revenues due to higher fuel rates, in addition to the net revenue items mentioned above.

Fuel and purchased power expenses increased primarily due to an increase in electricity generated and power purchased coupled with an increase in the market prices of natural gas and purchased power.

Other regulatory credits have no material effect on net income due to recovery of such expenses. Other regulatory credits increased primarily due to a stipulation approved by the City Council in August 2004, as discussed above.

Other Income Statement Variances

2005 Compared to 2004

Other operation and maintenance expenses decreased primarily due to the following:

- a decrease of $11.6 million due to a shift in labor and material costs from normal maintenance work to storm restoration work as a result of Hurricane Katrina;
- a decrease of $7.9 million in contract and material costs for a fossil plant as a result of prior year maintenance outages; and
- a decrease of $1.6 million in payroll costs.

Depreciation and amortization expenses increased due to an adjustment in 2005 in the estimated salvage values included in the depreciation calculation of certain depreciable assets.

Other income decreased primarily due to a decrease in the investment in the customer service system in accordance with a formula rate plan settlement partially offset by an increase in the allowance for equity funds used during construction as a result of an increase in construction work in progress due to Hurricane Katrina.

Interest on long-term debt decreased primarily due to the cessation of interest accruals as a result of the bankruptcy filing in addition to lower interest recorded prior to the bankruptcy filing as a result of the refinancing of long-term debt in 2004.

2004 Compared to 2003

Other operation and maintenance expenses decreased slightly primarily due to the $4.7 million voluntary severance program accruals in 2003. The decrease was offset by increases in customer service support costs and maintenance and outage costs at fossil plants.

The increase in miscellaneous income is primarily due to an asbestos insurance settlement in April 2004.

Interest on long-term debt decreased primarily due to long-term debt refinancing in the third quarter of 2003.

Income Taxes

The effective income tax rates for 2005, 2004, and 2003 were 58.9%, 37.5%, and 42.8%, respectively. See Note 3 to the domestic utility companies and System Energy financial statements for a reconciliation of the federal statutory rate of 35% to the effective income tax rate. Tax reserves not expected to reverse within the next year are reflected as non-current taxes accrued on the balance sheet.

Preferred Dividends

As a result of Entergy New Orleans' bankruptcy filing, no preferred dividends were declared during the third and fourth quarters of 2005.

Entergy New Orleans has 77,798 shares of $100 par value, 4 ¾% series preferred stock ("4 ¾% Preferred") issued and outstanding. The 4 ¾% Preferred is non-voting, limited and preferred as to dividends, has a preference in liquidation over the common stock equal to its par value ($100), has redemption rights equal to 105% of its issue price and is not convertible into any other class of stock. The 4 ¾% Preferred is entitled to a quarterly dividend to be paid on the first day of January, April, July, and October. Due to its bankruptcy, Entergy New Orleans did not pay the preferred stock dividends due October 1, 2005 or January 1, 2006. If dividends with respect to the 4 ¾% Preferred are not paid by July 1, 2006, the holders of these shares will have the right to elect a majority of the Entergy New Orleans board of directors. If the 4 ¾% Preferred obtain the right to elect a majority of the Entergy New Orleans board of directors, Entergy New Orleans will no longer be a member of the Entergy Consolidated Tax Return Group. If Entergy New Orleans is not a member of the Entergy Consolidated Tax Return Group, Entergy New Orleans is not entitled to benefits under the Entergy Income Tax Allocation Agreement.

Liquidity and Capital Resources

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 provides the ability for 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 lien granted by the bankruptcy court under sections 364(c)(2) and 364(d) primes the liens that secure Entergy New Orleans' obligations under its mortgage bond indenture that existed as of the date Entergy New Orleans filed its bankruptcy petition. To secure Entergy New Orleans' obligations under its mortgage bond indenture, the bankruptcy court's December 9, 2005 order grants in favor of the bond trustee, for the benefit of itself and the bondholders, a lien on all Entergy New Orleans property that secures its obligations under the DIP Credit Agreement. The lien in favor of the bond trustee is senior to all other liens except for the liens in favor of the lender on Entergy New Orleans' $15 million credit facility and Entergy Corporation.

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.

Events of default under the DIP credit agreement include: failure to make payment of any installment of principal or interest when due and payable; the occurrence of a change of control of Entergy New Orleans; failure by either Entergy New Orleans or Entergy Corporation to receive other necessary governmental approvals and consents; the occurrence of an event having a materially adverse effect on Entergy New Orleans or its prospects; and customary bankruptcy-related defaults, including, without limitation, appointment of a trustee, "responsible person," or examiner with expanded powers, conversion of Entergy New Orleans' chapter 11 case to a case under chapter 7 of the Bankruptcy Code, and the interim or final orders approving the DIP Credit Agreement being stayed or modified or ceasing to be in full force and effect.

Cash Flow

Cash flows for the years ended December 31, 2005, 2004, and 2003 were as follows:

	2005	2004	2003
		(In Thousands)	
Cash and cash equivalents at beginning of period	$7,954	$4,669	$66,247
Cash flow provided by (used in):			
Operating activities	(41,152)	63,207	5,477
Investing activities	(52,998)	(48,910)	(63,089)
Financing activities	134,252	(11,012)	(3,966)
Net increase (decrease) in cash and cash equivalents	40,102	3,285	(61,578)
Cash and cash equivalents at end of period	$48,056	$7,954	$4,669

Operating Activities

Entergy New Orleans operating activities used $41.2 million in 2005 compared to providing $63.2 million in 2004 primarily due to the effects of Hurricane Katrina including lower net income, storm restoration spending, decreased recovery of deferred fuel costs, and decreased collection of receivables in addition to a pension fund contribution of $12 million made in April 2005, partially offset by an increase of $12.3 million in income tax refunds in 2005.

Cash flow from operations increased $57.7 million in 2004 primarily due to increased net income and the timing of collections of receivables.

In 2003, the domestic utility companies and System Energy filed, with the IRS a change in tax accounting method notification 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 $1.13 billion deduction for Entergy Arkansas, a $641 million deduction for Entergy Gulf States, a $474 million deduction for Entergy Louisiana, a $111 million deduction for Entergy Mississippi, a $32 million deduction for Entergy New Orleans, and a $440 million deduction for System Energy on Entergy's 2003 income tax return. Entergy's current estimates of the utilization through 2005 indicate that Entergy Arkansas realized $115 million, Entergy Gulf States realized $46 million, Entergy Louisiana realized $64 million, Entergy Mississippi realized $2 million, and System Energy realized $138 million in cash tax benefit from the method change. The Internal Revenue Service issued new proposed regulations, effective in 2005, which disallow a portion of Entergy's method. Approximately $776 million of tax deductions have to be reversed and will be recognized in taxable income equally over two years, 2005 and 2006. Entergy Arkansas' share of this reversal is $270 million, Entergy Gulf States' share is $148 million, Entergy Louisiana's share is $145 million, Entergy Mississippi's share is $124 million, Entergy New Orleans' share is $27 million, and System Energy's share is $62 million. 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. It is anticipated that this new method will offset a significant portion of the previously stated adjustment to taxable income. As Entergy is in a consolidated net operating loss position, the adjustment required by the new regulations has the effect of reducing the consolidated net operating loss and does not require a payment to the IRS at this time. However, to the extent the individual companies making this election do not have other deductions or other sufficient net operating losses, they will have to pay back their benefits received to other Entergy companies under the Entergy Tax Allocation Agreement. At this time, it is estimated that Entergy Mississippi would owe $1 million, and System Energy would owe $9 million. The new tax accounting method is also subject to IRS scrutiny. Should the IRS fully deny the use of Entergy's tax accounting method for cost of goods sold, the companies would have to pay back all of the benefits received.

Investing Activities

Net cash used in investing activities increased $4.1 million in 2005 primarily due to increased capital expenditures related to distribution projects as a result of Hurricane Katrina. Capital expenditures made during 2005 as a result of Hurricane Katrina were $26.5 million.

Net cash used in investing activities decreased $14.2 million in 2004 primarily due to capital expenditures related to a turbine inspection project at a fossil plant in 2003 and decreased customer service spending.

Financing Activities

Financing activities provided $134.3 million of cash in 2005 compared to using $11.0 million of cash in 2004 due to the borrowing of $90 million under the DIP credit agreement in addition to money pool activity and a $15 million borrowing under a 364-day credit facility.

Net cash used in financing activities increased $7.0 million in 2004 primarily due to the costs and expenses related to refinancing $75 million of long-term debt in 2004 and an increase of $2.2 million in common stock dividends paid.

In July 2003, Entergy New Orleans issued $30 million of 3.875% Series First Mortgage Bonds due August 2008 and $70 million of 5.25% Series First Mortgage Bonds due August 2013. The proceeds from these issuances were used to redeem, prior to maturity, $30 million of 7% Series First Mortgage Bonds due July 2008, $40 million of 8% Series bonds due March 2006, and $30 million of 6.65% Series First Mortgage Bonds due March 2004. The issuances and redemptions are not shown on the cash flow statement because the proceeds from the issuances were placed in a trust for use in the redemptions and never held as cash by Entergy New Orleans.

See Note 5 to the domestic utility companies and System Energy financial statements for details on long-term debt.

Capital Structure

Entergy New Orleans' capitalization is shown in the following table. The increase in the debt to capital percentage as of December 31, 2005 is primarily the result of increased debt outstanding due to additional borrowings on the DIP credit facility and 364-day credit facility.

	December 31, 2005	December 31, 2004
Net debt to net capital	62.8%	56.0%
Effect of subtracting cash from debt	3.6%	0.9%
Debt to capital	66.4%	56.9%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, the DIP credit facility, and long-term debt, including the currently maturing portion. Capital consists of debt and shareholders' equity. Net capital consists of capital less cash and cash equivalents. Entergy New Orleans uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy New Orleans' financial condition.

Uses of Capital

Entergy New Orleans requires capital resources for:

- construction and other capital investments;
- working capital purposes, including the financing of fuel and purchased power costs; and
- dividend payments.

Following are the amounts of Entergy New Orleans' planned construction and other capital investments and existing debt obligations:

	2006	2007-2008	2009-2010	After 2010	Total
			(In Millions)		
Planned construction and capital investment (1)	$21	$72	N/A	N/A	$93
Long-term debt	$-	$30	$30	$170	$230
Operating leases	$2	$2	$1	$-	$5
Purchase obligations (2)	$209	$337	$284	$1,217	$2,047

(1) Consists almost entirely of maintenance capital, which is planned spending on routine capital projects that are necessary to support reliability of service, equipment or systems and to support normal customer growth.

(2) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. For Entergy New Orleans, almost all of the total consists of unconditional fuel and purchased power obligations, including its obligations under the Unit Power Sales Agreement, which is discussed in Note 8 to the domestic utility companies and System Energy financial statements.

In addition to the planned spending in the table above, Entergy New Orleans also expects to make $46 million of payments in 2006 related to Hurricane Katrina restoration work.

The planned capital investment estimate for Entergy New Orleans reflects capital required to support existing business. The estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints, environmental compliance, market volatility, economic trends, and the ability to access capital. Management provides more information on long-term debt and preferred stock maturities in Notes 5 and 6 and to the domestic utility companies and System Energy financial statements.

At the September 27, 2005 City Council meeting, the City Council adopted a number of emergency measures proposed by Entergy New Orleans to address the effects of Hurricane Katrina on Entergy New Orleans' operations and load. These included the approval of the temporary sale by Entergy New Orleans of the output related to certain purchased power agreements to Entergy Gulf States and Entergy Louisiana, as well as the temporary sale into the wholesale market of Entergy New Orleans' share of the output of Grand Gulf. The City Council also granted Entergy New Orleans' request to suspend temporarily the generation performance-based recovery plan effective with the September 2005 operations month. In addition, the City Council authorized Entergy New Orleans to unwind certain financial gas hedging transactions that had been executed for the 2005-2006 winter heating season to reflect Entergy New Orleans' reduced gas resale customer load as a consequence of Hurricane Katrina. The proceeds of the unwinding, or early settlement, of these gas hedging transactions were used for storm restoration efforts and accounted for as credits to various resale gas customer obligations owed to Entergy New Orleans.

Sources of Capital

Entergy New Orleans' sources to meet its capital requirements include:

- internally generated funds;
- cash on hand; and
- the DIP credit facility.

Entergy New Orleans issued $30 million of First Mortgage Bond in 2005 as follows:

Issue Date	Description	Maturity	Amount (In Thousands)
June 2005	4.98% Series	July 2010	$30,000

Proceeds from the issuance in June 2005 were used to retire the following First Mortgage Bond:

Retirement Date	Description	Maturity	Amount (In Thousands)
July 2005	8.125% Series	July 2005	$30,000

In July 2005, Entergy Louisiana and Entergy New Orleans renewed their 364-day credit facilities with the same lender through May 2006. Entergy New Orleans increased the amount of its credit facility to $15 million, the same amount as Entergy Louisiana's facility. The combined amount of outstanding borrowings on the two facilities by the two companies cannot exceed $15 million. Entergy New Orleans has outstanding borrowings on this credit facility of $15 million at December 31, 2005. Entergy New Orleans granted the lender a security interest in its customer accounts receivables to secure its borrowings under this facility. Currently the lender has put a hold on a bank account in which Entergy New Orleans has $15 million deposited.

Entergy New Orleans' receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years:

2005	2004	2003	2002
	(In Thousands)		
($35,558)	$1,413	$1,783	$3,500

See Note 4 to the domestic utility companies and System Energy financial statements for a description of the money pool. Entergy New Orleans remains a participant in the money pool, but Entergy New Orleans has not made, and does not expect to make, any additional borrowings from the pool while it is in bankruptcy proceedings. The money pool borrowings as of December 31, 2005 are classified as a pre-petition obligation subject to compromise on Entergy New Orleans' balance sheet.

Significant Factors and Known Trends

State and Local Rate Regulation

The rates that Entergy New Orleans charges for electricity and natural gas significantly influence its financial position, results of operations, and liquidity. Entergy New Orleans is closely regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the City Council, is primarily responsible for approval of the rates charged to customers.

In April 2005, Entergy New Orleans made its annual scheduled formula rate plan filings with the City Council. The filings showed that a decrease of $0.2 million in electric revenues was warranted and an increase of $3.9 million in gas revenues was warranted. In addition, in May 2005, Entergy New Orleans filed with the City Council a request for continuation of the formula rate plan and generation performance-based rate plan (G-PBR) for an additional three years. In August 2005, Entergy New Orleans, the City Council advisors, and the intervenors entered into an agreement in principle which provided, among other things, for a reduction in Entergy New Orleans' electric base rates of $2.5 million and no change in Entergy New Orleans' gas base rates. The agreement provided for the continuation of the electric and gas formula rate plans for two more annual cycles, effective September 1, 2005, with a target equity ratio of 45% as well as a mid-point return on equity of 10.75%. The ROE band-width is 100 basis points from the mid-point for electric operations. The ROE band-width is zero basis points for the 2005 evaluation period and 50 basis points from the mid-point for gas operations. The agreement in principle also includes the continuation and modification of the G-PBR by separating the operation of the G-PBR from the formula rate plan so that the core business' electric rates are not set on a prospective basis by reference to G-PBR earnings. The agreement in principle provides for a $4.5 million cap on Entergy New Orleans' share of G-PBR savings. The G-PBR plan, however, has been temporarily suspended due to impacts from Hurricane Katrina. Entergy New Orleans will notify the City Council's advisors and the City Council at such time as it is reasonable to resume the operation of the G-PBR. In September 2005, the City Council approved the agreement in principle effective as of September 1, 2005.

In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the City Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorneys' fees. Entergy filed exceptions to the plaintiffs' allegations, asserting, among other things, that jurisdiction over these issues rests with the City Council and FERC. In March 2004, the plaintiffs supplemented and amended their petition. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. The suit in state court has been stayed by stipulation of the parties pending review of the decision by the City Council in the proceeding discussed in the next paragraph.

Plaintiffs also filed a corresponding complaint with the City Council in order to initiate a review by the City Council of the plaintiffs' allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Testimony was filed on behalf of the plaintiffs in this proceeding asserting, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices and included costs in Entergy New Orleans' fuel adjustment that could have resulted in Entergy New Orleans customers being overcharged by more than $100 million over a period of years. Hearings were held in February and March 2002. In February 2004, the City Council approved a resolution that resulted in a refund to customers of $11.3 million, including interest, during the months of June through September 2004. The resolution concludes, among other things, that the record does not support an allegation that Entergy New Orleans' actions or inactions, either alone or in concert with Entergy or any of its affiliates, constituted a misrepresentation or a suppression of the truth made in order to obtain an unjust advantage of Entergy New Orleans, or to cause loss, inconvenience or harm to its ratepayers. Management believes that it has adequately provided for the liability associated with this proceeding. The plaintiffs appealed the City Council resolution to the state courts. On May 26, 2005, the Civil District Court for the Parish of Orleans affirmed the City Council resolution that resulted in a refund to customers of $11.3 million, including interest, during the months of June through September 2004, finding no support for the plaintiff's claim that the refund amount should be higher. In June 2005, the plaintiffs appealed the Civil District Court decision to the Louisiana Fourth Circuit Court of Appeal. Subsequent to Entergy New Orleans' filing of a bankruptcy petition in the Eastern District of Louisiana, Entergy New Orleans filed a Notice of Stay with the Court of Appeal. The plaintiffs have filed a motion with the Bankruptcy Court requesting that the stay be lifted. The briefing schedule in the Court of Appeal has been continued.

In addition to rate proceedings, Entergy New Orleans' fuel costs recovered from customers are subject to regulatory scrutiny.

Entergy New Orleans' retail and wholesale rate matters and proceedings, including fuel cost recovery- related issues, are discussed more thoroughly in Note 2 to the domestic utility companies and System Energy financial statements.

Federal Regulation

System Agreement Proceedings

See "System Agreement Proceedings" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for discussion of the proceeding at FERC involving the System Agreement and of other related proceedings.

Transmission

See "Independent Coordinator of Transmission" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion.

Available Flowgate Capacity Proceeding

See "Available Flowgate Capacity Proceeding" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion.

Energy Policy Act of 2005

See "**Energy Policy Act of 2005**" in the "**Significant Factors and Known Trends**" section of Entergy Corporation and Subsidiaries Management's Discussion and Analysis for further discussion, including a discussion of the implications of repeal of PUHCA 1935 and ongoing FERC regulation under the Federal Power Act.

Market and Credit Risks

Entergy New Orleans has certain market and credit risks inherent in its business. Market risks represent 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. Credit risk is risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract or agreement.

Environmental Risks

Entergy New Orleans' facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous solid wastes, and other environmental matters. Management believes that Entergy New Orleans is in substantial compliance with environmental regulations currently applicable to its facilities and operations. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Litigation Risks

The territory in which Entergy New Orleans operates has proven to be an unusually litigious environment. Judges and juries in New Orleans have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. Entergy New Orleans uses legal and appropriate means to contest litigation threatened or filed against it, but the litigation environment poses a significant business risk.

Critical Accounting Estimates

The preparation of Entergy New Orleans' 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 there is the potential for future changes in the assumptions and measurements could produce estimates that would have a material impact on the presentation of Entergy New Orleans' financial position or results of operations.

Unbilled Revenue

As discussed in Note 1 to the domestic utility companies and System Energy financial statements, Entergy New Orleans records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month, including fuel price. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period and fuel price fluctuations, in addition to changes in certain components of the calculation including changes to estimates such as line loss, which affects the estimate of unbilled customer usage, and assumptions regarding price such as the fuel cost recovery mechanism.

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified defined benefit pension plans which cover substantially all employees. Additionally, Entergy currently provides postretirement health care and life insurance benefits for substantially all employees who reach retirement age while still working for Entergy. Entergy's reported costs of providing these benefits, as described in Note 10 to the domestic utility companies and System Energy financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

<u>Assumptions</u>

Key actuarial assumptions utilized in determining these costs include:

- Discount rates used in determining the future benefit obligations;
- Projected health care cost trend rates;
- Expected long-term rate of return on plan assets; and
- Rate of increase in future compensation levels.

Entergy reviews these assumptions on an annual basis and adjusts them as necessary. The falling interest rate environment and worse-than-expected performance of the financial equity markets over the past several years have impacted Entergy's funding and reported costs for these benefits. In addition, these trends have caused Entergy to make a number of adjustments to its assumptions.

In selecting an assumed discount rate to calculate benefit obligations, Entergy reviews market yields on high-quality corporate debt and matches these rates with Entergy's projected stream of benefit payments. Based on recent market trends, Entergy reduced its discount rate used to calculate benefit obligations from 6.25% in 2003 to 6.00% in 2004 and to 5.90% in 2005. Entergy reviews actual recent cost trends and projected future trends in establishing health care cost trend rates. Based on this review, Entergy increased its health care cost trend rate assumption used in calculating the December 31, 2005 accumulated postretirement benefit obligation to a 12% increase in health care costs in 2006 gradually decreasing each successive year, until it reaches a 4.5% annual increase in health care costs in 2012 and beyond.

In determining its expected long-term rate of return on plan assets, Entergy reviews past long-term performance, asset allocations, and long-term inflation assumptions. Entergy targets an asset allocation for its pension plan assets of roughly 65% equity securities, 31% fixed income securities, and 4% other investments. The target allocation for Entergy's other postretirement benefit assets is 51% equity securities and 49% fixed income securities. Based on recent market trends, Entergy reduced its expected long-term rate of return on plan assets used to calculate benefit obligations from 8.75% for 2003 to 8.5% in both 2004 and 2005. The assumed rate of increase in future compensation levels used to calculate benefit obligations was 3.25% in 2003, 2004, and 2005.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2005 Qualified Pension Cost	Impact on Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$266	$3,120
Rate of return on plan assets	(0.25%)	$100	-
Rate of increase in compensation	0.25%	$127	$799

The following chart reflects the sensitivity of postretirement benefit cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2005 Postretirement Benefit Cost	Impact on Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Health care cost trend	0.25%	$169	$1,097
Discount rate	(0.25%)	$77	$1,404

Each fluctuation above assumes that the other components of the calculation are held constant.

Accounting Mechanisms

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into cost only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees.

Additionally, Entergy accounts for the impact of asset performance on pension expense over a twenty-quarter phase-in period through a "market-related" value of assets calculation. Since the market-related value of assets recognizes investment gains or losses over a twenty-quarter period, the future value of assets will be impacted as previously deferred gains or losses are recognized. As a result, the losses that the pension plan assets experienced in 2002 has had and may continue to have an adverse impact on pension cost in future years depending on whether the actuarial losses at each measurement date exceed the 10% corridor in accordance with SFAS 87.

Costs and Funding

Total qualified pension cost for Entergy New Orleans in 2005 was $5.3 million. Entergy New Orleans anticipates 2006 qualified pension cost to be $5.9 million. Entergy New Orleans contributed $14.4 million to its qualified pension plans in 2005. No contributions are planned for 2006.

Entergy New Orleans' qualified pension accumulated benefit obligation at December 31, 2005 and 2004 exceeded plan assets. As a result, Entergy New Orleans was required to recognize an additional minimum liability as prescribed by SFAS 87. At December 31, 2005 Entergy New Orleans increased its additional minimum liability for its qualified pension plans to $24.3 million from $16.9 million at December 31, 2004. Entergy New Orleans decreased its intangible asset for the unrecognized prior service cost to $1 million at December 31, 2005 from $1.7 million at December 31, 2004. Entergy New Orleans increased the regulatory asset to $23.3 million at December 31, 2005 from $15.2 million at December 31, 2004. Net income for 2005, 2004, and 2003 was not impacted.

Total postretirement health care and life insurance benefit costs for Entergy New Orleans in 2005 were $4.5 million, including $1.3 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy New Orleans expects 2006 postretirement health care and life insurance benefit costs to approximate $5 million, including $1.5 million in savings due to the estimated effect of future Medicare Part D subsidies.

New Accounting Pronouncements

In December 2005, Entergy New Orleans implemented FASB Interpretation 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143", (FIN 47), effective as of that date, which required the recognition of additional asset retirement obligations other than nuclear decommissioning which are conditional in nature. The obligations recognized upon implementation represent Entergy New Orleans' obligation to remove and dispose of asbestos at many of its non-nuclear generating units if and when those units are retired from commercial service and dismantled. The net effect of implementing FIN 47 for Entergy New Orleans was recorded as a regulatory asset, with no resulting effect on Entergy New Orleans' net income. Entergy New Orleans recorded this regulatory asset because its existing rate mechanisms allow the recovery in rates of the ultimate costs of asbestos removal, either through cost of service or in rate base, from current and future customers. Upon implementation of FIN 47 in December 2005, assets and liabilities increased by $2.4 million as a result of recording the asset retirement obligation at its fair value as determined under FIN 47, increasing utility plant by $0.1 million, increasing accumulated depreciation by $0.1 million, and recording the related regulatory asset of $2.4 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Entergy New Orleans, Inc.:

We have audited the accompanying balance sheets of Entergy New Orleans, Inc. (Debtor-in-Possession) (the "Company") as of December 31, 2005 and 2004, and the related statements of income, retained earnings, and cash flows (pages 280 through 284 and applicable items in pages 302 through 376) for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Entergy New Orleans, Inc. (Debtor-in-Possession) as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the respective financial statements, the Company has filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to shareholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As further discussed in Note 14 to the respective financial statements, the Company's filing for reorganization under Chapter 11 raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
March 9, 2006

ENTERGY NEW ORLEANS, INC.
(DEBTOR-IN-POSSESSION)
INCOME STATEMENTS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$536,016	$588,457	$527,660
Natural gas	137,310	147,411	126,356
TOTAL	673,326	735,868	654,016
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	217,365	245,301	214,735
Purchased power	273,576	256,190	231,787
Other operation and maintenance	89,130	107,874	108,217
Taxes other than income taxes	41,538	43,577	42,198
Depreciation and amortization	33,975	29,657	30,004
Reorganization items	1,489	-	-
Other regulatory charges (credits) - net	3,181	(4,670)	(843)
TOTAL	660,254	677,929	626,098
OPERATING INCOME	13,072	57,939	27,918
OTHER INCOME			
Allowance for equity funds used during construction	3,229	1,378	2,085
Interest and dividend income	1,795	720	825
Miscellaneous - net	(4,110)	270	(1,453)
TOTAL	914	2,368	1,457
INTEREST AND OTHER CHARGES			
Interest on long-term debt	10,153	15,357	17,436
Other interest - net	3,402	1,253	350
Allowance for borrowed funds used during construction	(2,609)	(1,243)	(2,145)
TOTAL	10,946	15,367	15,641
INCOME BEFORE INCOME TAXES	3,040	44,940	13,734
Income taxes	1,790	16,868	5,875
NET INCOME	1,250	28,072	7,859
Preferred dividend requirements and other	482	965	965
EARNINGS APPLICABLE TO COMMON STOCK	$768	$27,107	$6,894

See Notes to Respective Financial Statements.

ENTERGY NEW ORLEANS, INC.
(DEBTOR-IN-POSSESSION)
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2005	**2004**	**2003**
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$1,250	$28,072	$7,859
Adjustments to reconcile net income to net cash flow provided by (used in) operating activities:			
Other regulatory charges (credits) - net	3,181	(4,670)	(843)
Depreciation and amortization	33,975	29,657	30,004
Deferred income taxes and investment tax credits	156,154	39,782	15,401
Changes in working capital:			
Receivables	(17,902)	8,792	(43,025)
Fuel inventory	(3,867)	1,399	(2,296)
Accounts payable	36,897	(3,014)	17,817
Taxes accrued	(72,073)	(13,056)	1,372
Interest accrued	(2,089)	(1,455)	(276)
Deferred fuel costs	(28,034)	(5,279)	(12,162)
Other working capital accounts	(6,568)	2,121	(7,553)
Provision for estimated losses and reserves	(1,632)	(1,305)	(1,634)
Changes in pension liability	(1,151)	6,260	11,986
Changes in other regulatory assets	(59,707)	(5,380)	(9,473)
Other	(79,586)	(18,717)	(1,700)
Net cash flow provided by (used in) operating activities	(41,152)	63,207	5,477
INVESTING ACTIVITIES			
Construction expenditures	(57,640)	(51,264)	(66,285)
Allowance for equity funds used during construction	3,229	1,378	2,085
Change in money pool receivable - net	1,413	370	1,717
Changes in other temporary investments - net	-	606	(606)
Net cash flow used in investing activities	(52,998)	(48,910)	(63,089)
FINANCING ACTIVITIES			
Borrowings on DIP credit facility	90,000	-	-
Proceeds from the issuance of long-term debt	29,783	72,640	-
Retirement of long-term debt	(30,065)	(77,487)	-
Change in money pool payable - net	35,558	-	-
Changes in short-term borrowings	15,000	-	-
Dividends paid:			
Common stock	(5,300)	(5,200)	(3,001)
Preferred stock	(724)	(965)	(965)
Net cash flow provided by (used in) financing activities	134,252	(11,012)	(3,966)
Net increase (decrease) in cash and cash equivalents	40,102	3,285	(61,578)
Cash and cash equivalents at beginning of period	7,954	4,669	66,247
Cash and cash equivalents at end of period	$48,056	$7,954	$4,669
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	$20,066	$16,172	$17,427
Income taxes	($18,000)	($5,736)	($13,530)

See Notes to Respective Financial Statements.

ENTERGY NEW ORLEANS, INC.
(DEBTOR-IN-POSSESSION)
BALANCE SHEETS
ASSETS

	December 31, 2005	December 31, 2004
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$48,056	$2,998
Temporary cash investments - at cost, which approximates market	-	4,956
Total cash and cash equivalents	48,056	7,954
Accounts receivable:		
Customer	82,052	47,356
Allowance for doubtful accounts	(25,422)	(3,492)
Associated companies	17,895	12,223
Other	6,530	7,329
Accrued unbilled revenues	23,698	24,848
Total accounts receivable	104,753	88,264
Deferred fuel	30,593	2,559
Fuel inventory - at average cost	8,048	4,181
Materials and supplies - at average cost	8,961	9,150
Prepayments and other	61,581	3,467
TOTAL	261,992	115,575
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	3,259	3,259
Non-utility property at cost (less accumulated depreciation)	1,107	-
	4,366	3,259
UTILITY PLANT		
Electric	691,045	699,072
Natural gas	189,207	183,728
Construction work in progress	202,353	33,273
TOTAL UTILITY PLANT	1,082,605	916,073
Less - accumulated depreciation and amortization	428,053	435,519
UTILITY PLANT - NET	654,552	480,554
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	166,133	40,354
Long term receivables	1,812	2,492
Other	31,266	20,540
TOTAL	199,211	63,386
TOTAL ASSETS	$1,120,121	$662,774

See Notes to Respective Financial Statements.

ENTERGY NEW ORLEANS, INC.
(DEBTOR-IN-POSSESSION)
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2005	December 31, 2004
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$ -	$30,000
DIP credit facility	90,000	-
Notes payable	15,000	-
Accounts payable:		
Associated companies	55,923	30,563
Other	228,496	44,149
Customer deposits	16,930	17,187
Taxes accrued	-	2,592
Accumulated deferred income taxes	1,898	1,906
Interest accrued	1,195	4,757
Energy Efficiency Program provision	-	6,611
Other	2,018	3,477
TOTAL CURRENT LIABILITIES NOT SUBJECT TO COMPROMISE	411,460	141,242
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	127,680	47,062
Accumulated deferred investment tax credits	3,570	3,997
SFAS 109 regulatory liability - net	52,229	46,406
Other regulatory liabilities	591	-
Retirement cost liability	2,421	-
Accumulated provisions	2,119	9,323
Pension liability	35,694	36,845
Long-term debt	-	199,902
Other	5,730	3,755
TOTAL NON-CURRENT LIABILITIES NOT SUBJECT TO COMPROMISE	230,034	347,290
LIABILITIES SUBJECT TO COMPROMISE	308,917	-
TOTAL LIABILITIES	950,411	488,532
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	19,780	19,780
Common stock, $4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 2005 and 2004	33,744	33,744
Paid-in capital	36,294	36,294
Retained earnings	79,892	84,424
TOTAL	169,710	174,242
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,120,121	$662,774

See Notes to Respective Financial Statements.

ENTERGY NEW ORLEANS, INC.
(DEBTOR-IN-POSSESSION)
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
Retained Earnings, January 1	$84,424	$62,517	$58,624
Add:			
Net income	1,250	28,072	7,859
Deduct:			
Dividends declared:			
Preferred stock	482	965	965
Common stock	5,300	5,200	3,001
Total	5,782	6,165	3,966
Retained Earnings, December 31	$79,892	$84,424	$62,517

See Notes to Respective Financial Statements.

ENTERGY NEW ORLEANS, INC.
(DEBTOR-IN-POSSESSION)
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2005	2004	2003	2002	2001
			(In Thousands)		
Operating revenues	$673,326	$735,868	$654,016	$507,874	$630,850
Net Income (loss)	$1,250	$28,072	$7,859	($230)	($2,195)
Total assets	$1,120,121	$662,774	$629,627	$584,705	$566,037
Long-term obligations (1)	$229,859	$199,902	$229,217	$229,191	$299,097

(1) Includes long-term debt (excluding currently maturing debt). As a result of Entergy New Orleans' bankruptcy filing, long-term obligations are classified as pre-petion liablities subject to compromise on the Balance Sheet as of December 31, 2005.

	2005	2004	2003	2002	2001
			(Dollars In Millions)		
Electric Operating Revenues:					
Residential	$150	$184	$178	$170	$190
Commercial	145	171	162	154	186
Industrial	32	34	27	25	32
Governmental	59	70	68	66	81
Total retail	386	459	435	415	489
Sales for resale:					
Associated companies	117	118	85	7	10
Non-associated companies	21	2	2	2	3
Other	12	9	6	1	1
Total	$536	$588	$528	$425	$503
Billed Electric Energy Sales (GWh):					
Residential	1,616	2,139	2,133	2,158	1,981
Commercial	1,798	2,316	2,262	2,255	2,185
Industrial	498	575	413	409	414
Governmental	800	1,025	1,036	1,053	1,017
Total retail	4,712	6,055	5,844	5,875	5,597
Sales for resale:					
Associated companies	1,705	1,514	1,312	144	115
Non-associated companies	336	25	28	32	59
Total	6,753	7,594	7,184	6,051	5,771

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

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

Results of Operations

Net Income

2005 Compared to 2004

Net income increased $5.7 million primarily due to higher interest income earned on temporary cash and money pool investments.

2004 Compared to 2003

Net income remained relatively unchanged, decreasing $0.06 million in 2004.

Income Taxes

The effective income tax rates for 2005, 2004, and 2003 were 38.3%, 42.4%, and 41.7%, respectively. See Note 3 to the domestic utility companies and System Energy financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rate. Tax reserves not expected to reverse within the next year are reflected as non-current taxes accrued on the balance sheet.

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2005, 2004, and 2003 were as follows:

	2005	2004	2003
		(In Thousands)	
Cash and cash equivalents at beginning of period	$216,355	$52,536	$113,159
Cash flow provided by (used in):			
Operating activities	274,239	375,456	112,865
Investing activities	(273,500)	(87,581)	(57,113)
Financing activities	(141,390)	(124,056)	(116,375)
Net increase (decrease) in cash and cash equivalents	(140,651)	163,819	(60,623)
Cash and cash equivalents at end of period	$75,704	$216,355	$52,536

Operating Activities

Cash flow from operations decreased by $101.2 million in 2005 primarily due to income tax payments of $29.9 million in 2005 compared to income tax refunds of $70.6 million in 2004.