Cash flow from operations increased by $262.6 million in 2004 primarily due to income tax refunds of $70.6 million in 2004 compared to income tax payments of $230.9 million in 2003.

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

The increase of $185.9 million in net cash used in investing activities in 2005 was primarily due to money pool activity. Also contributing to the increase was an increase of $5.2 million in construction expenditures primarily resulting from capital spending on dry fuel storage partially offset by the reclassification of inventory items to capital in 2004.

Net cash used for investing activities increased by $30.5 million primarily due to money pool activity and an increase in construction expenditures caused by a reclassification of inventory items to capital, partially offset by the maturity of $6.5 million of other temporary investments that had been made in 2003, which provided cash in 2004.

Financing Activities

The increase of $17.3 million in net cash used in financing activities in 2005 was primarily due to an increase of $22.4 million in the January 2005 principal payment made on the Grand Gulf sale-leaseback compared to the January 2004 principal payment and an increase of $8 million in common stock dividends paid. The increase was partially offset by the retirement of $7.6 million of long-term debt in 2004 and $5.5 million in costs related to System Energy refunding bonds associated with its Grand Gulf Lease Obligation in May 2004.

The increase of $7.7 million in net cash used in financing activities in 2004 was primarily due to $5.5 million in costs related to System Energy refunding bonds associated with its Grand Gulf Lease Obligation in May 2004 and the retirement of $7.6 million of long-term debt 2004. The increase was partially offset by a decrease of $5.0 million in the January 2004 principal payment made on the Grand Gulf sale-leaseback compared to the January 2003 principal payment.

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

Capital Structure

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

	December 31, 2005	December 31, 2004
Net debt to net capital	49.0%	44.7%
Effect of subtracting cash from debt	2.1%	6.5%
Debt to capital	51.1%	51.2%

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 common shareholders' equity. Net capital consists of capital less cash and cash equivalents. System Energy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating System Energy's financial condition.

Uses of Capital

System Energy requires capital resources for:

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

Following are the amounts of System Energy's planned construction and other capital investments, existing debt and lease obligations, and other purchase obligations:

	2006	2007-2008	2009-2010	After 2010	Total
			(In Millions)		
Planned construction and capital investment	$14	$66	N/A	N/A	$80
Long-term debt	$23	$120	$70	$630	$843
Nuclear fuel lease obligations (1)	$28	$60	N/A	N/A	$88

(1) It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. If such additional financing cannot be arranged, however, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

System Energy expects to contribute $13 million to pension plans and $1.2 million to other postretirement plans in 2006.

The planned capital investment estimate for System Energy reflects capital required to support the existing business of System Energy. Management provides more information on long-term debt in Note 5 to the domestic utility companies and System Energy financial statements.

As a wholly-owned subsidiary, System Energy dividends its earnings to Entergy Corporation at a percentage determined monthly. Currently, all of System Energy's retained earnings are available for distribution.

Sources of Capital

System Energy's sources to meet its capital requirements include:

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

System Energy had three-year letters of credit in place that were scheduled to expire in March 2003 securing certain of its obligations related to the sale-leaseback of a portion of Grand Gulf. System Energy replaced the letters of credit before their expiration with new three-year letters of credit totaling approximately $198 million that were backed by cash collateral. In December 2003, System Energy replaced the cash-backed letters of credit with syndicated bank letters of credit. In December 2004, System Energy amended these letters of credit and they now expire in May 2009.

System Energy may refinance or redeem debt prior to maturity, to the extent market conditions and interest and dividend rates are favorable.

All debt and common stock issuances by System Energy require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in bond indentures and other agreements. System Energy has sufficient capacity under these tests to meet its foreseeable capital needs.

Prior to February 8, 2006, borrowings and securities issuances by System Energy 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. System Energy 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 $200 million. See Note 4 to the domestic utility companies and System Energy financial statements for further discussion of System Energy's short-term borrowing limits.

Under a savings provisions in PUHCA 2005 which repealed PUHCA 1935, System Energy can rely, after the repeal, on the long-term securities issuance authority in its SEC PUHCA 1935 orders, unless superceded by FERC authorization.

System Energy's receivables from the money pool were as follows as of December 31 for each of the following years:

2005	2004	2003	2002
	(In Thousands)		
$277,287	$61,592	$19,064	$7,046

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

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 Risks

Interest Rate and Equity Price Risk - Decommissioning Trust Funds

System Energy's nuclear decommissioning trust funds expose it to fluctuations in equity prices and interest rates. The NRC requires System Energy to maintain trusts to fund the costs of decommissioning Grand Gulf. The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. Management believes that its exposure to market fluctuations will not affect results of operations for the Grand Gulf trust funds because of the application of regulatory accounting principles. The decommissioning trust funds are discussed more thoroughly in Notes 1, 8, and 12 to the domestic utility companies and System Energy financial statements.

Nuclear Matters

System Energy owns and operates, through an affiliate, Grand Gulf. System Energy is, therefore, subject to the risks related to owning and operating a nuclear plant. These include risks from the use, storage, handling and disposal of high-level and low-level radioactive materials, limitations on the amounts and types of insurance commercially available for losses in connection with nuclear operations, and technological and financial uncertainties related to decommissioning nuclear plants at the end of their licensed lives, including the sufficiency of funds in decommissioning trusts. In the event of an unanticipated early shutdown of Grand Gulf, System Energy may be required to provide additional funds or credit support to satisfy regulatory requirements for decommissioning.

Litigation Risks

The states in which System Energy's customers operate have proven to be unusually litigious environments. Judges and juries in these states have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. System Energy uses legal and appropriate means to contest litigation threatened or filed against it, but the litigation environment poses a significant business risk.

Environmental Risks

System Energy's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that System Energy 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.

Critical Accounting Estimates

The preparation of System Energy'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 System Energy's financial position or results of operations.

Nuclear Decommissioning Costs

Regulations require that Grand Gulf be decommissioned after the facility is taken out of service, and funds are collected and deposited in trust funds during the facility's operating life in order to provide for this obligation. System Energy conducts periodic decommissioning cost studies (typically updated every three to five years) to estimate the costs that will be incurred to decommission the facility. See Note 8 to the domestic utility companies and System Energy financial statements for details regarding System Energy's most recent study and the obligations recorded by System Energy related to decommissioning. The following key assumptions have a significant effect on these estimates:

- Cost Escalation Factors - System Energy's decommissioning studies include an assumption that decommissioning costs will escalate over present cost levels by an annual factor averaging approximately 5.5%. A 50 basis point change in this assumption could change the ultimate cost of decommissioning a facility by as much as 11%.
- Timing - The date of the plant's retirement must be estimated and an assumption must be made whether decommissioning will begin immediately upon plant retirement, or whether the plant will be held in "safestore" status for later decommissioning, as permitted by applicable regulations. System Energy's decommissioning studies for Grand Gulf assume immediate decommissioning upon expiration of the original plant license. While the impact of these assumptions cannot be determined with precision, assuming either license extension or use of a "safestore" status can possibly decrease the present value of these obligations.
- Spent Fuel Disposal - Federal regulations require the DOE to provide a permanent repository for the storage of spent nuclear fuel, and legislation has been passed by Congress to develop this repository at Yucca Mountain, Nevada. However, until this site is available, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities can have a significant impact (as much as 16% of estimated decommissioning costs). System Energy's decommissioning studies include cost estimates for spent fuel storage. However, these estimates could change in the future based on the timing of the opening of the Yucca Mountain facility, the schedule for shipments to that facility when it is opened, or other factors.
- Technology and Regulation - To date, there is limited practical experience in the United States with actual decommissioning of large nuclear facilities. As experience is gained and technology changes, cost estimates could also change. If regulations regarding nuclear decommissioning were to change, this could have a potentially significant impact on cost estimates. The impact of these potential changes is not presently determinable. System Energy's decommissioning cost studies assume current technologies and regulations.

System Energy collects the costs of decommissioning Grand Gulf through rates charged to its customers. The amounts collected through rates, which are based upon decommissioning cost studies, are deposited in decommissioning trust funds. These collections plus earnings on the trust fund investments are estimated to be sufficient to fund the future decommissioning costs.

The obligation recorded by System Energy for decommissioning costs is reported in the line item entitled "Decommissioning." Prior to the implementation of SFAS 143, the amount recorded for this obligation was comprised of collections from customers and earnings on the trust funds.

SFAS 143

System Energy implemented SFAS 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. Nuclear decommissioning costs are System Energy's only asset retirement obligations, and the measurement and recording of System Energy's decommissioning obligations outlined above changed significantly with the implementation of SFAS 143. The most significant differences in the measurement of these obligations are outlined below:

- Recording of full obligation - SFAS 143 requires that the fair value of an asset retirement obligation be recorded when it is incurred. This caused the recorded decommissioning obligation of System Energy to increase significantly, as System Energy had previously only recorded this obligation as the related costs were collected from customers, and as earnings were recorded on the related trust funds.
- Fair value approach - SFAS 143 requires that these obligations be measured using a fair value approach. Among other things, this entails the assumption that the costs will be incurred by a third party and will therefore include appropriate profit margins and risk premiums. System Energy's decommissioning studies

to date have been based on System Energy performing the work, and have not included any such margins or premiums. Inclusion of these items increases cost estimates.

- Discount rate - SFAS 143 requires that these obligations be discounted using a credit-adjusted risk-free rate.

The net effect of implementing this standard for System Energy was recorded as a regulatory asset, with no resulting impact on System Energy's net income. System Energy recorded this regulatory asset because its existing rate mechanism is based on a cost standard that allows System Energy to recover all ultimate costs of decommissioning from its customers. Upon implementation, assets and liabilities increased by $138 million in 2003 as a result of recording the asset retirement obligation at its fair value of $292 million as determined under SFAS 143, reversing the previously recorded decommissioning liability of $154 million, increasing utility plant by $82 million, increasing accumulated depreciation by $36 million, and recording the related regulatory asset of $92 million.

In the third quarter of 2005, System Energy recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Grand Gulf. The revised estimate resulted in a $41.4 million reduction in the decommissioning cost liability for Grand Gulf, along with a $39.7 million reduction in utility plant and a $1.7 million reduction in the related regulatory asset.

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.

Assumptions

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 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%)	$472	$3,541
Rate of return on plan assets	(0.25%)	$163	-
Rate of increase in compensation	0.25%	$227	$1,264

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%	$173	$771
Discount rate	(0.25%)	$130	$909

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 may 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 System Energy in 2005 was $4.4 million. System Energy anticipates 2006 qualified pension cost to decrease to $4.2 million. System Energy contributed $7.7 million to its qualified pension plans in 2005, and under the current law, projects that 2006 contributions will be $13 million. This projection may change pending passage of pension reform legislation. In January 2006, $6 million was funded. $5 million 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.

System Energy's qualified pension accumulated benefit obligation at December 31, 2005 and 2004 exceeded plan assets. As a result, System Energy was required to recognize an additional minimum liability as prescribed by SFAS 87. At December 31, 2005, System Energy increased its additional minimum liability for its qualified pension plans to $12.4 million from $7.7 million at December 31, 2004. System Energy increased its intangible asset to $0.3 million at December 31, 2005 from $0.2 million at December 31, 2004. System Energy increased its regulatory asset to $12 million at December 31, 2005, from $7.4 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 System Energy in 2005 were $1.7 million, including $0.9 million in savings due to the estimated effect of future Medicare Part D subsidies. System Energy expects 2006 postretirement health care and life insurance benefit costs to approximate $1.2 million, including $1.1 million in savings due to the estimated effect of future Medicare Part D subsidies.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder
System Energy Resources, Inc.:

We have audited the accompanying balance sheets of System Energy Resources, Inc. as of December 31, 2005 and 2004, and the related statements of income, retained earnings, and cash flows (pages 296 through 300 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 System Energy Resources, 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.

As discussed in Note 8 to the notes to respective financial statements, in 2003 System Energy Resources, Inc. 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

SYSTEM ENERGY RESOURCES, INC.
INCOME STATEMENTS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING REVENUES			
Domestic electric	$533,929	$545,381	$583,820
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	37,660	38,337	43,132
Nuclear refueling outage expenses	12,571	12,655	12,695
Other operation and maintenance	106,377	96,809	105,333
Decommissioning	24,437	23,434	21,799
Taxes other than income taxes	25,239	24,364	25,521
Depreciation and amortization	119,572	127,081	109,528
Other regulatory charges (credits) - net	(15,337)	(10,433)	27,400
TOTAL	310,519	312,247	345,408
OPERATING INCOME	223,410	233,134	238,412
OTHER INCOME			
Allowance for equity funds used during construction	1,625	1,544	1,140
Interest and dividend income	16,279	6,870	7,556
Miscellaneous - net	(417)	841	(1,194)
TOTAL	17,487	9,255	7,502
INTEREST AND OTHER CHARGES			
Interest on long-term debt	60,404	58,561	62,802
Other interest - net	20	367	1,818
Allowance for borrowed funds used during construction	(514)	(500)	(554)
TOTAL	59,910	58,428	64,066
INCOME BEFORE INCOME TAXES	180,987	183,961	181,848
Income taxes	69,343	78,013	75,845
NET INCOME	$111,644	$105,948	$106,003

See Notes to Respective Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$111,644	$105,948	$106,003
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Other regulatory charges (credits) - net	(15,337)	(10,433)	27,400
Depreciation, amortization, and decommissioning	144,009	150,515	131,327
Deferred income taxes and investment tax credits	(112,541)	(178,535)	(35,207)
Changes in working capital:			
Receivables	277	1,461	4,023
Accounts payable	(2,161)	(5,324)	(1,232)
Taxes accrued	153,114	328,617	(123,317)
Interest accrued	2,111	13,375	(12,904)
Other working capital accounts	(10,159)	2,763	1,463
Provision for estimated losses and reserves	21	(1,404)	2,914
Changes in other regulatory assets	10,566	31,453	26,307
Other	(7,305)	(62,980)	(13,912)
Net cash flow provided by operating activities	274,239	375,456	112,865
INVESTING ACTIVITIES			
Construction expenditures	(37,476)	(32,303)	(18,195)
Allowance for equity funds used during construction	1,625	1,544	1,140
Nuclear fuel purchases	(48,391)	(45,497)	-
Proceeds from sale/leaseback of nuclear fuel	48,662	45,677	-
Proceeds from nuclear decommissioning trust fund sales	91,137	100,668	93,003
Investment in nuclear decommissioning trust funds	(113,362)	(121,624)	(114,531)
Change in money pool receivable - net	(215,695)	(42,528)	(12,048)
Changes in other temporary investments - net	-	6,482	(6,482)
Net cash flow used in investing activities	(273,500)	(87,581)	(57,113)
FINANCING ACTIVITIES			
Retirement of long-term debt	(28,790)	(13,973)	(11,375)
Other financing activities	-	(5,483)	-
Dividends paid:			
Common stock	(112,600)	(104,600)	(105,000)
Net cash flow used in 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 beginning of period	216,355	52,536	113,159
Cash and cash equivalents at end of period	$75,704	$216,355	$52,536
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid/(received) during the period for:			
Interest - net of amount capitalized	$52,508	$40,000	$73,636
Income taxes	$29,914	($70,595)	$230,919

See Notes to Respective Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS

	December 31, 2005	December 31, 2004
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$204	$399
Temporary cash investments - at cost, which approximates market	75,500	215,956
Total cash and cash equivalents	75,704	216,355
Accounts receivable:		
Associated companies	327,454	111,588
Other	3,285	3,733
Total accounts receivable	330,739	115,321
Materials and supplies - at average cost	55,183	53,427
Deferred nuclear refueling outage costs	17,853	9,510
Prepayments and other	1,878	1,007
TOTAL	481,357	395,620
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	236,003	205,083
UTILITY PLANT		
Electric	3,212,596	3,232,314
Property under capital lease	467,005	469,993
Construction work in progress	47,178	28,743
Nuclear fuel under capital lease	87,500	65,572
TOTAL UTILITY PLANT	3,814,279	3,796,622
Less - accumulated depreciation and amortization	1,889,886	1,780,450
UTILITY PLANT - NET	1,924,393	2,016,172
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	92,883	96,047
Other regulatory assets	292,968	296,305
Other	18,435	19,578
TOTAL	404,286	411,930
TOTAL ASSETS	$3,046,039	$3,028,805

See Notes to Respective Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 2005	2004
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$22,989	$25,266
Accounts payable:		
Associated companies	-	3,880
Other	22,770	21,051
Taxes accrued	228,168	46,468
Accumulated deferred income taxes	6,678	3,477
Interest accrued	45,109	42,998
Obligations under capital leases	27,716	27,716
Other	1,811	1,621
TOTAL	355,241	172,477
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	267,913	421,466
Accumulated deferred investment tax credits	72,136	75,612
Obligations under capital leases	63,307	37,855
Other regulatory liabilities	224,997	210,863
Decommissioning	318,927	335,893
Accumulated provisions	2,399	2,378
Long-term debt	819,642	849,593
Other	27,849	28,084
TOTAL	1,797,170	1,961,744
Commitments and Contingencies		
SHAREHOLDER'S EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2005 and 2004	789,350	789,350
Retained earnings	104,278	105,234
TOTAL	893,628	894,584
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$3,046,039	$3,028,805

See Notes to Respective Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	2005	2004	2003
		(In Thousands)	
Retained Earnings, January 1	$105,234	$103,886	$102,883
Add:			
Net income	111,644	105,948	106,003
Deduct:			
Dividends declared	112,600	104,600	105,000
Retained Earnings, December 31	$104,278	$105,234	$103,886

See Notes to Respective Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2005	2004	2003	2002	2001
			(Dollars In Thousands)		
Operating revenues	$533,929	$545,381	$583,820	$602,486	$535,027
Net Income	$111,644	$105,948	$106,003	$103,352	$116,355
Total assets	$3,046,039	$3,028,805	$2,880,724	$2,915,898	$2,964,041
Long-term obligations (1)	$882,949	$887,448	$898,377	$942,701	$865,439
Electric energy sales (GWh)	9,070	9,212	9,812	9,053	8,921

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

ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, AND SYSTEM ENERGY RESOURCES

NOTES TO RESPECTIVE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The accompanying separate financial statements of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (the "domestic utility companies") and System Energy are included in this document and result from these companies having registered securities with the SEC. These companies maintain accounts in accordance with FERC and other regulatory guidelines. Certain previously reported amounts have been reclassified to conform to current classifications, with no effect on net income or shareholders' equity. References to Entergy Louisiana are intended to apply both to Entergy Louisiana Holdings on a consolidated basis and to Entergy Louisiana, LLC.

Entergy Louisiana, LLC Basis of Presentation

Effective December 31, 2005, Entergy Louisiana, LLC, organized under the laws of the State of Texas as part of a restructuring involving a Texas statutory merger-by-division, succeeded to all of the regulated utility operations of Entergy Louisiana, Inc. Entergy Louisiana, LLC was allocated substantially all of the property and other assets of Entergy Louisiana, Inc., including all assets used to provide retail and wholesale electric service to Entergy Louisiana, Inc.'s customers. Entergy Louisiana, LLC also assumed substantially all of the liabilities of Entergy Louisiana, Inc., including all of its debt securities and leases but excluding the outstanding preferred stock of Entergy Louisiana, Inc.

On December 31, 2005, and immediately prior to the formation of Entergy Louisiana, LLC, Entergy Louisiana, Inc. changed its state of incorporation from Louisiana to Texas and its name to Entergy Louisiana Holdings, Inc. Upon the effectiveness of the statutory merger-by-division on December 31, 2005, Entergy Louisiana, LLC was organized and Entergy Louisiana Holdings held all of Entergy Louisiana, LLC's common membership interests. All of the common membership interests of Entergy Louisiana, LLC continue to be held by Entergy Louisiana Holdings and all of the common stock of Entergy Louisiana Holdings continues to be held by Entergy Corporation.

Because the merger-by-division was a transaction involving entities under common control, Entergy Louisiana, LLC initially recognized the assets and liabilities transferred at their carrying amounts in the accounts of Entergy Louisiana Holdings at the time of the transfer. Entergy Louisiana, LLC's financial statements report results of operations for 2005 as though the merger-by-division had occurred at the beginning of 2005, and presents its 2005 balance sheet and other financial information as of the beginning of 2005 as though the assets and liabilities had been transferred at that date. Financial statements and financial information presented for prior periods has also been presented on that basis to furnish comparative information.

Use of Estimates in the Preparation of Financial Statements

The preparation of the domestic utility companies' and System Energy's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

Revenues and Fuel Costs

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electric power primarily to retail customers in Texas and Louisiana. Entergy Gulf States also distributes gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electric power and gas to retail customers in the City of New Orleans, except for Algiers, where Entergy Louisiana is the electric power supplier.

Entergy recognizes revenue from electric power and gas sales when it delivers power or gas to its customers. To the extent that deliveries have occurred but a bill has not been issued, the domestic utility companies accrue an estimate of the revenues for energy delivered since the latest billings. Entergy calculates the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and prices in effect in the domestic utility companies' various jurisdictions. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. Therefore, changes in price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the next, and may result in variability in reported revenues from one period to the next as prior estimates are so recorded and reversed.

The domestic utility companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Because the fuel adjustment clause mechanism allows monthly adjustments to recover fuel costs, Entergy Louisiana, Entergy New Orleans, and the Louisiana portion of Entergy Gulf States include a component of fuel cost recovery in their unbilled revenue calculations. Where the fuel component of revenues is billed based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. Entergy Mississippi's fuel factor includes an energy cost rider that is adjusted quarterly. As discussed in Note 2 to the domestic utility companies and System Energy financial statements, the MPSC approved Entergy Mississippi's deferral of the refund of fuel over-recoveries for the third quarter of 2004 that would have been refunded in the first quarter of 2005. The deferred amount plus carrying charges was refunded in the second and third quarters of 2005. In the case of Entergy Arkansas and the Texas portion of Entergy Gulf States, their fuel under-recoveries are treated in the cash flow statements as regulatory investments because those companies are allowed by their regulatory jurisdictions to recover the fuel cost regulatory asset over longer than a twelve-month period, and the companies earn a carrying charge on the under-recovered balances.

System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. The original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the domestic utility companies' and System Energy's plant is subject to mortgage liens.

Electric plant includes the portions of Grand Gulf and Waterford 3 that have been sold and leased back. For financial reporting purposes, these sale and leaseback arrangements are reflected as financing transactions.

Net property, plant, and equipment (including property under capital lease and associated accumulated amortization) by company and functional category, as of December 31, 2005 and 2004, is shown below:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
			(In Millions)			
Production						
Nuclear	$1,065	$1,597	$1,526	$-	$-	$1,767
Other	253	510	359	199	7	-
Transmission	681	831	454	420	29	8
Distribution	1,322	1,461	1,039	777	349	-
Other	189	181	301	191	68	14
Construction work in progress	139	526	415	119	202	47
Nuclear fuel (leased and owned)	115	66	58	-	-	88
Property, plant, and equipment - net	$3,764	$5,172	$4,152	$1,706	$655	$1,924

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
			(In Millions)			
Production						
Nuclear	$951	$1,627	$1,543	$-	$-	$1,866
Other	269	529	197	221	12	-
Transmission	646	708	385	406	29	8
Distribution	1,283	1,339	1,000	713	337	-
Other	216	247	269	175	70	16
Construction work in progress	226	332	189	90	33	29
Nuclear fuel (leased and owned)	106	71	32	-	-	66
Asset retirement obligation	24	-	42	-	-	31
Property, plant, and equipment - net	$3,721	$4,853	$3,657	$1,605	$481	$2,016

Depreciation is computed on the straight-line basis at rates based on the estimated service lives of the various classes of property. Depreciation rates on average depreciable property are shown below:

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
2005	3.1%	2.1%	2.6%	2.6%	3.1%	2.8%
2004	3.2%	2.1%	2.9%	2.5%	2.8%	2.9%
2003	3.2%	2.2%	3.0%	2.5%	3.1%	2.8%

Non-utility property - at cost (less accumulated depreciation) for Entergy Gulf States is reported net of accumulated depreciation of $128.0 million and $125.1 million as of December 31, 2005 and 2004, respectively.

Jointly-Owned Generating Stations

Certain Entergy subsidiaries jointly own electric generating facilities with third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2005, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel-Type	Total Megawatt Capability (1)	Ownership	Investment	Accumulated Depreciation
					(In Millions)	
Entergy Arkansas -						
Independence	Unit 1	Coal	815	31.50%	$119	$77
	Common Facilities	Coal		15.75%	$31	$18
White Bluff	Units 1 and 2	Coal	1,635	57.00%	$430	$277
Entergy Gulf States -						
Roy S. Nelson	Unit 6	Coal	550	70.00%	$405	$249
Big Cajun 2	Unit 3	Coal	575	42.00%	$233	$134
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,630	25.00%	$234	$120
System Energy -						
Grand Gulf	Unit 1	Nuclear	1,270	90.00%(2)	$3,680	$1,890

(1) "Total Megawatt Capability" is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.
(2) Includes an 11.5% leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 9 to the domestic utility companies and System Energy financial statements.

Nuclear Refueling Outage Costs

The domestic utility companies and System Energy record nuclear refueling outage costs in accordance with regulatory treatment and the matching principle. These refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Except for the River Bend plant, the costs are deferred during the outage and amortized over the period to the next outage. In accordance with the regulatory treatment of the River Bend plant, the costs are accrued in advance and included in the cost of service used to establish retail rates. Entergy Gulf States relieves the accrued liability when it incurs costs during the next River Bend outage.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC increases both the plant balance and earnings, it is realized in cash through depreciation provisions included in rates.

Income Taxes

Entergy Corporation and the majority of its subsidiaries file a U.S. consolidated federal income tax return. Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. SEC regulations require that no Entergy subsidiary pay more taxes than it would have paid if a separate income tax return had been filed. In accordance with SFAS 109, "Accounting for Income Taxes," deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities, and for certain credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the law or rate was enacted.

Investment tax credits are deferred and amortized based upon the average useful life of the related property, in accordance with ratemaking treatment.

Application of SFAS 71

The domestic utility companies and System Energy currently account for the effects of regulation pursuant to SFAS 71, "Accounting for the Effects of Certain Types of Regulation." This statement applies to the financial statements of a rate-regulated enterprise that meet three criteria. The enterprise must have rates that (i) are approved by a body empowered to set rates that bind customers (its regulator); (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility's business, such as the generation or transmission functions, or to specific classes of customers. If an enterprise meets these criteria, it capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. A significant majority of Entergy's regulatory assets, net of related regulatory and deferred tax liabilities, earn a return on investment during their recovery periods, or Entergy expects that they will earn a return. SFAS 71 requires that rate-regulated enterprises assess the probability of recovering their regulatory assets. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity's balance sheet.

SFAS 101, "Accounting for the Discontinuation of Application of FASB Statement No. 71," specifies how an enterprise that ceases to meet the criteria for application of SFAS 71 for all or part of its operations should report that event in its financial statements. In general, SFAS 101 requires that the enterprise report the discontinuation of the application of SFAS 71 by eliminating from its balance sheet all regulatory assets and liabilities related to the applicable segment. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs and therefore no longer qualifies for SFAS 71 accounting, it is possible that an impairment may exist that could require further write-offs of plant assets.

EITF 97-4: "Deregulation of the Pricing of Electricity - Issues Related to the Application of FASB Statements No. 71 and 101" specifies that SFAS 71 should be discontinued at a date no later than when the effects of a transition to competition plan for all or a portion of the entity subject to such plan are reasonably determinable. Additionally, EITF 97-4 promulgates that regulatory assets to be recovered through cash flows derived from another portion of the entity that continues to apply SFAS 71 should not be written off; rather, they should be considered regulatory assets of the segment that will continue to apply SFAS 71.

See Note 2 to the domestic utility companies and System Energy financial statements for discussion of transition to competition activity in the retail regulatory jurisdictions served by the domestic utility companies. Only Texas currently has an enacted retail open access law, but Entergy believes that significant issues remain to be addressed by regulators, and the enacted law does not provide sufficient detail to reasonably determine the impact on Entergy Gulf States' regulated operations.

Cash and Cash Equivalents

Entergy considers all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at date of purchase to be cash equivalents. Investments with original maturities of more than three months are classified as other temporary investments on the balance sheet.

Investments

The domestic utility companies and System Energy apply the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, the domestic utility companies and System Energy record the decommissioning trust funds at their fair value on the balance sheet. Because of the ability of the domestic utility companies and System Energy to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, Entergy Arkansas, Entergy Gulf States (for the regulated portion of River Bend), Entergy Louisiana, and System Energy have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated portion of River Bend, Entergy Gulf States has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. See Note 12 to the domestic utility companies and System Energy financial statements for details on the decommissioning trust funds. The domestic utility companies and System Energy record an impairment on investments when the fair market value is less than the carrying value of the investment and that condition is considered other than temporary. If a loss were recorded, it would be offset by the recording of other deferred credits.

Derivatives and Hedging

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, at fair value, unless they meet the normal purchase, normal sales criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

Contracts for commodities that will be delivered in quantities expected to be used or sold in the ordinary course of business, including certain purchases and sales of power and fuel, are not classified as derivatives. These contracts are exempted under the normal purchase, normal sales criteria of SFAS 133. Revenues and expenses from these contracts are reported on a gross basis in the appropriate revenue and expense categories as the commodities are received or delivered.

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of all hedges are recognized in current-period earnings.

Fair Values

The estimated fair values of the domestic utility companies' and System Energy's financial instruments and derivatives are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that the domestic utility companies and System Energy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of stockholders.

The domestic utility companies and System Energy consider the carrying amounts of most of their financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. Additional information regarding financial instruments and their fair values is included in Notes 5 and 6 to the domestic utility companies and System Energy financial statements.

Impairment of Long-Lived Assets

The domestic utility companies and System Energy periodically review their long-lived assets whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the net cash flows expected to result from such operations and assets. Projected net cash flows depend on the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy over the remaining life of the assets.

River Bend AFUDC

The River Bend AFUDC gross-up is a regulatory asset that represents the incremental difference imputed by the LPSC between the AFUDC actually recorded by Gulf States Utilities on a net-of-tax basis during the construction of River Bend and what the AFUDC would have been on a pre-tax basis. The imputed amount was only calculated on that portion of River Bend that the LPSC allowed in rate base and is being amortized over the estimated remaining economic life of River Bend.

Transition to Competition Liabilities

In conjunction with electric utility industry restructuring activity in Texas, regulatory mechanisms were established to mitigate potential stranded costs. Texas restructuring legislation allowed depreciation on transmission and distribution assets to be directed toward generation assets. The liability recorded as a result of this mechanism is classified as "transition to competition" deferred credits on the balance sheet for Entergy Gulf States.

Reacquired Debt

The premiums and costs associated with reacquired debt of the domestic utility companies and System Energy (except that portion allocable to the deregulated operations of Entergy Gulf States) are being amortized over the life of the related new issuances, in accordance with ratemaking treatment.

Entergy Gulf States' Deregulated Operations

Entergy Gulf States does not apply regulatory accounting principles to its wholesale jurisdiction, Louisiana retail deregulated portion of River Bend, and the 30% interest in River Bend formerly owned by Cajun. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 16%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Gulf States to sell the electricity from the deregulated assets to Louisiana retail customers at 4.6 cents per kWh or off-system at higher prices, with certain provisions for sharing such incremental revenue above 4.6 cents per kWh between ratepayers and shareholders.

The results of these deregulated operations before interest charges for the years ended December 31, 2005, 2004, and 2003 are as follows:

	2005	2004	2003
		(In Thousands)	
Operating revenues	$321,662	$280,279	$273,150
Operating expenses			
Fuel, operation, and maintenance	205,673	197,275	177,385
Depreciation and accretion	29,602	30,653	47,566
Total operating expense	235,275	227,928	224,951
Operating income	86,387	52,351	48,199
Income tax expense	32,642	20,414	17,722
Net income from deregulated utility operations	$53,745	$31,937	$30,477

The net investment associated with these deregulated operations as of December 31, 2005 and 2004 was approximately $747 and $830 million, respectively.

New Accounting Pronouncements

As discussed in Note 8 to the domestic utility companies and System Energy financial statements, Entergy adopted FIN 47, "Accounting for Conditional Asset Retirement Obligations" during the fourth quarter of 2005. FIN 47 requires that a liability be recorded currently for costs associated with a legal obligation to perform an asset retirement obligation activity for which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity but for which the obligation to perform the asset retirement activity is unconditional. FIN 47 requires that a liability be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

SFAS 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4" and SFAS 153, "Exchanges of Nonmonetary Assets", were issued during the fourth quarter of 2004 and are effective for Entergy in 2006 and 2005, respectively. SFAS 154, "Accounting for Changes and Error Corrections" was issued in 2005 and is effective for Entergy in 2006. Entergy does not expect the impact of the issuance of these standards to be material to its financial position or results of operations.

NOTE 2. RATE AND REGULATORY MATTERS

Regulatory Assets

Other Regulatory Assets

The domestic utility companies and System Energy are subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. In addition to the regulatory assets that are specifically disclosed on the face of the balance sheets, the table below provides detail of "Other regulatory assets" that are included on the balance sheets of the domestic utility companies and System Energy as of December 31, 2005 and 2004:

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans (a)	System Energy
			(In Millions)			
Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 8)	$104.7	$7.3	$56.5	$3.8	$2.3	$99.4
Removal costs - recovered through depreciation rates (Note 8)	86.2	17.9	-	40.9	5.4	17.9
Deferred distribution expenses - recovered through May 2008	-	-	-	-	3.5	-
Deferred fossil plant maintenance expenses - recovered through December 2007 (Note 2)	-	-	-	-	3.6	-
Deferred fuel - non-current - recovered through rate riders when rates are redetermined periodically (Note 2)	-	-	-	6.1	-	-
Depreciation re-direct - recovery begins at start of retail open access (Note 1)	-	79.1	-	-	-	-
DOE Decom. and Decontamination Fees - recovered through fuel rates until December 2006 (Note 8)	9.1	1.6	3.5	-	-	3.4
Incremental ice storm costs – recovered until 2032	13.7	-	-	-	-	-
Pension costs (Note 10)	139.3	14.4	72.1	41.1	23.8	12.0
Postretirement benefits - recovered through 2012 (Note 10)	16.8	-	-	-	-	-
Provision for storm damages - recovered through cost of service (b)	46.5	342.2	232.6	78.7	116.9	-
Deferred capacity - recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2)	-	10.1	83.7	-	-	-
River Bend AFUDC - recovered through August 2025 (Note 1)	-	35.6	-	-	-	-
Sale-leaseback deferral - recovered through June 2014 (Note 9)	-	-	-	-	-	121.4
Spindletop gas storage facility - recovered through December 2032	-	40.6	-	-	-	-
Voluntary severance deferrals – recovered through December 2007	-	-	7.7	-	-	-
Unamortized loss on reaquired debt – recovered over term of debt	41.7	42.1	28.5	14.4	4.3	38.4
Other – various	3.0	13.5	13.9	1.2	6.3	0.5
Total	$461.0	$604.4	$498.5	$186.2	$166.1	$293.0

(a) As a result of the Entergy New Orleans bankruptcy proceeding, the timing of recovery of its deferred costs may be affected. Refer to Note 16 to the domestic utility companies and System Energy financial statements for details of the bankruptcy proceeding.

(b) As a result of Hurricane Katrina and Hurricane Rita that hit the domestic utilities' service territory in August and September 2005, the domestic utility companies have recorded accruals for the estimated storm restoration costs. The domestic utility companies recorded some of these costs as regulatory assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. The domestic utility companies are pursuing a broad range of initiatives to recover storm restoration costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for Hurricanes Katrina and Rita including Community Block Grants, and pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies. The domestic utility companies are unable to predict the degree of success it may have in these initiatives, the amount of restoration costs it may recovery, or the timing of such recovery.

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans (a)	System Energy
			(In Millions)			
Asset Retirement Obligation	$141.2	$-	$141.6	$-	$-	$97.3
Removal costs	34.9	0.9	-	32.7	1.3	17.1
Deferred distribution expenses	-	-	-	-	4.9	-
Deferred fossil plant maintenance expenses	-	-	-	-	3.6	-
Deferred fuel - non-current	13.7	-	-	8.1	-	-
Depreciation re-direct	-	79.1	-	-	-	-
DOE Decom. and Decontamination Fees	13.1	2.3	5.0	-	-	4.9
Incremental ice storm costs	14.2	-	-	-	-	-
Low-level radwaste	16.2	3.1	-	-	-	-
Pension costs	70.8	-	34.1	20.2	15.2	7.4
Postretirement benefits	19.1	-	-	-	-	-
Provision for storm damages	29.0	57.1	41.7	-	-	-
Deferred capacity	-	-	25.4	-	-	-
River Bend AFUDC	-	37.5	-	-	-	-
Sale-leaseback deferral	-	-	-	-	-	127.3
Spindletop gas storage facility	-	42.3	-	-	-	-
Unamortized loss on reaquired debt	37.0	43.4	27.4	15.6	4.6	41.8
Other	11.0	19.3	27.3	6.1	10.8	0.5
Total	$400.2	$285.0	$302.5	$82.7	$40.4	$296.3

In December 2005, Entergy Mississippi filed with the MPSC a Notice of Intent to change rates by implementing a Storm Damage Rider to recover storm damage restoration costs associated with Hurricanes Katrina and Rita totaling approximately $84 million as of November 30, 2005. The notice proposes recovery of approximately $14.7 million, including carrying charges, annually over a five-year period. A hearing on this matter is expected in April 2006. Entergy Mississippi plans to make a second filing in late spring of 2006 to recover additional restoration costs associated with the hurricanes incurred after November 30, 2005 and to reflect receipt of insurance and federal aid.

In December 2005, Entergy Gulf States filed with the LPSC for interim recovery of $141 million of storm costs. The filing proposes implementing an $18.7 million annual interim surcharge, including carrying charges, effective March 2006 based on a ten-year recovery period. The filing includes provisions for updating the surcharge to reflect actual costs incurred as well as the receipt of insurance or federal aid. Hearings occurred in February 2006. The LPSC ordered that Entergy Gulf States recover $850,000 per month as interim storm cost recovery. For the period March 2006 to September 2006, Entergy Gulf States' interim storm cost recovery shall be through its fuel adjustment clause, with the total recovery for that time period capped at $6 million. The mechanism for the fuel adjustment clause recovery is a retention by Entergy Gulf States of 15% of the difference between the February 2006 fuel adjustment clause and the fuel adjustment clause in those successive months in which the fuel adjustment clause is lower than it was in the February 2006 fuel adjustment clause, until the $6 million cap is reached. Beginning in September 2006, Entergy Gulf States' interim storm cost recovery of $850,000 per month shall be through base rates. In addition, all excess earnings that Entergy Gulf States may earn under its 2005 formula rate plan, and any ensuing period in which interim relief is being collected, will be used as an offset to any prospective storm restoration recovery.

In December 2005, Entergy Louisiana filed with the LPSC for interim recovery of $355 million of storm costs. The filing proposes implementing a $41.8 million annual interim surcharge, including carrying charges, effective March 2006 based on a ten-year recovery period. The filing includes provisions for updating the surcharge to reflect actual costs incurred as well as the receipt of insurance or federal aid. Hearings occurred in February 2006. The LPSC ordered that Entergy Louisiana recover $2 million per month as interim storm cost recovery. For the period March 2006 to September 2006, Entergy Louisiana's interim storm cost recovery shall be through its fuel adjustment clause, with the total recovery for that time period capped at $14 million. The mechanism for the fuel adjustment clause recovery is a retention by Entergy Louisiana of 15% of the difference between the February 2006 fuel adjustment clause and the fuel adjustment clause in those successive months in which the fuel adjustment clause is lower than it was in the February 2006 fuel adjustment clause, until the $14 million cap is reached. Beginning in September 2006, Entergy Louisiana's interim storm cost recovery of $2 million per month shall be through base rates. In addition, all excess earnings that Entergy Louisiana may earn under its 2005 formula rate plan, and any ensuing period in which interim relief is being collected, will be used as an offset to any prospective storm restoration recovery.

Deferred fuel costs

The domestic utility companies are allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is recorded as "Deferred fuel costs" on the domestic utility companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2005 and 2004 that Entergy expects to recover or (refund) through the fuel mechanisms of the domestic utility companies, subject to subsequent regulatory review.

	2005	2004
	(In Millions)	
Entergy Arkansas	$204.2	$7.4
Entergy Gulf States	$324.4	$90.1
Entergy Louisiana	$21.9	$8.7
Entergy Mississippi	$114.0	($22.8)
Entergy New Orleans	$30.6	$2.6

<u>Entergy Arkansas</u>

In March 2005, Entergy Arkansas filed with the APSC its energy cost recovery rider for the period April 2005 through March 2006. The filed energy cost rate, which accounts for 15 percent of a typical residential customer's bill using 1,000 kWh per month, increased 31 percent primarily attributable to a true-up adjustment for an under-recovery balance of $11.2 million and a nuclear refueling adjustment resulting from outages scheduled in 2005 at ANO 1 and 2 and Grand Gulf.

In September 2005, Entergy Arkansas filed with the APSC an interim energy cost rate per the energy cost recovery rider that provides for an interim adjustment should the cumulative over- or under-recovery for the energy period exceed 10 percent of the energy costs for that period. As of the end of July 2005, the cumulative under-recovery of fuel and purchased power expenses had exceeded the 10 percent threshold due to increases in purchased power expenditures resulting from higher natural gas prices. The interim rate became effective the first billing cycle in October 2005. In early October 2005, the APSC initiated an investigation into Entergy Arkansas' interim rate. The investigation is focused on Entergy Arkansas' 1) gas contracting, portfolio, and hedging practices; 2) wholesale purchases during the period; 3) management of the coal inventory at its coal generation plants; and 4) response to the contractual failure of the railroads to provide coal deliveries. The APSC established a procedural schedule with testimony from Entergy Arkansas, the APSC Staff, and intervenors culminating in a public hearing in May 2006.

Entergy Gulf States (Texas)

In the Texas jurisdiction, Entergy Gulf States' rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including carrying charges, not recovered in base rates. Under the current methodology, semi-annual revisions of the fixed fuel factor may be made in March and September based on the market price of natural gas. Entergy Gulf States will likely continue to use this methodology until the start of retail open access, which has been delayed. The amounts collected under Entergy Gulf States' fixed fuel factor and any interim surcharge implemented until the date retail open access commences are subject to fuel reconciliation proceedings before the PUCT. In the Texas jurisdiction, Entergy Gulf States' deferred electric fuel costs are $203.2 million as of December 31, 2005, which includes the following:

	Amount (In Millions)
Under-recovered fuel costs for the period 8/04 - 7/05 to be recovered through an interim fuel surcharge over a twelve-month period beginning in January 2006	$46.1
Under-recovered fuel costs for the period 8/05 - 12/05	$101.0
Items to be addressed as part of unbundling	$29.0
Other (includes imputed capacity charges)	$27.1

The PUCT has ordered that the imputed capacity charges be excluded from fuel rates and therefore recovered through base rates. Entergy Gulf States filed with the PUCT in July 2005 a request for implementation of an incremental purchased capacity recovery rider, consistent with the recently passed Texas legislation discussed below under "**Electric Industry Restructuring and the Continued Application of SFAS 71**." The rider requested $23.1 million annually in incremental revenues on a Texas retail basis which represents the incremental purchased capacity costs, including Entergy Gulf States' obligation to purchase power from Entergy Louisiana's recently acquired Perryville plant, over what is already in Entergy Gulf States' base rates. Entergy Gulf States reached an initial agreement with parties that the date upon which cost recovery and cost reconciliation would begin is September 1, 2005. A further non-unanimous settlement was reached with most of the parties that allows for the rider to be implemented effective December 1, 2005 and collect $18 million annually. The settlement also provides for a fuel reconciliation to be filed by Entergy Gulf States by May 15, 2006 that will resolve the remaining issues in the case with the exception of the amount of purchased power in current base rates and the costs to which load growth is attributed, both of which were settled. The hearing with respect to the non-unanimous settlement, which was opposed by the Office of Public Utility Counsel, was conducted on October 19, 2005 before the ALJ, who issued a Proposal for Decision supporting the settlement. In December 2005, the PUCT approved the settlement. The amounts collected by the purchased capacity recovery rider are subject to reconciliation.

In September 2005, Entergy Gulf States filed an application with the PUCT to implement a net $46.1 million interim fuel surcharge, including interest, to collect under-recovered fuel and purchased power expenses incurred from August 2004 through July 2005. The application was approved, and the surcharge will be collected over a twelve-month period beginning in January 2006. On March 1, 2006, Entergy Gulf States filed with the PUCT an application to implement an interim fuel surcharge in connection with the under-recovery of $97 million including interest of eligible fuel costs for the period August 2005 through January 2006. This surcharge is in addition to the interim surcharge that went into effect in January 2006. Entergy Gulf States has requested that the interim surcharge requested in its March 2006 filing be implemented by June 1, 2006 and remain in effect for twelve months. Amounts collected through the interim fuel surcharges are subject to final reconciliation in a future fuel reconciliation proceeding.

In March 2004, Entergy Gulf States filed with the PUCT a fuel reconciliation case covering the period September 2000 through August 2003 reconciling $1.43 billion of fuel and purchased power costs on a Texas retail basis. This amount includes $8.6 million of under-recovered costs that Entergy Gulf States asked to reconcile and roll into its fuel over/under-recovery balance to be addressed in the next appropriate fuel proceeding. This case involves imputed capacity and River Bend payment issues similar to those decided adversely in the January 2001 proceeding, discussed below, which is now on appeal. On January 31, 2005, the ALJ issued a Proposal for Decision that recommends disallowing $10.7 million (excluding interest) related to these two issues. In April 2005, the PUCT issued an order reversing in part the ALJ's Proposal for Decision and allowing Entergy Gulf States to recover a part of its request related to the imputed capacity and River Bend payment issues. The PUCT's order reduced the disallowance in the case to $8.3 million. Both Entergy Gulf States and certain cities served by Entergy Gulf States filed motions for rehearing on these issues which were denied by the PUCT. Entergy Gulf States and certain Cities filed appeals to the Travis County District Court. The appeals are pending. Any disallowance will be netted against Entergy Gulf States' under-recovered costs and will be included in its deferred fuel costs balance.

In January 2001, Entergy Gulf States filed with the PUCT a fuel reconciliation case covering the period from March 1999 through August 2000. Entergy Gulf States was reconciling approximately $583 million of fuel and purchased power costs. As part of this filing, Entergy Gulf States requested authority to collect $28 million, plus interest, of under-recovered fuel and purchased power costs. In August 2002, the PUCT reduced Entergy Gulf States' request to approximately $6.3 million, including interest through July 31, 2002. Approximately $4.7 million of the total reduction to the requested surcharge relates to nuclear fuel costs that the PUCT deferred ruling on at that time. In October 2002, Entergy Gulf States appealed the PUCT's final order in Texas District Court. In its appeal, Entergy Gulf States is challenging the PUCT's disallowance of approximately $4.2 million related to imputed capacity costs and its disallowance related to costs for energy delivered from the 30% non-regulated share of River Bend. The case was argued before the Travis County District Court in August 2003 and the Travis County District Court judge affirmed the PUCT's order. In October 2003, Entergy Gulf States appealed this decision to the Court of Appeals. Oral argument before the appellate court occurred in September 2004, and the Court denied Entergy Gulf States' appeal. In October 2005, Entergy Gulf States filed a petition for review by the Texas Supreme Court, and in December 2005, the Texas Supreme Court requested that responses be filed to Entergy Gulf States' petition as part of its ongoing consideration of whether to exercise its discretion to grant review of this matter. Those responses and Entergy Gulf States' reply to those responses were filed in January 2006.

Entergy Gulf States (Louisiana) and Entergy Louisiana

In Louisiana, Entergy Gulf States and Entergy Louisiana recover electric fuel and purchased power costs for the upcoming month based upon the level of such costs from the prior month. In Louisiana, Entergy Gulf States' purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit for deferred fuel expense arising from monthly reconciliations of actual fuel costs incurred with fuel cost revenues billed to customers.

In August 2000, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Louisiana pursuant to a November 1997 LPSC general order. The time period that is the subject of the audit is January 1, 2000 through December 31, 2001. In September 2003, the LPSC staff issued its audit report and recommended a disallowance with regard to one item. The issue relates to the alleged failure to uprate Waterford 3 in a timely manner, a claim that also has been raised in the summer 2001, 2002, and 2003 purchased power proceedings. The global settlement approved by the LPSC in March 2005, discussed below in "**Retail Rate Proceedings**," resolves the uprate imprudence disallowance and is no longer at issue in this proceeding. Subsequent to the issuance of the audit report, the scope of this docket was expanded to include a review of annual reports on fuel and purchased power transactions with affiliates and a prudence review of transmission planning issues. Also, in July 2005, the LPSC expanded the audit to include the years 2002 through 2004. A procedural schedule has been established and LPSC staff and intervenor testimony is due in April 2006.

In January 2003, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States and its affiliates pursuant to a November 1997 LPSC general order. The audit will include a review of the reasonableness of charges flowed by Entergy Gulf States through its fuel adjustment clause in Louisiana for the period January 1, 1995 through December 31, 2002. Discovery is underway, but a detailed procedural schedule extending beyond the discovery stage has not yet been established, and the LPSC staff has not yet issued its audit report. In June 2005, the LPSC expanded the audit to include the years through 2004.

In November 2005, the LPSC authorized its staff to initiate an expedited proceeding to audit the fuel and power procurement activities of Entergy Louisiana and Entergy Gulf States for the period January 1, 2005 through October 31, 2005.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider which is adjusted quarterly to reflect accumulated over- or under-recoveries from the second prior quarter. In January 2005, the MPSC approved a change in Entergy Mississippi's energy cost recovery rider. Entergy Mississippi's fuel over-recoveries for the third quarter of 2004 of $21.3 million were deferred from the first quarter 2005 energy cost recovery rider adjustment calculation. The deferred amount of $21.3 million plus carrying charges was refunded through the energy cost recovery rider in the second and third quarters of 2005.

In May 2003, Entergy Mississippi filed and the MPSC approved a change in Entergy Mississippi's energy cost recovery rider. Under the MPSC's order, Entergy Mississippi deferred until 2004 the collection of fuel under-recoveries for the first and second quarters of 2003 that would have been collected in the third and fourth quarters of 2003, respectively. The deferred amount of $77.6 million plus carrying charges was collected through the energy cost recovery rider over a twelve-month period that began in January 2004.

Entergy New Orleans

In June and November 2004, the City Council passed resolutions implementing a package of measures developed by Entergy New Orleans and the Council Advisors to protect customers from potential gas price spikes during the 2004 – 2005 winter heating season. These measures include: maintaining Entergy New Orleans' financial hedging plan for its purchase of wholesale gas, and deferral of collection of up to $6.2 million of gas costs associated with a cap on the purchased gas adjustment in November and December 2004 and in the event that the average residential customer's gas bill were to exceed a threshold level. The deferral of $1.7 million resulting from these caps was recovered over a seven-month period that began in April 2005.

In November 2004, the City Council directed Entergy New Orleans to confer with the Council Advisors regarding possible modification of the current gas cost collection mechanism in order to address concerns regarding its fluctuations particularly during the winter heating season. In June 2005, Entergy New Orleans filed a new purchased gas adjustment tariff (PGA tariff) with the City Council. The City Council approved the PGA tariff which became effective with billings in October 2005. In October 2005, the City Council approved modifications to the PGA tariff that became effective in November 2005. The modifications are intended to minimize fluctuations in PGS rates during the winter months.

Retail Rate Proceedings

Filings with the APSC (Entergy Arkansas)

Retail Rates

No significant retail rate proceedings are pending in Arkansas at this time.

Filings with the PUCT and Texas Cities (Entergy Gulf States)

Retail Rates

Entergy Gulf States is operating in Texas under a base rate freeze that has remained in effect during the delay in the implementation of retail open access in Entergy Gulf States' Texas service territory. As discussed in

"**Electric Industry Restructuring and the Continued Application of SFAS 71**" below, a Texas law was enacted in June 2005 which includes provisions in the Texas legislation regarding Entergy Gulf States' ability to file a general rate case and to file for recovery of transition to competition costs. As authorized by the legislation, in August 2005, Entergy Gulf States filed with the PUCT an application for recovery of its transition to competition costs. Entergy Gulf States requested recovery of $189 million in transition to competition costs through implementation of a 15-year rider to be effective no later than March 1, 2006. The $189 million represents transition to competition costs Entergy Gulf States incurred from June 1, 1999 through June 17, 2005 in preparing for competition in its service area, including attendant AFUDC, and all carrying costs projected to be incurred on the transition to competition costs through February 28, 2006. The $189 million is before any gross-up for taxes or carrying costs over the 15-year recovery period. Entergy Gulf States has reached a unanimous settlement agreement in principle on all issues with the active parties in the transition to competition cost recovery case. The agreement in principle allows Entergy Gulf States to recover $14.5 million per year in transition to competition costs over a 15-year period. Entergy Gulf States implemented interim rates based on this revenue level on March 1, 2006, subject to refund. Entergy Gulf States expects that the PUCT will consider the formal settlement document, which is currently being developed, in the second quarter 2006.

The Texas law enacted also allowed Entergy Gulf States to file with the PUCT for recovery of certain incremental purchased capacity costs which was implemented effective December 1, 2005. This proceeding is discussed above under **"Deferred Fuel Costs."**

Recovery of River Bend Costs

In March 1998, the PUCT disallowed recovery of $1.4 billion of company-wide abeyed River Bend plant costs, which have been held in abeyance since 1988. Entergy Gulf States appealed the PUCT's decision on this matter to the Travis County District Court in Texas. In April 2002, the Travis County District Court issued an order affirming the PUCT's order on remand disallowing recovery of the abeyed plant costs. Entergy Gulf States appealed this ruling to the Third District Court of Appeals. In July 2003, the Third District Court of Appeals unanimously affirmed the judgment of the Travis County District Court. After considering the progress of the proceeding in light of the decision of the Court of Appeals, Entergy Gulf States accrued for the loss that would be associated with a final, non-appealable decision disallowing the abeyed plant costs. The net carrying value of the abeyed plant costs was $107.7 million at the time of the Court of Appeals decision. Accrual of the $107.7 million loss was recorded in the second quarter of 2003 as miscellaneous other income (deductions) and reduced net income by $65.6 million after-tax. In September 2004, the Texas Supreme Court denied Entergy Gulf States' petition for review, and Entergy Gulf States filed a motion for rehearing. In February 2005, the Texas Supreme Court denied the motion for rehearing, and the proceeding is now final.

Filings with the LPSC

Global Settlement (Entergy Gulf States and Entergy Louisiana)

In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues for Entergy Gulf States and Entergy Louisiana. The settlement resulted in credits totaling $76 million for retail electricity customers in Entergy Gulf States' Louisiana service territory and credits totaling $14 million for retail electricity customers of Entergy Louisiana. The net income effect of $48.6 million for Entergy Gulf States and $8.6 million for Entergy Louisiana was recognized primarily in 2004 when Entergy Gulf States and Entergy Louisiana recorded provisions for the expected outcome of the proceeding. The settlement dismissed Entergy Gulf States' fourth, fifth, sixth, seventh, and eighth annual earnings reviews, Entergy Gulf States' ninth post-merger earnings review and revenue requirement analysis, the continuation of a fuel review for Entergy Gulf States, dockets established to consider issues concerning power purchases for Entergy Gulf States and Entergy Louisiana for the summers of 2001, 2002, 2003, and 2004, all prudence issues associated with decisions made through May 2005 related to the nuclear plant uprates at issue in these cases, and an LPSC docket concerning retail issues arising under the System Agreement. The settlement does not include the System Agreement case at FERC. In addition, Entergy

Gulf States agreed not to seek recovery from customers of $2 million of excess refund amounts associated with the fourth through the eighth annual earnings reviews and Entergy Louisiana agreed to forgo recovery of $3.5 million of deferred 2003 capacity costs associated with certain power purchase agreements. The credits were issued in connection with April 2005 billings. Entergy Gulf States and Entergy Louisiana reserved for the approximate refund amounts.

The settlement includes the establishment of a three-year formula rate plan for Entergy Gulf States that, among other provisions, establishes an ROE mid-point of 10.65% for the initial three-year term of the plan and permits Entergy Gulf States to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed range of 9.9% to 11.4% will be allocated 60% to customers and 40% to Entergy Gulf States. Entergy Gulf States made its initial formula rate plan filing in June 2005, as discussed below. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Gulf States.

Retail Rates - Electric

(Entergy Louisiana)

Entergy Louisiana made a rate filing with the LPSC requesting a base rate increase in January 2004. In March 2005, the LPSC staff and Entergy Louisiana filed a proposed settlement that included an annual base rate increase of approximately $18.3 million that was implemented, subject to refund, effective with May 2005 billings. In May 2005, the LPSC approved a modified settlement which, among other things, reduces depreciation and decommissioning expense due to assuming a life extension of Waterford 3 and results in no change in rates. Subsequently, in June 2005, Entergy Louisiana made a revised compliance filing with the LPSC supporting a revised depreciation rate for Waterford 3, which reflects the removal of interim additions, and a rate increase from the purchase of the Perryville power plant, which results in a net $0.8 million annual rate reduction. Entergy Louisiana reduced rates effective with the first billing cycle in July 2005 and refunded excess revenue collected during May 2005, including interest, in August 2005.

The May 2005 rate settlement includes the adoption of a three-year formula rate plan, the terms of which include an ROE mid-point of 10.25% for the initial three-year term of the plan and permit Entergy Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed regulatory range of 9.45% to 11.05% will be allocated 60% to customers and 40% to Entergy Louisiana. The initial formula rate plan filing will be in May 2006 based on a 2005 test year with rates effective September 2006. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Louisiana.

(Entergy Gulf States)

In June 2005, Entergy Gulf States made its formula rate plan filing with the LPSC for the test year ending December 31, 2004. The filing shows a net revenue deficiency of $2.58 million indicating that no refund liability exists. The filing also indicates that a prospective rate increase of $23.8 million is required in order for Entergy Gulf States to earn the authorized ROE mid-point of 10.65%. A revision to the filing was made in September 2005 resulting in a $37.2 million base rate increase effective with the first billing cycle of October 2005, subject to refund. The base rate increase consists of two components. The first is a base rate increase of approximately $21.1 million due to the formula rate plan 2004 test year revenue requirement. The second component of the increase is the recovery of the annual revenue requirement of $16.1 million associated with the purchase of power from the Perryville generating station, which purchase was approved by the LPSC. A final order from the LPSC is expected by the second quarter of 2006.

Retail Rates - Gas (Entergy Gulf States)

In July 2004, Entergy Gulf States filed with the LPSC an application for a change in its rates and charges seeking an increase of $9.1 million in gas base rates in order to allow Entergy Gulf States an opportunity to earn a fair and reasonable rate of return. In June 2005, the LPSC unanimously approved Entergy Gulf States' proposed settlement that includes a $5.8 million gas base rate increase effective the first billing cycle of July 2005 and a rate stabilization plan with an ROE mid-point of 10.5%.

In January 2006, Entergy Gulf States filed with the LPSC its gas rate stabilization plan. The filing showed a revenue deficiency of $4.1 million based on an ROE mid-point of 10.5%. Approval by the LPSC and implementation are not expected until the second quarter of 2006.

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan Filings

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%.

Power Management Rider

In November 2005, the MPSC approved the purchase of the 480MW Attala power plant. In December 2005, the MPSC issued an order approving the investment cost recovery through its 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 MPSC order also provided that any reserve equalization benefits be credited to the annual ownership costs beginning with the date that Entergy Mississippi begins recovery of the Hurricane Katrina restoration costs or July 1, 2006, whichever is earlier. On December 9, 2005, Entergy Mississippi filed a compliance rider. Entergy Mississippi purchased the Attala power plant in January 2006.

Grand Gulf Accelerated Recovery Tariff (GGART)

In September 1998, the FERC approved the GGART for Entergy Mississippi's allocable portion of Grand Gulf, which was filed with the FERC in August 1998. The GGART provided for the acceleration of Entergy Mississippi's Grand Gulf purchased power obligation over the period October 1, 1998 through June 30, 2004. In May 2003, the MPSC authorized the cessation of the GGART effective July 1, 2003. Entergy Mississippi filed notice of the change with the FERC, and the FERC approved the filing on July 30, 2003. Entergy Mississippi accelerated a total of $168.4 million of Grand Gulf purchased power obligation costs under the GGART over the period October 1, 1998 through June 30, 2003.

Filings with the City Council (Entergy New Orleans)

Formula Rate Plans

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 plans 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 the Customer Care System investment of $3.2 million and 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 (ROE) of 10.75%. The ROE band-width is 100 basis points from the mid-point for electric operations. For gas operations, the ROE band-width is 50 basis points from the mid-point and zero basis points for the 2005 evaluation period. 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 provided 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 August 2005, prior to Hurricane Katrina, the Council Utility, Cable and Telecommunications Committee voted to recommend to the City Council a resolution approving this agreement in principle. The City Council was to consider this recommendation at its regularly scheduled meeting on September 1, 2005, but this meeting did not occur due to Hurricane Katrina. On August 31, 2005, the chairman of the Council Utility, Cable and Telecommunications Committee issued a letter authorizing Entergy New Orleans to implement the agreement in principle in accordance with the resolution previously considered by this Council committee, and advising Entergy New Orleans that the City Council would consider the ratification of this letter authorization at the first available opportunity. On September 27, 2005, the City Council ratified the August 31, 2005 letter, and deemed the resolution approving the agreement in principle to be effective as of September 1, 2005.

In May 2003, the City Council approved a resolution allowing for a total increase of $30.2 million in electric and gas base rates effective June 1, 2003. In April 2004, Entergy New Orleans made filings with the City Council as required by the earnings review process prescribed by the Gas and Electric Formula Rate Plans approved by the City Council in 2003. The filings sought an increase in Entergy New Orleans' electric revenues of $1.2 million and an increase in Entergy New Orleans' gas revenues of $32,000. The Council Advisors and intervenors reviewed the filings, and filed their recommendations in July 2004. In August 2004, in accordance with the City Council's requirements for the formula rate plans, Entergy New Orleans made a filing with the City Council reflecting the parties' concurrence that no change in Entergy New Orleans' electric or gas rates is warranted. Later in August 2004, the City Council approved an unopposed settlement among Entergy New Orleans, the Council Advisors, and the intervenors in connection with the Gas and Electric Formula Rate Plans. In accordance with the resolution approving the settlement, Entergy New Orleans' gas and electric base rates remain unchanged from levels set in May 2003. The resolution ordered Entergy New Orleans to defer $3.9 million relating to voluntary severance plan costs allocated to its electric operations and $1.0 million allocated to its gas operations, which amounts were accrued on its books in 2003, and to record on its books regulatory assets in those amounts to be amortized over five years effective January 2004. Entergy New Orleans was also ordered to defer $6.0 million of fossil plan maintenance expense incurred in 2003 and to record on its books a regulatory asset in that amount to be amortized over five years effective January 2003.

Fuel Adjustment Clause Litigation

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 Bankruptcy Court lifted the stay with respect to the plaintiffs' appeal of the Civil District Court decision, but the class action lawsuit remains stayed. In February 2006, Entergy New Orleans filed a notice removing the class action lawsuit from the Civil District Court to the U.S. District Court for the Eastern District of Louisiana. Additionally, in the Entergy New Orleans bankruptcy proceeding, the named plaintiffs in the Entergy New Orleans fuel clause lawsuit, together with the named plaintiffs in the Entergy New Orleans rate of return lawsuit, filed a Complaint for Declaratory Judgment asking the court to declare that Entergy New Orleans, Entergy Corporation, and Entergy Services are a single business enterprise, and as such, are liable in solido with Entergy New Orleans for any claims asserted in the Entergy New Orleans fuel clause lawsuit and the Entergy New Orleans rate of return lawsuit, and alternatively, that the automatic stay be lifted to permit the movants to pursue the same relief in sate court. Answers were due in this adversary proceeding in February 2006, but Entergy New Orleans has requested an extension to answer until March 2006.

Electric Industry Restructuring and the Continued Application of SFAS 71

Although Arkansas and Texas enacted retail open access laws, the retail open access law in Arkansas has now been repealed. Retail open access in Entergy Gulf States' service territory in Texas has been delayed. Entergy believes that significant issues remain to be addressed by Texas regulators, and the enacted law does not provide sufficient detail to allow Entergy Gulf States to reasonably determine the impact on Entergy Gulf States' regulated operations. Entergy therefore continues to apply regulatory accounting principles to the retail operations of all of the domestic utility companies.

Texas

(Entergy Gulf States)

As ordered by the PUCT, in January 2003, Entergy Gulf States filed its proposal for an interim solution (retail open access without a FERC-approved RTO), which among other elements, included:

- the recommendation that retail open access in Entergy Gulf States' Texas service territory, including corporate unbundling, occur by January 1, 2004, or else be delayed until at least January 1, 2007. If retail open access is delayed past January 1, 2004, Entergy Gulf States requested authorization to separate into two bundled utilities, one subject to the retail jurisdiction of the PUCT and one subject to the retail jurisdiction of the LPSC.
- the recommendation that Entergy's transmission organization, possibly with the oversight of another entity, will continue to serve as the transmission authority for purposes of retail open access in Entergy Gulf States' service territory.
- the recommendation that the decision points be identified that would require prior to January 1, 2004, the PUCT's determination, based upon objective criteria, whether to proceed with further efforts toward retail open access in Entergy Gulf States' Texas service territory.

After considering the proposal, in an April 2003 order the PUCT set forth a sequence of proceedings and activities designed to initiate an interim solution. These proceedings and activities included initiating a proceeding to certify an independent organization to administer market protocols and ensure nondiscriminatory access to transmission and distribution systems.

In July 2004 the PUCT denied Entergy's application to certify Entergy's transmission organization as an independent organization under Texas law. In its order, the PUCT also ordered: the cessation of efforts to develop an interim solution for retail open access in Entergy Gulf States' Texas service territory, termination of the pilot project in that territory, and a delay in retail open access in that territory until either a FERC-approved RTO is in place or some other independent transmission entity is certified under Texas law. Several parties have appealed the termination of the pilot program aspect of the order, claiming the issue was not properly a part of the proceeding.

In June 2005, a Texas law was enacted which provides that:

- Entergy Gulf States is authorized by the legislation to proceed with a jurisdictional separation into two vertically integrated utilities, one subject solely to the retail jurisdiction of the LPSC and one subject solely to the retail jurisdiction of the PUCT;
- the portions of all prior PUCT orders requiring Entergy Gulf States to comply with any provisions of Texas law governing transition to retail competition are void;
- Entergy Gulf States must file a plan by January 1, 2006, identifying the power region(s) to be considered for certification and the steps and schedule to achieve certification (as discussed below);
- Entergy Gulf States must file a transition to competition plan no later than January 1, 2007, that would address how Entergy Gulf States intends to mitigate market power and achieve full customer choice, including potential construction of additional transmission facilities, generation auctions, generation capacity divestiture, reinstatement of a customer choice pilot project, establishment of a price to beat, and other measures;
- Entergy Gulf States' rates are subject to cost-of-service regulation until retail customer choice is implemented;
- Entergy Gulf States may not file a general base rate case in Texas before June 30, 2007, with rates effective no earlier than June 30, 2008, but may seek before then the recovery of certain incremental purchased power capacity costs, adjusted for load growth, not in excess of five percent of its annual base rate revenues (as discussed above in "**Deferred Fuel Costs,**" in July 2005 Entergy Gulf States filed a request for implementation of an incremental purchased capacity recovery rider); and

- Entergy Gulf States may recover over a period not to exceed 15 years reasonable and necessary transition to competition costs incurred before the effective date of the legislation and not previously recovered, with appropriate carrying charges (as discussed above in **"Filings with the PUCT and Texas Cities,"** in August 2005, Entergy Gulf States filed with the PUCT an application for recovery of its transition to competition costs).

Entergy Gulf States made the January 2006 filing regarding the identification of power region(s) required by the 2005 legislation, and based on the statutory requirements for the certification of a qualified power region (QPR), previous PUCT rulings, and Entergy Gulf States' geographical location, Entergy Gulf States identified three potential power regions:

1. Electric Reliability Council of Texas (ERCOT) as the power region and Independent Organization (IO);
2. Southwest Power Pool (SPP) as the power region and IO; and
3. the Entergy market as the power region and the Independent Coordinator of Transmission (ICT) as the IO.

Based on previous rulings of the PUCT, and absent reconsideration of those rulings, Entergy Gulf States believes that the third alternative - an ICT operating in Entergy's market area - is not likely to be a viable QPR alternative at this time. Accordingly, while noting this alternative, Entergy Gulf States' filing focuses on the first two alternatives, which are expected to meet the statutory requirements for certification so long as certain key implementation issues can be resolved. Entergy Gulf States' filing enumerated and discussed the corresponding steps and a high-level schedule associated with certifying either of these two power regions.

Entergy Gulf States' filing does not make a recommendation between ERCOT and the SPP as a power region. Rather, the filing discusses the major issues that must be resolved for either of those alternatives to be implemented. In the case of ERCOT, the major issue is the cost and time related to the construction of facilities to interconnect Entergy Gulf States' Texas operations with ERCOT, while addressing the interest of Entergy Gulf States' retail customers and certain wholesale customers in access to generation outside of Texas. With respect to the SPP, the major issue is the development of protocols that would ultimately be necessary to implement retail open access.

Entergy Gulf States recommended that the PUCT open a project for the purpose of involving stakeholders in the selection of the single power region that Entergy Gulf States should request for certification. Entergy Gulf States notes that House Bill 1567 also directs Entergy Gulf States to file a transition to competition filing no later than January 1, 2007. The contents of the January 1, 2007 filing will be affected by the power region selected. Accordingly, Entergy Gulf States recommended that the goal of the project should be to reach consensus on a power region in a timely manner to inform Entergy Gulf States' January 1, 2007 filing.

FERC Settlement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

In November 1994, FERC approved an agreement settling a long-standing dispute involving income tax allocation procedures of System Energy. In accordance with the agreement, System Energy refunded a total of approximately $62 million, plus interest, to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans through June 2004. System Energy also reclassified from utility plant to other deferred debits approximately $81 million of other Grand Gulf costs. Although such costs were excluded from rate base, System Energy amortized and recovered these costs over a 10-year period. Interest on the $62 million refund and the loss of the return on the $81 million of other Grand Gulf costs reduced Entergy's and System Energy's net income by approximately $10 million annually.

NOTE 3. INCOME TAXES

Income tax expenses for 2005, 2004, and 2003 consist of the following:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana Holdings	Entergy Louisiana, LLC	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
Current:							
Federal (a)(b)	($5,534)	($256,561)	($139,018)	($38,109)	($115,504)	($141,249)	$171,318
State (a)(b)	36	(37,962)	10,249	10,249	(8,547)	(13,115)	10,566
Total (a)(b)	(5,498)	(294,523)	(128,769)	(27,860)	(124,051)	(154,364)	181,884
Deferred - net	106,898	410,500	229,279	128,370	159,333	156,581	(109,065)
Investment tax credit adjustments - net	(4,452)	(5,707)	(3,691)	(3,691)	(1,329)	(427)	(3,476)
Recorded income tax expense	$96,948	$110,270	$96,819	$96,819	$33,953	$1,790	$69,343

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana Holdings	Entergy Louisiana, LLC	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
Current:							
Federal (a)	$14,490	$42,436	$2,439	$2,439	($23,568)	($19,259)	$222,622
State (a)	8,727	7,944	1,957	1,957	(1,221)	(3,655)	33,926
Total (a)	23,217	50,380	4,396	4,396	(24,789)	(22,914)	256,548
Deferred - net	70,674	63,615	80,207	80,207	63,234	40,226	(175,059)
Investment tax credit adjustments - net	(4,827)	(5,707)	(5,128)	(5,128)	(1,405)	(444)	(3,476)
Recorded income tax expense	$89,064	$108,288	$79,475	$79,475	$37,040	$16,868	$78,013

2003	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana Holdings	Entergy Louisiana, LLC	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
Current:							
Federal (a)	$40,632	($11,535)	($745,724)	($745,724)	($2,969)	($7,655)	$95,670
State (a)	16,306	(1,503)	(16,243)	(16,243)	2,565	(1,871)	15,382
Total (a)	56,938	(13,038)	(761,967)	(761,967)	(404)	(9,526)	111,052
Deferred - net	53,309	49,365	864,656	864,656	36,240	15,853	(31,731)
Investment tax credit adjustments - net	(4,951)	(12,078)	(5,281)	(5,281)	(1,405)	(452)	(3,476)
Recorded income tax expense	$105,296	$24,249	$97,408	$97,408	$34,431	$5,875	$75,845

(a) Entergy Louisiana's actual cash taxes paid/(refunded) were $11,116 in 2005, ($70,650) in 2004, and $35,128 in 2003. Entergy Louisiana's mark-to-market tax accounting election significantly reduced taxes paid in 2002. In 2001, Entergy Louisiana changed its method of accounting for tax purposes related to its wholesale electric power contracts. The most significant of these is the contract to purchase power from the Vidalia project (the contract is discussed in Note 8 to the domestic utility companies and System Energy financial statements). The new tax accounting method has provided a cumulative cash flow benefit of approximately $664 million through 2005, which could reverse in the years 2006 through 2031 depending on several variables, including the price of power. The election did not reduce book income tax expense.

(b) 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 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 IRS 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. 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 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 change 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.

Total income taxes differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2005, 2004, and 2003 are:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
			(In Thousands)			
Computed at statutory rate (35%)	$95,054	$110,868	$78,715	$33,619	$1,064	$63,345
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	11,318	10,204	7,213	3,154	221	6,567
Regulatory differences - utility plant items	540	5,087	11,135	255	2,441	9,525
Amortization of investment tax credits	(4,452)	(5,316)	(3,691)	(1,332)	(424)	(3,476)
Flow-through/permanent differences	(3,148)	(8,843)	(4,420)	(1,344)	(1,439)	(6,626)
Other - net	(2,364)	(1,730)	7,867	(399)	(73)	8
Total income taxes	$96,948	$110,270	$96,819	$33,953	$1,790	$69,343
Effective Income Tax Rate	35.7%	34.8%	43.0%	35.3%	58.9%	38.3%

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Computed at statutory rate (35%)	$80,946	$105,194	$72,440	$38,688	$15,729	$64,386
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	12,204	8,289	6,411	3,845	1,158	7,665
Regulatory differences - utility plant items	13,775	6,951	10,052	(1,482)	1,373	10,528
Amortization of investment tax credits	(4,827)	(5,316)	(5,128)	(1,405)	(444)	(3,476)
Flow-through/permanent differences	(9,127)	(7,080)	(3,576)	(2,114)	(878)	(993)
Other - net	(3,907)	250	(724)	(492)	(70)	(97)
Total income taxes	$89,064	$108,288	$79,475	$37,040	$16,868	$78,013
Effective Income Tax Rate	38.5%	36.0%	38.4%	33.5%	37.5%	42.4%

2003	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
	(In Thousands)					
Computed at statutory rate (35%)	$80,957	$30,850	$85,247	$35,522	$4,807	$63,647
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	12,987	1,270	7,764	3,000	21	7,765
Regulatory differences - utility plant items	15,994	13,260	10,568	(930)	2,045	11,530
Amortization of investment tax credits	(4,951)	(8,797)	(5,281)	(1,404)	(452)	(3,476)
Flow-through/permanent differences	1,090	(10,625)	(2,012)	(1,112)	(625)	(420)
Benefit of Entergy Corp. expenses	(1,145)	(888)	-	-	-	(3,408)
Other - net	364	(821)	1,122	(645)	79	207
Total income taxes	$105,296	$24,249	$97,408	$34,431	$5,875	$75,845
Effective Income Tax Rate	45.5%	27.5%	40.0%	33.9%	42.8%	41.7%

Significant components of net deferred and long-term accrued tax liabilities as of December 31, 2005 and 2004 are as follows:

2005	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
			(In Thousands)			
Deferred and Long-term Accrued Tax Liabilities:						
Net regulatory assets/(liabilities)	($86,344)	($491,661)	($140,463)	($21,800)	$50,855	($214,474)
Plant-related basis differences - net	(1,277,810)	(1,716,213)	(1,094,333)	(416,728)	(183,111)	(514,130)
Power purchase agreements	(4,075)	(1,141)	(964,086)	(75)	-	-
Rate refunds	(40,429)	-	(23,186)	(49,336)	(14,448)	-
Deferred fuel	(80,109)	(128,565)	(2,139)	(29,978)	(12,881)	(6,885)
Other reserves	-	(10,442)	-	(27,457)	(40,477)	774
Other	(70,412)	(3,945)	(165,847)	(15,975)	(3,168)	(14,275)
Total	(1,559,179)	(2,351,967)	(2,390,054)	(561,349)	(203,230)	(748,990)
Deferred Tax Assets:						
Accumulated deferred investment tax credit	25,108	32,525	35,569	4,727	1,374	27,592
Sale and leaseback	-	-	89,140	-	-	149,417
Purchased power agreements	-	-	-	-	-	100,909
NOL carryforward	311,609	418,903	162,393	54,096	66,267	-
Unbilled/Deferred revenues	(1,454)	24,043	-	1,212	-	-
Pension-related items	321	14,661	19,686	(4,114)	5,698	6,745
Reserve for regulatory adjustments	-	120,792	-	-	-	-
Rate refund	-	6,530	-	-	-	170,222
Customer deposits	30,882	23,189	16,151	-	120	-
Nuclear decommissioning	12,070	-	2,833	-	-	3,671
Other	18,745	20,238	13,083	338	193	15,843
Total	397,281	660,881	338,855	56,259	73,652	474,399
Net deferred tax liability	($1,161,898)	($1,691,086)	($2,051,199)	($505,090)	($129,578)	($274,591)

2004	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
			(In Thousands)			
Deferred and Long-term Accrued Tax Liabilities:						
Net regulatory assets/(liabilities)	($128,594)	($479,158)	($169,675)	($22,864)	$44,867	($223,391)
Plant-related basis differences – net	(1,237,303)	(1,388,391)	(921,976)	(389,558)	(103,733)	(471,026)
Power purchase agreements	-	-	(971,676)	-	-	-
Rate refunds	(39,163)	-	(17,736)	(49,124)	(14,375)	-
Deferred fuel	(2,899)	(36,017)	(1,286)	(6,424)	(3,873)	-
Other reserves	2,686	(33,916)	27,421	5,856	(323)	(80,597)
Other	(80,980)	(20,781)	(68,381)	(16,516)	(2,982)	(11,851)
Total	(1,486,253)	(1,958,263)	(2,123,309)	(478,630)	(80,419)	(786,865)
Deferred Tax Assets:						
Accumulated deferred investment tax credit	26,936	34,359	36,989	5,235	1,538	28,922
Sale and leaseback	-	-	82,410	-	-	144,745
NOL carryforward	300,249	164,749	164,840	34,642	18,973	-
Unbilled/Deferred revenues	-	17,001	-	10,193	-	-
Pension-related items	-	14,499	13,039	-	10,656	6,737
Reserve for regulatory adjustments	-	131,112	-	-	-	-
Rate refund	-	32,932	-	-	-	170,222
Customer deposits	40,880	33,425	17,479	15,777	91	-
Nuclear decommissioning	12,070	-	2,833	-	-	-
Other	11,801	10,721	13,021	2,386	193	11,296
Total	391,936	438,798	330,611	68,233	31,451	361,922
Net deferred tax liability	($1,094,317)	($1,519,465)	($1,792,698)	($410,397)	($48,968)	($424,943)

As of December 31, 2005, estimated federal net operating loss carryforwards were $751.5 million for Entergy Arkansas, $1.1 billion for Entergy Gulf States, $85.4 million for Entergy Louisiana, $168.3 million for Entergy Mississippi, and $151.4 million for Entergy New Orleans, primarily resulting from a change in tax accounting method relating to the calculation of cost of goods sold and losses due to Hurricanes Katrina and Rita. The tax accounting method change produces temporary book tax differences, which will reverse in the future. If the federal net operating loss carryforwards are not utilized, they will expire in the years 2023 through 2025.

As of December 31, 2005, estimated state net operating loss carryforwards were and $920.9 million for Entergy Arkansas, $822.5 million for Entergy Gulf States, $2.6 billion for Entergy Louisiana, and $337.4 million for Entergy New Orleans. If the state net operating loss carryforwards are not utilized, they will expire in the years 2008 through 2010 for Entergy Arkansas, 2018 through 2020 for Entergy Gulf States, 2016 through 2020 for Entergy Louisiana, and 2018 through 2020 for Entergy New Orleans.

Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy have recorded receivables of approximately $20 million, $167 million, $54 million, $59 million and $1 million, respectively, in the "Prepayments and other" line on the balance sheet as of December 31, 2005 for anticipated income tax refunds from prior tax years under the special provisions of the Gulf Opportunity Zone Act of 2005 and the Energy Policy Act of 2005.

Income Tax Audits

Entergy is currently under audit by the IRS with respect to tax returns for tax periods subsequent to 1995 and through 2003, and is subject to audit by the IRS and other taxing authorities for subsequent tax periods. The amount and timing of any tax assessments resulting from these audits are uncertain, and could have a material effect on Entergy's financial position and results of operations. Entergy believes that the contingency provisions established in its financial statements will sufficiently cover the liabilities that are reasonably estimable associated with tax matters. Certain material audit matters as to which management believes there is a reasonable possibility of a future tax payment are discussed below.

Depreciable Property Lives

In October 2005, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi Entergy New Orleans, and System Energy concluded settlement discussions with IRS Appeals related to the 1996 - 1998 audit cycle. The most significant issue settled involved the changes in tax depreciation methods with respect to certain types of depreciable property. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans partially conceded depreciation associated with assets other than street lighting and intend to pursue the street lighting depreciation in litigation. Entergy Gulf States was not part of the settlement and did not change its accounting method for these certain assets until 1999. The total cash concession related to these deductions for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy is $56 million plus interest of $23 million. The effect of a similar settlement by Entergy Gulf States would result in a cash tax exposure of approximately $25 million plus interest of $8 million.

Because this issue relates to the timing of when depreciation expense is deducted, the conceded amount for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, or any future conceded amounts by Entergy Gulf States will be recovered in future periods. Entergy believes that the contingency provision established in its financial statements sufficiently covers the risk associated with this item.

Mark to Market of Certain Power Contracts

In 2001, Entergy Louisiana changed its method of accounting for income tax purposes related to its wholesale electric power contracts. The most significant of these is the contract to purchase power from the Vidalia hydroelectric project. On audit of Entergy Louisiana's 2001 tax return, the IRS made an adjustment reducing the amount of the deduction associated with this method change. The adjustment had no material impact on Entergy Louisiana's earnings and required no additional cash payment of 2001 income tax. The Vidalia contract method change has resulted in estimated cumulative cash flow benefits of approximately $664 million through December 31, 2005. This benefit could reverse in the years 2006 through 2031 depending on several variables, including the price of power. The tax accounting election has had no effect on book income tax expense.

NOTE 4. LINES OF CREDIT AND SHORT-TERM BORROWINGS (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The short-term borrowings of the domestic utility companies (other than Entergy New Orleans) and System Energy are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2008. In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the FERC authorized limits.

The following are the FERC-authorized limits for short-term borrowings effective February 8, 2006 and the outstanding short-term borrowings from the money pool for the domestic utility companies (other than Entergy New Orleans) and System Energy as of December 31, 2005:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	$250	$27.3
Entergy Gulf States	$350	-
Entergy Louisiana	$250	$68.7
Entergy Mississippi	$175	$84.1
System Energy	$200	-

Under a savings provision in PUHCA 2005, which repealed PUHCA 1935, Entergy New Orleans may continue to be a participant in the money pool to the extent authorized by its SEC PUHCA 1935 order. However, Entergy New Orleans has not, and does not expect to make, any additional money pool borrowings while it is in bankruptcy proceedings. Entergy New Orleans had $35.6 million in borrowings outstanding from the money pool as of its bankruptcy filing date, September 23, 2005. The money pool borrowings reflected on Entergy New Orleans' Balance Sheet as of December 31, 2005 are classified as a pre-petition obligation subject to compromise.

In 2005, the domestic utility companies and System Energy reclassified their treatment of money pool activity in their cash flow statements. Changes in receivables from the money pool are now classified as investing activities, and changes in payables to the money pool are now classified as financing activities. Previously, the domestic utility companies and System Energy had classified changes in receivables from the money pool and payables to the money pool as changes in working capital balances. The 2004 and 2003 money pool activity reported in the cash flow statements was reclassified to conform to the present classification.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans each have 364-day credit facilities available as follows:

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

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

(b) The combined amount borrowed by Entergy Louisiana and Entergy New Orleans under these facilities at any one time cannot exceed $15 million. In July 2005, Entergy New Orleans granted the lender a security interest in its customer accounts receivables to secure its borrowings under its facility.

The 364-day credit facilities have variable interest rates and the average commitment fee is 0.13%. The $85 million Entergy Arkansas and Entergy Louisiana credit facilities each requires the respective company to maintain total shareholders' equity of at least 25% of its total assets.

Entergy New Orleans 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.

NOTE 5. LONG - TERM DEBT (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Long-term debt as of December 31, 2005 and 2004 consisted of:

	2005	2004
	(In Thousands)	
Entergy Arkansas		
Mortgage Bonds:		
6.125% Series due July 2005	$-	$100,000
4.50% Series due June 2010	100,000	-
5.4% Series due May 2018	150,000	150,000
5.0% Series due July 2018	115,000	115,000
7.0% Series due October 2023	-	175,000
5.66% Series due February 2025	175,000	-
6.7% Series due April 2032	100,000	100,000
6.0% Series due November 2032	100,000	100,000
5.9% Series due June 2033	100,000	100,000
6.38% Series due November 2034	60,000	60,000
Total mortgage bonds	900,000	900,000
Governmental Bonds (a):		
6.3% Series due 2016, Pope County (f)	19,500	19,500
5.6% Series due 2017, Jefferson County	45,500	45,500
6.3% Series due 2018, Jefferson County (f)	9,200	9,200
6.3% Series due 2020, Pope County	120,000	120,000
6.25% Series due 2021, Independence County (f)	-	45,000
5.0% Series due 2021, Independence County (f)	45,000	-
5.05% Series due 2028, Pope County (b)	-	47,000
Total governmental bonds	239,200	286,200
Other Long-Term Debt		
Long-term DOE Obligation (c)	161,048	156,332
Unamortized Premium and Discount - Net	(2,010)	(4,390)
Other	-	621
Total Long-Term Debt	1,298,238	1,338,763
Less Amount Due Within One Year	-	147,000
Long-Term Debt Excluding Amount Due Within One Year	$1,298,238	$1,191,763
Fair Value of Long-Term Debt (d)	$1,141,332	$1,224,942

	2005	2004
	(In Thousands)	
Entergy Gulf States		
Mortgage Bonds:		
6.77% Series due August 2005	$-	$98,000
3.6% Series due June 2008	325,000	325,000
Libor + 0.75% Series due December 2008	350,000	-
Libor + 0.4% Series due December 2009	225,000	225,000
5.12 % Series due August 2010	100,000	-
4.875% Series due November 2011	200,000	200,000
6.0% Series due December 2012	140,000	140,000
5.6% Series due December 2014	50,000	50,000
5.70% Series due June 2015	200,000	-
5.25% Series due August 2015	200,000	200,000
6.2% Series due July 2033	240,000	240,000
6.18% Series due March 2035	85,000	-
Total mortgage bonds	2,115,000	1,478,000
Governmental Bonds (a):		
5.45% Series due 2010, Calcasieu Parish	22,095	22,095
6.75% Series due 2012, Calcasieu Parish	48,285	48,285
6.7% Series due 2013, Pointe Coupee Parish	17,450	17,450
5.7% Series due 2014, Iberville Parish	21,600	21,600
7.7% Series due 2014, West Feliciana Parish	-	94,000
5.8% Series due 2015, West Feliciana Parish	28,400	28,400
7.0% Series due 2015, West Feliciana Parish	39,000	39,000
7.5% Series due 2015, West Feliciana Parish	-	41,600
9.0% Series due 2015, West Feliciana Parish	-	45,000
5.8% Series due 2016, West Feliciana Parish	20,000	20,000
6.6% Series due 2028, West Feliciana Parish	40,000	40,000
Total governmental bonds	236,830	417,430
Other Long-Term Debt		
8.75% Junior Subordinated Deferrable Interest Debentures	-	87,629
Unamortized Premium and Discount - Net	(2,516)	(2,397)
Other	8,816	8,816
Total Long-Term Debt	2,358,130	1,989,478
Less Amount Due Within One Year	-	98,000
Long-Term Debt Excluding Amount Due Within One Year	$2,358,130	$1,891,478
Fair Value of Long-Term Debt (d)	$2,364,695	$1,999,249

	2005	2004
	(In Thousands)	
Entergy Louisiana		
Mortgage Bonds:		
4.67% Series due June 2010	$55,000	$-
5.83% Series due November 2010	150,000	-
5.09% Series due November 2014	115,000	115,000
5.56% Series due September 2015	100,000	-
5.5% Series due April 2019	100,000	100,000
7.6% Series due April 2032	150,000	150,000
6.4% Series due October 2034	70,000	70,000
6.3% Series due September 2035	100,000	-
Total mortgage bonds	840,000	435,000
Governmental Bonds (a):		
7.5% Series due 2021, St. Charles Parish	-	50,000
7.0% Series due 2022, St. Charles Parish	-	24,000
7.05% Series due 2022, St. Charles Parish	-	20,000
5.95% Series due 2023, St. Charles Parish (f)	25,000	25,000
6.2% Series due 2023, St. Charles Parish	-	33,000
6.875% Series due 2024, St. Charles Parish	-	20,400
6.375% Series due 2025, St. Charles Parish	-	16,770
Auction Rate due 2030, St. Charles Parish (f)	60,000	60,000
4.9% Series due 2030, St. Charles Parish (e)	-	55,000
Total governmental bonds	85,000	304,170
Other Long-Term Debt:		
Waterford 3 Lease Obligation 7.45% (Note 9)	247,725	247,725
Unamortized Premium and Discount - Net	(325)	(1,200)
Total Long-Term Debt	1,172,400	985,695
Less Amount Due Within One Year	-	55,000
Long-Term Debt Excluding Amount Due Within One Year	$1,172,400	$930,695
Fair Value of Long-Term Debt (d)	$934,821	$762,782

	2005	2004
	(In Thousands)	
Entergy Mississippi		
Mortgage Bonds:		
4.35% Series due April 2008	$100,000	$100,000
4.65% Series due May 2011	80,000	80,000
5.15% Series due February 2013	100,000	100,000
4.95% Series due June 2018	95,000	95,000
6.0% Series due November 2032	75,000	75,000
7.25% Series due December 2032	100,000	100,000
6.25% Series due April 2034	100,000	100,000
Total mortgage bonds	650,000	650,000
Governmental Bonds (a):		
4.60% Series due 2022, Mississippi Business Finance Corp.(f)	16,030	16,030
Auction Rate due 2022, Independence County (f)	30,000	30,000
Total governmental bonds	46,030	46,030
Other Long-Term Debt:		
Unamortized Premium and Discount - Net	(884)	(957)
Total Long-Term Debt	$695,146	$695,073
Fair Value of Long-Term Debt (d)	$697,772	$716,201

	2005	2004
	(In Thousands)	
Entergy New Orleans		
Mortgage Bonds(g):		
8.125% Series due July 2005	$-	$30,000
3.875% Series due August 2008	30,000	30,000
4.98% Series due July 2010	30,000	-
5.25% Series due August 2013	70,000	70,000
6.75% Series due October 2017	25,000	25,000
5.6% Series due September 2024	34,975	35,000
5.65% Series due September 2029	39,960	40,000
Total mortgage bonds	229,935	230,000
Other Long-Term Debt:		
Unamortized Premium and Discount - Net	(76)	(98)
Total Long-Term Debt (h)	229,859	229,902
Less Amount Due Within One Year	-	30,000
Long-Term Debt Excluding Amount Due Within One Year	$229,859	$199,902
Fair Value of Long-Term Debt (d)	$199,100	$231,957

	2005	2004
	(In Thousands)	
<u>System Energy</u>		
Mortgage Bonds:		
4.875% Series due October 2007	$70,000	$70,000
Total mortgage bonds	70,000	70,000
Governmental Bonds (a):		
5.875% Series due 2022, Mississippi Business Finance Corp.	216,000	216,000
5.9% Series due 2022, Mississippi Business Finance Corp.	102,975	102,975
6.2% Series due 2026, Claiborne County	90,000	90,000
Total governmental bonds	408,975	408,975
Other Long-Term Debt:		
Grand Gulf Lease Obligation 5.02% (Note 9)	364,806	397,119
Unamortized Premium and Discount - Net	(1,150)	(1,235)
Total Long-Term Debt	842,631	874,859
Less Amount Due Within One Year	22,989	25,266
Long-Term Debt Excluding Amount Due Within One Year	$819,642	$849,593
Fair Value of Long-Term Debt (d)	$474,508	$470,187

(a) Consists of pollution control revenue bonds and environmental revenue bonds.

(b) The bonds had a mandatory tender date of September 1, 2005. Entergy Arkansas purchased the bonds from the holders, pursuant to the mandatory tender provision, and has not remarketed the bonds at this time.

(c) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.

(d) The fair value excludes lease obligations and long-term DOE obligations, and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms.

(e) The bonds had a mandatory tender date of June 1, 2005. Entergy Louisiana purchased the bonds from the holders, pursuant to the mandatory tender provision, and has not remarketed the bonds at this time.

(f) The bonds are secured by a series of collateral first mortgage bonds.

(g) Under a settlement agreement currently pending approval of the bankruptcy court, the holders have agreed to forego the accrual of interest on the bonds for one year beginning September 23, 2005.

(h) The 2005 long-term debt is classified as Liabilities Subject to Compromise on the Balance Sheet.

The annual long-term debt maturities (excluding lease obligations) for debt outstanding as of December 31, 2005, for the next five years are as follows:

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
			(In Thousands)			
2006	-	-	-	-	-	-
2007	-	-	-	-	-	$70,000
2008	-	$675,000	-	$100,000	$30,000	-
2009	-	$225,000	-	-	-	-
2010	$100,000	$122,095	$205,000	-	$30,000	-

Prior to February 8, 2006, the long-term securities issuances of Entergy Gulf States, Entergy Louisiana, LLC (as well as, prior to December 31, 2005, Entergy Louisiana, Inc., the predecessor to Entergy Louisiana, LLC's SEC financing authority), Entergy Mississippi and System Energy were authorized by the SEC under PUHCA 1935. Effective on that date, the FERC has jurisdiction over these issuances. Entergy Gulf States and Entergy Louisiana, LLC have obtained FERC authorization for their long-term financing. The long-term securities issuances of Entergy Arkansas are limited to amounts authorized by the APSC.

Under a savings provision contained in PUHCA 2005, which repealed PUHCA 1935, Entergy Mississippi and System Energy can each rely, after the repeal, on the long-term securities issuance authority in its SEC PUHCA 1935 order or orders unless superceded by FERC authorization. Under its SEC order, Entergy Mississippi cannot incur additional indebtedness or issue other securities unless (a) the issuer and Entergy Corporation maintain a common equity ratio of at least 30% and (b) the security to be issued (if rated) and all its outstanding securities of the issuer, as well as all outstanding securities of Entergy Corporation, that are rated, are rated investment grade.

<u>Junior Subordinated Deferrable Interest Debentures and Implementation of FIN 46</u> (Entergy Gulf States)

Entergy implemented FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" effective December 31, 2003. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among their investors. Variable interest entities (VIEs), generally, are entities that do not have sufficient equity to permit the entity to finance its operations without additional financial support from its equity interest holders and/or the group of equity interest holders are collectively not able to exercise control over the entity. The primary beneficiary is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both as a result of holding the variable interest. A company may have an interest in a VIE through ownership or other contractual rights or obligations.

Entergy Gulf States Capital I (Trust) was established as a financing subsidiary of Entergy Gulf States, (the parent company or companies, collectively) for the purposes of issuing common and preferred securities. The Trust issued Cumulative Quarterly Income Preferred Securities (Preferred Securities) to the public and issued common securities to its parent companies. Proceeds from such issues were used to purchase junior subordinated deferrable interest debentures (Debentures) from the parent company. The Debentures held by the Trust were its only assets. The Trust used interest payments received on the Debentures owned by it to make cash distributions on the Preferred Securities and common securities. The parent company fully and unconditionally guaranteed payment of distributions on the Preferred Securities issued by the Trust. Prior to the application of FIN 46, the parent company consolidated its interest in its Trust. Because the parent company's share of expected losses of its Trust is limited to its investment in its Trust, the parent company is not considered the primary beneficiary and therefore de-consolidated its interest in the Trust upon application of FIN 46 with no significant impact to the financial statements. In 2004, the parent company's investment in the Trust and the Debentures issued by the parent company is included in Other Property and Investments and Long-Term Debt, respectively. In 2005, Entergy Gulf States redeemed the Debentures and the Trust redeemed the Preferred Securities.