

the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

In July 2010 the LCDA issued another \$244.1 million in bonds under Act 55. From the \$240.3 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited \$90 million in a restricted escrow account as a storm damage reserve for Entergy Gulf States Louisiana and transferred \$150.3 million directly to Entergy Gulf States Louisiana. From the bond proceeds received by Entergy Gulf States Louisiana from the LURC, Entergy Gulf States Louisiana used \$150.3 million to acquire 1,502,643.04 Class B preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 9% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2010, and the membership interests have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana do not report the bonds on their balance sheets because the bonds are the obligation of the LCDA, and there is no recourse against Entergy, Entergy Gulf States Louisiana or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Gulf States Louisiana and Entergy Louisiana collect a system restoration charge on behalf of the LURC, and remit the collections to the bond indenture trustee. Entergy Gulf States Louisiana and Entergy Louisiana do not report the collections as revenue because they are merely acting as the billing and collection agents for the state.

#### Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to large portions of the Utility's service territories in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area. The storms and flooding resulted in widespread power outages, significant damage to electric distribution, transmission, and generation and gas infrastructure, and the loss of sales and customers due to mandatory evacuations and the destruction of homes and businesses.

In March 2008, Entergy Gulf States Louisiana, Entergy Louisiana, and the Louisiana Utilities Restoration Corporation (LURC), an instrumentality of the State of Louisiana, filed at the LPSC an application requesting that the LPSC grant financing orders authorizing the financing of Entergy Gulf States Louisiana and Entergy Louisiana storm costs, storm reserves, and issuance costs pursuant to Act 55 of the Louisiana Legislature (Act 55 financings). The Act 55 financings are expected to produce additional customer benefits as compared to traditional securitization. Entergy Gulf States Louisiana and Entergy Louisiana also filed an application requesting LPSC approval for ancillary issues including the mechanism to flow charges and savings to customers via a Storm Cost Offset rider. On April 8, 2008, the Louisiana Public Facilities Authority (LPFA), which is the issuer of the bonds pursuant to the Act 55 financings, approved requests for the Act 55 financings. On April 10, 2008, Entergy Gulf States Louisiana and Entergy Louisiana and the LPSC Staff filed with the LPSC an uncontested stipulated settlement that includes Entergy Gulf States Louisiana and Entergy Louisiana's proposals under the Act 55 financings, which includes a commitment to pass on to customers a minimum of \$10 million and \$30 million of customer benefits, respectively, through prospective annual rate reductions of \$2 million and \$6 million for five years. On April 16, 2008, the LPSC approved the settlement and issued two financing orders and one ratemaking order intended to facilitate implementation of the Act 55 financings. In May 2008, the Louisiana State Bond Commission granted final approval of the Act 55 financings.

In July 2008 the LPFA issued \$687.7 million in bonds under the aforementioned Act 55. From the \$679 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited \$152 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred \$527 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested \$545 million,

including \$17.8 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 5,449,861.85 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 10% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2008 and have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

In August 2008 the LPFA issued \$278.4 million in bonds under the aforementioned Act 55. From the \$274.7 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited \$87 million in a restricted escrow account as a storm damage reserve for Entergy Gulf States Louisiana and transferred \$187.7 million directly to Entergy Gulf States Louisiana. From the bond proceeds received by Entergy Gulf States Louisiana from the LURC, Entergy Gulf States Louisiana invested \$189.4 million, including \$1.7 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 1,893,918.39 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 10% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2008 and have a liquidation price of \$100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least \$1 billion.

Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana do not report the bonds on their balance sheets because the bonds are the obligation of the LPFA, and there is no recourse against Entergy, Entergy Gulf States Louisiana or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Gulf States Louisiana and Entergy Louisiana collect a system restoration charge on behalf of the LURC, and remit the collections to the bond indenture trustee. Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana do not report the collections as revenue because they are merely acting as the billing and collection agent for the state.

### **Entergy New Orleans**

In December 2005 the U.S. Congress passed the Katrina Relief Bill, a hurricane aid package that included Community Development Block Grant (CDBG) funding (for the states affected by Hurricanes Katrina, Rita, and Wilma) that allowed state and local leaders to fund individual recovery priorities. In March 2007 the City Council certified that Entergy New Orleans incurred \$205 million in storm-related costs through December 2006 that are eligible for CDBG funding under the state action plan. Entergy New Orleans received \$180.8 million of CDBG funds in 2007 and \$19.2 million in 2010.

In October 2006, the City Council approved a rate filing settlement agreement that, among other things, authorized a \$75 million storm reserve for damage from future storms, which will be created over a ten-year period through a storm reserve rider that began in March 2007. These storm reserve funds will be held in a restricted escrow account.

### **Entergy Texas**

Entergy Texas filed an application in April 2009 seeking a determination that \$577.5 million of Hurricane Ike and Hurricane Gustav restoration costs are recoverable, including estimated costs for work to be completed. On August 5, 2009, Entergy Texas submitted to the ALJ an unopposed settlement agreement intended to resolve all issues in the storm cost recovery case. Under the terms of the agreement \$566.4 million, plus carrying costs, are eligible for recovery. Insurance proceeds will be credited as an offset to the securitized amount. Of the \$11.1 million difference between Entergy Texas's request and the amount agreed to, which is part of the black box agreement and not directly attributable to any specific individual issues raised, \$6.8 million is operation and maintenance expense

for which Entergy Texas recorded a charge in the second quarter 2009. The remaining \$4.3 million was recorded as utility plant. The PUCT approved the settlement in August 2009, and in September 2009 the PUCT approved recovery of the costs, plus carrying costs, by securitization. See Note 5 to the financial statements for a discussion of the November 2009 issuance of the securitization bonds.

### **New Nuclear Generation Development Costs**

Pursuant to the Mississippi Baseload Act and the Mississippi Public Utilities Act, Entergy Mississippi is developing a project option for new nuclear generation at Grand Gulf Nuclear Station. This project is in the early stages, and several issues remain to be addressed over time before significant additional capital would be committed to this project. In 2010, Entergy Mississippi paid for and has recognized on its books \$49 million in costs associated with the development of new nuclear generation at Grand Gulf; these costs previously had been recorded on the books of Entergy New Nuclear Utility Development, LLC, a System Energy subsidiary. In October 2010, Entergy Mississippi filed an application with the MPSC requesting that the MPSC determine that it is in the public interest to preserve the option to construct new nuclear generation at Grand Gulf and that the MPSC approve the deferral of Entergy Mississippi's costs incurred to date and in the future related to this project, including the accrual of AFUDC or similar carrying charges. In October 2011, Entergy Mississippi and the Mississippi Public Utilities Staff filed with the MPSC a joint stipulation. The stipulation states that there should be a deferral of the \$57 million of costs incurred through September 2011 in connection with planning, evaluation, monitoring, and other and related generation resource development activities for new nuclear generation at Grand Gulf. The costs shall be treated as a regulatory asset until the proceeding is resolved. The Mississippi Public Utilities Staff and Entergy Mississippi also agree that the MPSC should conduct a hearing during 2012 to consider the relief requested by Entergy Mississippi in its application, including evidence regarding whether costs incurred in connection with planning, evaluation, monitoring, and other and related generation resource development activities for new nuclear generation at Grand Gulf were prudently incurred and are otherwise allowable. The Mississippi Public Utilities Staff and Entergy Mississippi further agree that such prudently incurred costs shall be recoverable in a manner to be determined by the MPSC. In the Stipulation, the Mississippi Public Utilities Staff and Entergy Mississippi agree that the development of a nuclear unit project option is consistent with the Mississippi Baseload Act. The Mississippi Public Utilities Staff and Entergy Mississippi further agree that the deferral of costs incurred in connection with planning, evaluation, monitoring, and other and related generation resource development activities for new nuclear generation at Grand Gulf also is consistent with the Mississippi Baseload Act. Entergy Mississippi will not accrue carrying charges or continue to accrue AFUDC on the costs, pending the outcome of the proceeding. The MPSC approved the stipulation in November 2011.

### **Error in the Allocation of Transmission Costs**

In the fourth quarter 2011, Entergy determined that the allocation of transmission costs among the Utility operating companies under the System Agreement inadvertently excluded certain transmission costs. This exclusion resulted in the over or understatement of System Agreement bills among the Utility operating companies during the period from 1996 through the third quarter 2011. The effect was immaterial to the balance sheets, results of operations, and cash flows of Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy Texas for all prior reporting periods and on a cumulative basis. Therefore, cumulative adjustments were recorded in the fourth quarter 2011 to correct for the amounts previously misstated. These adjustments increased (reduced) 2011 income before income taxes by \$8.9 million for Entergy Arkansas, \$5.8 million for Entergy Gulf States Louisiana, (\$17.1) million for Entergy Louisiana, and (\$3.1) million for Entergy Texas.

The effect was also immaterial to the balance sheets, results of operations, and cash flows of Entergy Mississippi and Entergy New Orleans for all prior reporting periods. Correcting the cumulative effect of the error in the fourth quarter 2011 would have been material, however, to the results of operations of Entergy Mississippi and Entergy New Orleans. Accordingly, Entergy Mississippi and Entergy New Orleans are restating their 2009 and 2010 financial statements. The effects of the correction for 2009 and 2010 were the following increases or (decreases) to the previously reported amounts for the following financial statement items:

	<u>Income before income taxes</u>	<u>Income taxes</u>	<u>Net income</u> (In Millions)	<u>Accounts receivable- associated companies</u>	<u>Taxes accrued/ Prepayments and other</u>
<b>Entergy Mississippi</b>					
2009	\$2.8	\$1.1	\$1.7	\$-	\$-
2010	\$2.7	\$1.0	\$1.7	\$11.1	\$4.3
<b>Entergy New Orleans</b>					
2009	(\$0.9)	(\$0.4)	(\$0.5)	\$-	\$-
2010	\$0.2	\$0.1	\$0.1	(\$5.8)	\$2.3

The cumulative effects of the correction on beginning retained earnings for 2009 were the following increase and (decrease):

	<u>Cumulative Effect of the Correction on Beginning Retained Earnings for 2009</u>
<b>Entergy Mississippi</b>	\$3.5 million
<b>Entergy New Orleans</b>	(\$3.0 million)

There was no effect on the Entergy financial statements for any period because the error only involved the allocation of shared transmission costs among the Utility operating companies under the System Agreement and, therefore, had no effect on a consolidated basis.

**NOTE 3. INCOME TAXES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Income tax expenses from continuing operations for 2011, 2010, and 2009 for Entergy Corporation and Subsidiaries consist of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In Thousands)		
Current:			
Federal	\$452,713	\$145,161	(\$433,105)
Foreign	130	131	154
State	152,711	19,313	(108,552)
Total	<u>605,554</u>	<u>164,605</u>	<u>(541,503)</u>
Deferred and non-current -- net	(311,708)	468,698	1,191,418
Investment tax credit			
adjustments -- net	<u>(7,583)</u>	<u>(16,064)</u>	<u>(17,175)</u>
Income tax expense from continuing operations	<u>\$286,263</u>	<u>\$617,239</u>	<u>\$632,740</u>

Income tax expenses (benefit) for 2011, 2010, and 2009 for Entergy's Registrant Subsidiaries consist of the following:

<u>2011</u>	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Current:							
Federal	(\$12,448)	(\$30,106)	(\$136,800)	(\$9,466)	\$14,641	(\$33,045)	\$139,529
State	(1,751)	15,950	34,832	6,069	1,724	3,153	16,825
Total	(14,199)	(14,156)	(101,968)	(3,397)	16,365	(29,892)	156,354
Deferred and non-current -- net	148,978	105,827	(265,046)	32,380	(201)	80,993	(84,505)
Investment tax credit							
adjustments -- net	(2,014)	(3,358)	(3,197)	(182)	(302)	(1,609)	3,104
Income taxes (benefit)	<u>\$132,765</u>	<u>\$88,313</u>	<u>(\$370,211)</u>	<u>\$28,801</u>	<u>\$15,862</u>	<u>\$49,492</u>	<u>\$74,953</u>

<u>2010</u>	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Current:							
Federal	\$114,821	\$196,230	\$73,174	\$13,722	(\$114,382)	(\$10,607)	(\$4,102)
State	(9,200)	481	(4,324)	5,959	1,427	1,060	3,328
Total	105,621	196,711	68,850	19,681	(112,955)	(9,547)	(774)
Deferred and non-current -- net	10,328	(117,426)	918	31,415	129,880	53,539	60,305
Investment tax credit							
adjustments -- net	(3,005)	(3,407)	(3,222)	(985)	(324)	(1,609)	(3,482)
Income taxes	<u>\$112,944</u>	<u>\$75,878</u>	<u>\$66,546</u>	<u>\$50,111</u>	<u>\$16,601</u>	<u>\$42,383</u>	<u>\$56,049</u>

2009	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)							
Current:							
Federal	(\$37,544)	(\$203,651)	\$12,387	\$20,279	\$160,552	(\$72,207)	\$73,183
State	22,710	(12,416)	(49,843)	(2,181)	1,098	2,478	(12,667)
Total	(14,834)	(216,067)	(37,456)	18,098	161,650	(69,729)	60,516
Deferred and non-current -- net	100,584	308,659	85,728	26,400	(145,981)	108,253	39,866
Investment tax credit adjustments -- net	(3,994)	(3,407)	(3,222)	(1,103)	(323)	(1,609)	(3,481)
Income taxes	<u>\$81,756</u>	<u>\$89,185</u>	<u>\$45,050</u>	<u>\$43,395</u>	<u>\$15,346</u>	<u>\$36,915</u>	<u>\$96,901</u>

Total income taxes for Entergy Corporation and Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2011, 2010, and 2009 are:

	2011	2010	2009
	(In Thousands)		
Net income attributable to Entergy Corporation	\$1,346,439	\$1,250,242	\$1,231,092
Preferred dividend requirements of subsidiaries	20,933	20,063	19,958
Consolidated net income	1,367,372	1,270,305	1,251,050
Income taxes	286,263	617,239	632,740
Income before income taxes	<u>\$1,653,635</u>	<u>\$1,887,544</u>	<u>\$1,883,790</u>
Computed at statutory rate (35%)	\$578,772	\$660,640	\$659,327
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	93,940	40,530	65,241
Regulatory differences - utility plant items	39,970	31,473	57,383
Equity component of AFUDC	(30,184)	(16,542)	(17,741)
Amortization of investment tax credits	(14,962)	(15,980)	(16,745)
Net-of-tax regulatory liability (a)	65,357	-	-
Deferred tax reversal on PPA settlement (a)	(421,819)	-	-
Write-off of reorganization costs	-	(19,974)	-
Tax law change-Medicare Part D	-	13,616	-
Decommissioning trust fund basis	-	-	(7,917)
Capital gains / (losses)	-	-	(28,051)
Flow-through / permanent differences	(17,848)	(26,370)	(31,745)
Provision for uncertain tax positions	2,698	(43,115)	(17,435)
Valuation allowance	-	-	(40,795)
Other - net	(9,661)	(7,039)	11,218
Total income taxes as reported	<u>\$286,263</u>	<u>\$617,239</u>	<u>\$632,740</u>
Effective Income Tax Rate	17.3%	32.7%	33.6%

(a) See "Income Tax Audits - 2006-2007 IRS Audit" below for discussion of these items.

Total income taxes for the Registrant Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2011, 2010, and 2009 are:

2011	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi (In Thousands)	Entergy New Orleans	Entergy Texas	System Energy
Net income	\$164,891	\$203,027	\$473,923	\$108,729	\$35,976	\$80,845	\$64,197
Income taxes (benefit)	132,765	88,313	(370,211)	28,801	15,862	49,492	74,953
Pretax income	<u>\$297,656</u>	<u>\$291,340</u>	<u>\$103,712</u>	<u>\$137,530</u>	<u>\$51,838</u>	<u>\$130,337</u>	<u>\$139,150</u>
Computed at statutory rate (35%)	\$104,180	\$101,969	\$36,299	\$48,136	\$18,143	\$45,618	\$48,703
Increases (reductions) in tax, resulting from:							
State income taxes net of federal income tax effect	13,727	9,618	943	3,211	3,350	2,033	4,436
Regulatory differences - utility plant items	10,079	8,379	1,404	2,038	3,860	4,003	10,207
Equity component of AFUDC	(3,363)	(3,181)	(11,315)	(2,963)	(215)	(1,322)	(7,825)
Amortization of investment tax credits	(1,992)	(3,336)	(3,168)	(960)	(295)	(1,596)	(3,480)
Net-of-tax regulatory liability (a)	-	-	65,357	-	-	-	-
Deferred tax reversal on PPA settlement (a)	-	-	(421,819)	-	-	-	-
Flow-through / permanent differences	(1,365)	(836)	(1,285)	304	(4,983)	88	529
Non-taxable dividend income	-	(11,364)	(27,336)	-	-	-	-
Benefit of Entergy Corporation expenses	-	(5,694)	-	(21,248)	(6,235)	(16)	16,559
Provision for uncertain tax positions	12,016	(7,144)	(4,880)	(2)	2,241	717	5,878
Other - net	(517)	(98)	(4,411)	285	(4)	(33)	(54)
Total income taxes (benefit)	<u>\$132,765</u>	<u>\$88,313</u>	<u>(\$370,211)</u>	<u>\$28,801</u>	<u>\$15,862</u>	<u>\$49,492</u>	<u>\$74,953</u>
Effective Income Tax Rate	44.6%	30.3%	-357.0%	20.9%	30.6%	38.0%	53.9%

(a) See "Income Tax Audits - 2006-2007 IRS Audit" below for discussion of these items.

Entergy Corporation and Subsidiaries  
Notes to Financial Statements

2010	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi (In Thousands)	Entergy New Orleans	Entergy Texas	System Energy
Net income	\$172,618	\$190,738	\$231,435	\$85,377	\$31,114	\$66,200	\$82,624
Income taxes	112,944	75,878	66,546	50,111	16,601	42,383	56,049
Pretax income	<u>\$285,562</u>	<u>\$266,616</u>	<u>\$297,981</u>	<u>\$135,488</u>	<u>\$47,715</u>	<u>\$108,583</u>	<u>\$138,673</u>
Computed at statutory rate (35%)	\$99,947	\$93,316	\$104,293	\$47,421	\$16,700	\$38,004	\$48,536
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	13,156	1,142	(10,618)	1,245	1,387	424	2,206
Regulatory differences - utility plant items	6,126	(4,004)	7,374	3,455	3,999	4,089	10,435
Equity component of AFUDC	(144)	(1,547)	(8,361)	(1,643)	(184)	(1,525)	(3,138)
Amortization of investment tax credits	(2,983)	(3,309)	(3,192)	(972)	(313)	(1,596)	(3,480)
Flow-through / permanent differences	(1,235)	(7,996)	(754)	153	(4,883)	236	(497)
Non-taxable dividend income	-	(9,189)	(23,603)	-	-	-	-
Provision for uncertain tax positions	(2,100)	7,200	2,200	700	(300)	2,800	2,090
Other - net	177	265	(793)	(248)	195	(49)	(103)
Total income taxes	<u>\$112,944</u>	<u>\$75,878</u>	<u>\$66,546</u>	<u>\$50,111</u>	<u>\$16,601</u>	<u>\$42,383</u>	<u>\$56,049</u>
Effective Income Tax Rate	39.6%	28.5%	22.3%	37.0%	34.8%	39.0%	40.4%



Entergy Corporation and Subsidiaries  
Notes to Financial Statements

2009	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi (In Thousands)	Entergy New Orleans	Entergy Texas	System Energy
Net income	\$66,875	\$153,047	\$232,845	\$79,367	\$30,479	\$63,841	\$48,908
Income taxes	81,756	89,185	45,050	43,395	15,346	36,915	96,901
Pretax income	<u>\$148,631</u>	<u>\$242,232</u>	<u>\$277,895</u>	<u>\$122,762</u>	<u>\$45,825</u>	<u>\$100,756</u>	<u>\$145,809</u>
Computed at statutory rate (35%)	\$52,021	\$84,781	\$97,263	\$42,967	\$16,039	\$35,264	\$51,033
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	9,617	6,487	5,095	2,508	1,339	1,509	4,033
Regulatory differences - utility plant items	19,275	10,303	14,463	1,365	(55)	2,008	10,024
Equity component of AFUDC	(1,827)	(1,898)	(9,796)	(1,037)	(82)	(1,831)	(1,270)
Amortization of investment tax credits	(3,972)	(3,088)	(3,192)	(1,092)	(324)	(1,596)	(3,480)
Flow-through / permanent differences	4,158	1,208	2,257	718	(2,218)	293	(3,192)
Non-taxable dividend income	-	(6,627)	(19,075)	-	-	-	-
Benefit of Entergy Corporation expenses	978	(170)	(24,231)	(2,841)	31	-	35,027
Provision for uncertain tax positions	-	(5,400)	(17,700)	800	(400)	600	4,900
Other -- net	1,506	3,589	(34)	7	1,016	668	(174)
Total income taxes	<u>\$81,756</u>	<u>\$89,185</u>	<u>\$45,050</u>	<u>\$43,395</u>	<u>\$15,346</u>	<u>\$36,915</u>	<u>\$96,901</u>
Effective Income Tax Rate	55.0%	36.8%	16.2%	35.3%	33.5%	36.6%	66.5%

Significant components of accumulated deferred income taxes and taxes accrued for Entergy Corporation and Subsidiaries as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
	(In Thousands)	
Deferred tax liabilities:		
Plant basis differences - net	(\$7,349,990)	(\$6,572,627)
Regulatory asset for income taxes - net	(430,807)	(449,266)
Power purchase agreements	(17,138)	(265,429)
Nuclear decommissioning trusts	(553,558)	(439,481)
Other	<u>(686,006)</u>	<u>(679,302)</u>
Total	<u>(9,037,499)</u>	<u>(8,406,105)</u>
Deferred tax assets:		
Accumulated deferred investment tax credit	108,338	111,170
Pension and other post-employment benefits	315,134	161,730
Nuclear decommissioning liabilities	612,945	285,889
Sale and leaseback	217,430	256,157
Provision for regulatory adjustments	97,607	100,504
Provision for contingencies	28,504	28,554
Unbilled/deferred revenues	12,217	18,642
Customer deposits	14,825	15,724
Net operating loss carryforwards	253,518	123,710
Capital losses	12,995	56,602
Other	96,676	19,009
Valuation allowance	<u>(85,615)</u>	<u>(70,089)</u>
Total	<u>1,684,574</u>	<u>1,107,602</u>
Noncurrent accrued taxes (including unrecognized tax benefits)	<u>(814,597)</u>	<u>(1,261,455)</u>
Accumulated deferred income taxes and taxes accrued	<u><u>(\$8,167,522)</u></u>	<u><u>(\$8,559,958)</u></u>

Entergy's estimated tax attributes carryovers and their expiration dates as of December 31, 2011 are as follows:

<u>Carryover Description</u>	<u>Carryover Amount</u>	<u>Year(s) of expiration</u>
Federal net operating losses	\$9 billion	2023-2031
State net operating losses	\$8 billion	2012-2031
State capital losses	\$162 million	2013-2015
Federal minimum tax credits	\$79 million	never
Other federal and state credits	\$80 million	2012-2031

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers, tax credit carryovers, and other tax attributes reflected on income tax returns.

Because it is more likely than not that the benefit from certain state net operating and capital loss carryovers will not be utilized, a valuation allowance of \$66 million and \$13 million has been provided on the deferred tax assets relating to these state net operating and capital loss carryovers, respectively.

Significant components of accumulated deferred income taxes and taxes accrued for the Registrant Subsidiaries as of December 31, 2011 and 2010 are as follows:

2011	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Deferred tax liabilities:							
Plant basis differences - net	(\$1,375,502)	(\$1,224,422)	(\$1,085,047)	(\$608,596)	(\$169,538)	(\$892,707)	(\$505,369)
Regulatory asset for income taxes - net	(64,204)	(140,644)	(121,388)	(28,183)	70,973	(59,812)	(87,550)
Power purchase agreements	94	3,938	(1)	2,383	22	2,547	-
Nuclear decommissioning trusts	(53,789)	(21,096)	(22,441)	-	-	-	(19,138)
Deferred fuel	(82,452)	(1,225)	(4,285)	718	(331)	3,932	(8)
Other	(107,558)	(1,532)	(26,373)	(10,193)	(18,319)	(14,097)	(9,333)
Total	(\$1,683,411)	(\$1,384,981)	(\$1,259,535)	(\$643,871)	(\$117,193)	(\$960,137)	(\$621,398)
Deferred tax assets:							
Accumulated deferred investment tax credits	16,843	31,367	28,197	2,437	592	6,769	22,133
Pension and OPEB	(75,399)	92,602	19,866	(30,390)	(11,713)	(41,964)	(19,593)
Nuclear decommissioning liabilities	(104,862)	(38,683)	56,399	-	-	-	(47,360)
Sale and leaseback	-	-	66,801	-	-	-	150,629
Provision for regulatory adjustments	-	97,608	-	-	-	-	-
Provision for contingencies	4,167	90	3,940	2,465	10,121	2,299	-
Unbilled/deferred revenues	15,222	(21,918)	(7,108)	8,990	2,707	14,324	-
Customer deposits	7,019	618	5,699	1,379	109	-	-
Rate refund	11,627	-	134	-	2	(3,924)	-
Net operating loss carryforwards	-	-	39,153	-	-	58,546	-
Other	3,485	27,392	18,824	4,826	5,248	37,734	25,724
Total	(121,898)	189,076	231,905	(10,293)	7,066	73,784	131,533
Noncurrent accrued taxes (including unrecognized tax benefits)	(27,718)	(206,752)	(75,750)	(6,271)	(27,859)	39,799	(165,981)
Accumulated deferred income taxes and taxes accrued	(\$1,833,027)	(\$1,402,657)	(\$1,103,380)	(\$660,435)	(\$137,986)	(\$846,554)	(\$655,846)

Entergy Corporation and Subsidiaries  
Notes to Financial Statements

2010	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)							
Deferred tax liabilities:							
Plant basis differences - net	(\$1,213,900)	(\$1,114,183)	(\$1,135,092)	(\$564,928)	(\$206,739)	(\$881,037)	(\$474,446)
Regulatory asset for income taxes - net	(87,848)	(132,145)	(138,131)	(24,649)	66,251	(53,906)	(78,836)
Power purchase agreements	582	102,581	(417,388)	(766)	(61)	(6,851)	-
Nuclear decommissioning trusts	(9,968)	(978)	(3,806)	-	-	-	(4,102)
Deferred fuel	(24,210)	(935)	(7,584)	(4,521)	(626)	10,025	(60)
Other	(123,524)	(2,505)	(21,971)	(10,991)	(13,839)	(19,712)	(15,234)
Total	(\$1,458,868)	(\$1,148,165)	(\$1,723,972)	(\$605,855)	(\$155,014)	(\$951,481)	(\$572,678)
Deferred tax assets:							
Accumulated deferred investment tax credits	17,623	32,651	29,417	2,502	706	7,327	20,944
Pension and OPEB	(64,774)	70,954	7,922	(27,111)	(11,527)	(38,152)	(18,255)
Nuclear decommissioning liabilities	(173,666)	(41,829)	-	-	-	-	(69,610)
Sale and leaseback	-	-	80,117	-	-	-	176,040
Provision for regulatory adjustments	-	100,504	-	-	-	-	-
Unbilled/deferred revenues	8,056	(23,853)	6,892	8,914	1,538	15,775	-
Customer deposits	7,907	618	5,699	1,391	109	-	-
Rate refund	10,873	(5,386)	131	-	-	(4,008)	-
Net operating loss carryforwards	-	40	41	-	8	139,859	-
Other	13,589	26,468	25,897	14,585	21,310	28,508	16,486
Total	(180,392)	160,167	156,116	281	12,144	149,309	125,605
Noncurrent accrued taxes (including unrecognized tax benefits)	(104,925)	(419,125)	(321,757)	(55,585)	(22,328)	17,256	(178,447)
Accumulated deferred income taxes and taxes accrued	(\$1,744,185)	(\$1,407,123)	(\$1,889,613)	(\$661,159)	(\$165,198)	(\$784,916)	(\$625,520)

The Registrant Subsidiaries' estimated tax attributes carryovers and their expiration dates as of December 31, 2011 are as follows:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
Federal net operating losses	\$374 million	-	\$621 million	-	-	\$197 million	\$3 million
Year(s) of expiration	2028-2031	N/A	2029-2031	N/A	N/A	2028-2029	2031
State net operating losses	\$28 million	\$207 million	\$975 million	-	-	-	-
Year(s) of expiration	2025	2023-2024	2023-2025	N/A	N/A	N/A	N/A
Federal minimum tax credits	\$10 million	\$18 million	-	-	-	\$2 million	\$1 million
Year(s) of expiration	never	never	N/A	N/A	N/A	never	never
Other federal credits	\$2 million	\$1 million	\$1 million	\$1 million	\$1 million	-	\$1 million
Year(s) of expiration	2024-2030	2024-2030	2024-2030	2024-2030	2024-2030	N/A	2024-2030
State credits	-	-	-	\$8.3 million	-	\$3.8 million	\$12.8 million
Year(s) of expiration	N/A	N/A	N/A	2013-2016	N/A	2012-2027	2015-2016

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers and tax credit carryovers.

**Unrecognized tax benefits**

Accounting standards establish a “more-likely-than-not” recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. A reconciliation of Entergy’s beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		(In Thousands)	
Gross balance at January 1	\$4,949,788	\$4,050,491	\$1,825,447
Additions based on tax positions related to the current year	211,966	480,843	2,286,759
Additions for tax positions of prior years	332,744	871,682	697,615
Reductions for tax positions of prior years	(259,895)	(438,460)	(372,862)
Settlements	(841,528)	(10,462)	(385,321)
Lapse of statute of limitations	(5,295)	(4,306)	(1,147)
Gross balance at December 31	<u>4,387,780</u>	<u>4,949,788</u>	<u>4,050,491</u>
Offsets to gross unrecognized tax benefits:			
Credit and loss carryovers	(3,212,397)	(3,771,301)	(3,349,589)
Cash paid to taxing authorities	(363,266)	(373,000)	(373,000)
Unrecognized tax benefits net of unused tax attributes and payments (1)	<u>\$812,117</u>	<u>\$805,487</u>	<u>\$327,902</u>

(1) Potential tax liability above what is payable on tax returns

The balances of unrecognized tax benefits include \$521 million, \$605 million, and \$522 million as of December 31, 2011, 2010, and 2009, respectively, which, if recognized, would lower the effective income tax rates. Because of the effect of deferred tax accounting, the remaining balances of unrecognized tax benefits of \$3.867 billion, \$4.345 billion, and \$3.528 billion as of December 31, 2011, 2010, and 2009, respectively, if disallowed, would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Entergy has made deposits with the IRS against its potential liabilities arising from audit adjustments and settlements related to its uncertain tax positions. Deposits are expected to be made to the IRS as the cash tax benefits of uncertain tax positions are realized. As of December 31, 2011, Entergy has deposits of \$363 million on account with the IRS to cover its uncertain tax positions.

Entergy accrues interest expense, if any, related to unrecognized tax benefits in income tax expense. Entergy’s December 31, 2011, 2010, and 2009 accrued balance for the possible payment of interest is approximately \$99 million, \$45 million, and \$48 million, respectively.

A reconciliation of the Registrant Subsidiaries' beginning and ending amount of unrecognized tax benefits for 2011, 2010, and 2009 is as follows:

2011	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Gross balance at January 1, 2011	\$240,239	\$353,886	\$505,188	\$24,163	\$18,176	\$14,229	\$224,518
Additions based on tax positions related to the current year	11,216	9,398	8,748	457	50,212	1,760	44,419
Additions for tax positions of prior years	44,202	50,944	21,052	21,902	7,343	7,533	14,200
Reductions for tax positions of prior years	(3,255)	(21,719)	(27,991)	(5,022)	(12,289)	(3,432)	(4,942)
Settlements	43,091	(2,016)	(60,810)	(30,448)	(7,390)	(865)	2,988
Gross balance at December 31, 2011	335,493	390,493	446,187	11,052	56,052	19,225	281,183
Offsets to gross unrecognized tax benefits:							
Loss carryovers	(146,429)	(26,394)	(216,720)	(5,930)	(1,211)	(10,645)	(10,752)
Cash paid to taxing authorities	(75,977)	(45,493)	0	(7,556)	(1,174)	(1,376)	(41,878)
Unrecognized tax benefits net of unused tax attributes and payments	<u>\$113,087</u>	<u>\$318,606</u>	<u>\$229,467</u>	<u>(\$2,434)</u>	<u>\$53,667</u>	<u>\$7,204</u>	<u>\$228,553</u>
2010	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Gross balance at January 1, 2010	\$293,920	\$311,311	\$352,577	\$17,137	(\$53,295)	\$32,299	\$211,247
Additions based on tax positions related to the current year	38,205	87,755	183,188	4,679	173	5,169	16,829
Additions for tax positions of prior years	1,838	25,960	34,236	6,857	72,169	5,868	10,402
Reductions for tax positions of prior years	(92,699)	(71,033)	(64,868)	(4,469)	(863)	(29,100)	(13,116)
Settlements	(1,025)	(107)	55	(41)	(8)	(7)	(844)
Gross balance at December 31, 2010	240,239	353,886	505,188	24,163	18,176	14,229	224,518
Offsets to gross unrecognized tax benefits:							
Loss carryovers	(123,968)	(29,257)	(131,805)	(6,477)	(3,751)	(6,269)	(10,487)
Cash paid to taxing authorities	(75,977)	(45,493)	-	(7,556)	(1,174)	(1,376)	(41,878)
Unrecognized tax benefits net of unused tax attributes and payments	<u>\$40,294</u>	<u>\$279,136</u>	<u>\$373,383</u>	<u>\$10,130</u>	<u>\$13,251</u>	<u>\$6,584</u>	<u>\$172,153</u>

2009	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Gross balance at January 1, 2009	\$240,203	\$275,378	\$298,650	\$31,724	\$26,050	\$39,202	\$172,168
Additions based on tax positions related to the current year	9,826	5,436	10,197	283	17	97	6,812
Additions for tax positions of prior years	80,968	102,466	108,399	1,256	109	28,821	30,586
Reductions for tax positions of prior years	(22,830)	(33,000)	(45,613)	(4,235)	(70,391)	(17,853)	(244)
Settlements	(14,247)	(38,969)	(19,056)	(11,891)	(9,080)	(17,968)	1,925
Gross balance at December 31, 2009	293,920	311,311	352,577	17,137	(53,295)	32,299	211,247
Offsets to gross unrecognized tax benefits:							
Loss carryovers	(39,847)	(20,031)	(70,428)	(1,618)	(633)	(30,921)	(1,297)
Cash paid to taxing authorities	(75,977)	(45,493)	-	(7,556)	(1,174)	(1,376)	(41,878)
Unrecognized tax benefits net of unused tax attributes and payments	<u>\$178,096</u>	<u>\$245,787</u>	<u>\$282,149</u>	<u>\$7,963</u>	<u>(\$55,102)</u>	<u>\$2</u>	<u>\$168,072</u>

The Registrant Subsidiaries' balances of unrecognized tax benefits included amounts which, if recognized, would affect the effective income tax rate as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
	(In Millions)		
Entergy Arkansas	\$-	\$0.2	\$1.2
Entergy Gulf States Louisiana	\$107.9	\$129.6	\$69.8
Entergy Louisiana	\$281.3	\$286.7	\$192.7
Entergy Mississippi	\$3.8	\$5.3	\$3.3
Entergy New Orleans	\$-	\$-	\$0.3
Entergy Texas	\$7.3	\$6.0	\$1.2
System Energy	\$-	\$12.1	\$8.7

The Registrant Subsidiaries accrue interest and penalties related to unrecognized tax benefits in income tax expense. Accrued balances for the possible payment of interest and penalties are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
	(In Millions)		
Entergy Arkansas	\$11.4	\$-	\$0.7
Entergy Gulf States Louisiana	\$14.4	\$9.7	\$2.3
Entergy Louisiana	\$0.8	\$3.3	\$1.2
Entergy Mississippi	\$1.7	\$1.6	\$2.1
Entergy New Orleans	\$2.4	\$-	\$0.3
Entergy Texas	\$0.1	\$0.1	\$0.2
System Energy	\$18.5	\$8.2	\$7.2

### **Income Tax Litigation**

In October 2010 the United States Tax Court entered a decision in favor of Entergy for tax years 1997 and 1998. The issues decided by the Tax Court are as follows:

- The ability to credit the U.K. Windfall Tax against U.S. tax as a foreign tax credit. The U.K. Windfall Tax relates to Entergy's former investment in London Electricity.
- The validity of Entergy's change in method of tax accounting for street lighting assets and the related increase in depreciation deductions.

The IRS did not appeal street lighting depreciation, and that matter is considered final. The IRS filed an appeal of the U.K. Windfall Tax decision, however, with the United States Court of Appeals for the Fifth Circuit in December 2010. Oral arguments were heard in November 2011, and a decision is pending.

Concurrent with the Tax Court's issuance of a favorable decision regarding the above issues, the Tax Court issued a favorable decision in a separate proceeding, *PPL Corp. v. Commissioner*, regarding the creditability of the U.K. Windfall Tax. The IRS appealed the PPL decision to the United States Court of Appeals for the Third Circuit. In December 2011, the Third Circuit reversed the Tax Court's holding in *PPL Corp. v. Commissioner*, stating that the U.K. tax was not eligible for the foreign tax credit. Entergy is awaiting a decision in its proceeding before the Fifth Circuit Court of Appeals. Although Entergy believes that the Third Circuit opinion is incorrect, its decision constitutes adverse, although not controlling authority. After considering the Third Circuit decision, in the fourth quarter 2011, Entergy revised its provision for uncertain tax positions associated with this issue.

The total tax included in IRS Notices of Deficiency relating to the U.K. Windfall Tax credit issue is \$82 million. The total tax and interest associated with this issue for all years is approximately \$239 million. This assumes that Entergy would utilize a portion of its cash deposits discussed in "Unrecognized tax benefits" above to offset underpayment interest.

In February 2008 the IRS issued a Statutory Notice of Deficiency for the year 2000. The deficiency resulted from a disallowance of the same two 1997-1998 issues discussed above as well as one additional issue. That issue is depreciation deductions that resulted from Entergy's purchase price allocations on its acquisitions of its non-utility nuclear plants. Entergy filed a Tax Court petition in May 2008 challenging the three issues in dispute. In June 2010 a trial on these issues was held in Washington, D.C. In February 2011 a joint stipulation of settled issues was filed addressing the depreciation issue in the Tax Court case. As a result, the IRS agreed that Entergy was entitled to allocate all of the cash consideration to plant and equipment rather than to nuclear decommissioning trusts thereby entitling Entergy to its claimed depreciation.

### **Income Tax Audits**

Entergy and its subsidiaries file U.S. federal and various state and foreign income tax returns. Other than the matters discussed in the Income Tax Litigation section above, the IRS's and substantially all state taxing authorities' examinations are completed for years before 2004.

#### **2002-2003 IRS Audit**

In September 2009, Entergy entered into a partial agreement with the IRS for the years 2002 and 2003. It is a partial agreement because Entergy did not agree to the IRS's disallowance of foreign tax credits for the U.K. Windfall Tax and the street lighting depreciation issues as they relate to 2002. As discussed above, the IRS did not appeal the Tax Court ruling on the street lighting depreciation. Therefore, the U.K. Windfall tax credit issue will be governed by the decision by the Fifth Circuit Court of Appeals for the tax years 1997 and 1998.



## 2004-2005 IRS Audit

The IRS issued its 2004-2005 Revenue Agent's Report (RAR) in May 2009.

In June 2009, Entergy filed a formal protest with the IRS Appeals Division indicating disagreement with certain issues contained in the 2004-2005 RAR. The major issues in dispute are:

- Depreciation of street lighting assets (Because the IRS did not appeal the Tax Court's 2010 decision on this issue, it will be fully allowed in the final Appeals Division calculations for this audit).
- Qualified research expenditures for purposes of the research credit.
- Inclusion of nuclear decommissioning liabilities in cost of goods sold.

The initial IRS appeals conference to discuss these disputed issues occurred in September 2010. Negotiations are ongoing.

## 2006-2007 IRS Audit

The IRS issued its 2006-2007 RAR in October 2011. In connection with the 2006-2007 IRS audit and resulting RAR, Entergy resolved the significant issues discussed below.

In August 2011, Entergy entered into a settlement agreement with the IRS relating to the mark-to-market income tax treatment of various wholesale electric power purchase and sale agreements, including Entergy Louisiana's contract to purchase electricity from the Vidalia hydroelectric facility. See Note 8 to the financial statements for further details regarding this contract and a previous LPSC-approved settlement regarding sharing of tax benefits from the tax treatment of the contract.

With respect to income tax accounting for wholesale electric power purchase agreements, Entergy recognized income for tax purposes of approximately \$1.5 billion, which represents a reversal of previously deducted temporary differences on which deferred taxes had been provided. Also in connection with this settlement, Entergy recognized a gain for income tax purposes of approximately \$1.03 billion on the formation of a wholly-owned subsidiary in 2005 with a corresponding step-up in the tax basis of depreciable assets resulting in additional tax depreciation at Entergy Louisiana. Because Entergy Louisiana is entitled to deduct additional tax depreciation of \$1.03 billion in the future, Entergy Louisiana recorded a deferred tax asset for this additional tax basis. The tax expense associated with the gain is offset by recording the deferred tax asset and by utilization of net operating losses. With the recording of the deferred tax asset, there was a corresponding increase to Entergy Louisiana's member's equity account. The agreement with the IRS effectively settled the tax treatment of various wholesale electric power purchase and sale agreements, resulting in the reversal in third quarter 2011 of approximately \$422 million of deferred tax liabilities and liabilities for uncertain tax positions at Entergy Louisiana, with a corresponding reduction in income tax expense. Under the terms of an LPSC-approved final settlement, Entergy Louisiana will share over a 15-year period a portion of the benefits of the settlement with its customers, and recorded a \$199 million regulatory charge and a corresponding net-of-tax regulatory liability to reflect this obligation.

After consideration of the taxable income recognition and the additional depreciation deductions provided for in the settlement, Entergy's net operating loss carryover was reduced by approximately \$2.5 billion.

### **Other Tax Matters**

Entergy regularly negotiates with the IRS to achieve settlements. The results of all pending litigations and audit issues could result in significant changes to the amounts of unrecognized tax benefits, as discussed above.

When Entergy Louisiana, Inc. restructured effective December 31, 2005, Entergy Louisiana agreed, under the terms of the merger plan, to indemnify its parent, Entergy Louisiana Holdings, Inc. (formerly, Entergy Louisiana, Inc.) for certain tax obligations that arose from the 2002-2003 IRS partial agreement. Because the agreement with the IRS was settled in the fourth quarter 2009, Entergy Louisiana paid Entergy Louisiana Holdings approximately \$289 million pursuant to these intercompany obligations in the fourth quarter 2009.

On November 20, 2009, Entergy Corporation and subsidiaries amended the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement such that Entergy Corporation shall be treated, under all provisions of such Agreement, in a manner that is identical to the treatment afforded all subsidiaries, direct or indirect, of Entergy Corporation.

In the fourth quarter 2009, Entergy filed Applications for Change in Method of Accounting with the IRS for certain costs under Section 263A of the Internal Revenue Code. In the Applications, Entergy proposed to treat the nuclear decommissioning liability associated with the operation of its nuclear power plants as a production cost properly includable in cost of goods sold. The effect of this change for Entergy was a \$5.7 billion reduction in 2009 taxable income within the Entergy Wholesale Commodities segment.

In March 2010, Entergy filed an Application for Change in Accounting Method with the IRS. In the application Entergy proposed to change the definition of unit of property for its generation assets to determine the appropriate characterization of costs associated with such units as capital or repair under the Internal Revenue Code and related Treasury Regulations. The effect of this change was an approximate \$1.3 billion reduction in 2010 taxable income for Entergy, including reductions of \$292 million for Entergy Arkansas, \$132 million for Entergy Gulf States Louisiana, \$185 million for Entergy Louisiana, \$48 million for Entergy Mississippi, \$45 million for Entergy Texas, \$13 million for Entergy New Orleans, and \$180 million for System Energy.

During the second quarter 2011, Entergy filed an Application for Change in Accounting Method with the IRS related to the allocation of overhead costs between production and non-production activities. The accounting method affects the amount of overhead that will be capitalized or deducted for tax purposes. The accounting method is expected to be implemented for the 2014 tax year.

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of approximately \$3.5 billion and expires in August 2012, which Entergy intends to renew before expiration. Because the facility is now within one year of its expiration date, borrowings outstanding on the facility are classified as currently maturing long-term debt on the balance sheet. Entergy Corporation also has the ability to issue letters of credit against the total borrowing capacity of the credit facility. The facility fee is currently 0.125% of the commitment amount. Facility fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the year ended December 31, 2011 was 0.745% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2011.

<u>Capacity</u>	<u>Borrowings</u>	<u>Letters of Credit</u>	<u>Capacity Available</u>
(In Millions)			
\$3,451	\$1,920	\$28	\$1,503

Entergy Corporation's facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. Entergy is in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy Corporation or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas each had credit facilities available as of December 31, 2011 as follows:

<u>Company</u>	<u>Expiration Date</u>	<u>Amount of Facility</u>	<u>Interest Rate (a)</u>	<u>Amount Drawn as of December 31, 2011</u>
Entergy Arkansas	April 2012	\$78 million (b)	3.25%	-
Entergy Gulf States Louisiana	August 2012	\$100 million (c)	0.71%	-
Entergy Louisiana	August 2012	\$200 million (d)	0.67%	\$50 million
Entergy Mississippi	May 2012	\$35 million (e)	2.05%	-
Entergy Mississippi	May 2012	\$25 million (e)	2.05%	-
Entergy Mississippi	May 2012	\$10 million (e)	2.05%	-
Entergy Texas	August 2012	\$100 million (f)	0.77%	-

- (a) The interest rate is the rate as of December 31, 2011 that would be applied to outstanding borrowings under the facility.
- (b) The credit facility requires Entergy Arkansas to maintain a debt ratio of 65% or less of its total capitalization. Borrowings under the Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable.
- (c) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2011, no letters of credit were outstanding. The credit facility requires Entergy Gulf States Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.
- (d) The credit facility allows Entergy Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2011, no letters of credit were outstanding. The credit facility requires Entergy Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.

- (e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable. Entergy Mississippi is required to maintain a consolidated debt ratio of 65% or less of its total capitalization.
- (f) The credit facility allows Entergy Texas to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2011, no letters of credit were outstanding. The credit facility requires Entergy Texas to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement securitization bonds are excluded from debt and capitalization in calculating the debt ratio.

The facility fees on the credit facilities range from 0.09% to 0.15% of the commitment amount.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through October 31, 2013. 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 the Utility 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 and the outstanding short-term borrowings as of December 31, 2011 (aggregating both money pool and external short-term borrowings) for the Registrant Subsidiaries:

	<u>Authorized</u>	<u>Borrowings</u>
	(In Millions)	
Entergy Arkansas	\$250	-
Entergy Gulf States Louisiana	\$200	-
Entergy Louisiana	\$250	\$168
Entergy Mississippi	\$175	\$2
Entergy New Orleans	\$100	-
Entergy Texas	\$200	-
System Energy	\$200	-

**Variable Interest Entities (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy)**

See Note 18 to the financial statements for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). The variable interest entities have credit facilities and also issue commercial paper to finance the acquisition and ownership of nuclear fuel as follows as of December 31, 2011:

<u>Company</u>	<u>Expiration Date</u>	<u>Amount of Facility</u>	<u>Weighted Average Interest Rate on Borrowings (a)</u>	<u>Amount Outstanding as of December 31, 2011</u>
(Dollars in Millions)				
Entergy Arkansas VIE	July 2013	\$85	2.43%	\$35.9
Entergy Gulf States Louisiana VIE	July 2013	\$85	2.25%	\$29.4
Entergy Louisiana VIE	July 2013	\$90	2.38%	\$44.3
System Energy VIE	July 2013	\$100	-	-

- (a) Includes letter of credit fees and bank fronting fees on commercial paper issuances by the VIEs for Entergy Arkansas, Entergy Louisiana, and System Energy. The VIE for Entergy Gulf States Louisiana does not issue commercial paper, but borrows directly on its bank credit facility.

The amount outstanding on the Entergy Gulf States Louisiana credit facility is included in long-term debt on its balance sheet and the commercial paper outstanding for the other VIEs is classified as a current liability on the respective balance sheets. The commitment fees on the credit facilities are 0.20% of the undrawn commitment amount. Each credit facility requires the respective lessee (Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, or Entergy Corporation as Guarantor for System Energy) to maintain a consolidated debt ratio of 70% or less of its total capitalization.

The variable interest entities had notes payable that are included in long-term debt on the respective balance sheets as of December 31, 2011 as follows:

Company	Description	Amount
Entergy Arkansas VIE	9% Series H due June 2013	\$30 million
Entergy Arkansas VIE	5.69% Series I due July 2014	\$70 million
Entergy Arkansas VIE	3.23% Series J due July 2016	\$55 million
Entergy Gulf States Louisiana VIE	5.56% Series N due May 2013	\$75 million
Entergy Gulf States Louisiana VIE	5.41% Series O due July 2012	\$60 million
Entergy Louisiana VIE	5.69% Series E due July 2014	\$50 million
Entergy Louisiana VIE	3.30% Series F due March 2016	\$20 million
System Energy VIE	6.29% Series F due September 2013	\$70 million
System Energy VIE	5.33% Series G due April 2015	\$60 million

In accordance with regulatory treatment, interest on the nuclear fuel company variable interest entities' credit facilities, commercial paper, and long-term notes payable is included as fuel expense.

In February 2012, System Energy VIE issued \$50 million of 4.02% Series H notes due February 2017. System Energy used the proceeds to purchase additional nuclear fuel.

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

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2011 and 2010 consisted of:

Type of Debt and Maturity	Weighted Average Interest Rate December 31, 2011	Interest Rate Ranges at December 31,		Outstanding at December 31,	
		2011	2010	2011	2010
(In Thousands)					
<b>Mortgage Bonds</b>					
2011-2016	4.18%	3.25%-6.20%	3.6%-6.2%	\$865,000	\$920,000
2017-2021	5.40%	3.75%-7.13%	3.75%-7.125%	2,435,000	2,160,000
2022-2026	5.27%	4.44%-5.66%	4.44%-5.66%	1,158,449	1,158,738
2027-2036	6.18%	5.65%-6.40%	5.65%-6.4%	868,145	868,546
2039-2051	6.22%	5.75%-7.88%	5.75%-7.875%	905,000	755,000
<b>Governmental Bonds (a)</b>					
2011-2016	3.67%	2.88%-5.80%	2.875%-6.75%	42,795	90,135
2017-2021	4.83%	4.60%-5.00%	4.6%-5.0%	99,700	99,700
2022-2026	5.82%	4.60%-6.20%	4.6%-6.2%	415,005	455,005
2027-2030	5.00%	5.0%	5.0%	198,680	198,680
<b>Securitization Bonds</b>					
2013-2020	4.05%	2.12%-5.79%	2.12%-5.79%	416,899	474,318
2021-2023	3.65%	2.04%-5.93%	2.30%-5.93%	653,948	457,100
<b>Variable Interest Entities Notes Payable (Note 4)</b>					
2012-2016	4.96%	2.25%-9.00%	2.125%-9%	519,400	474,200
<b>Entergy Corporation Notes</b>					
due March 2011	n/a	-	7.06%	-	86,000
due September 2015	n/a	3.625%	3.625%	550,000	550,000
due September 2020	n/a	5.125%	5.125%	450,000	450,000
Note Payable to NYPA	(b)	(b)	(b)	133,363	155,971
5 Year Credit Facility (Note 4)	n/a	0.75%	0.78%	1,920,000	1,632,120
Long-term DOE Obligation (c)	-	-	-	181,031	180,919
Waterford 3 Lease Obligation (d)	n/a	7.45%	7.45%	188,255	223,802
Grand Gulf Lease Obligation (d)	n/a	5.13%	5.13%	178,784	222,280
Bank Credit Facility –					
Entergy Louisiana	n/a	0.67%	-	50,000	-
Unamortized Premium and Discount - Net				(9,531)	(10,181)
Other				16,523	14,372
<b>Total Long-Term Debt</b>				<u>12,236,446</u>	<u>11,616,705</u>
Less Amount Due Within One Year				<u>2,192,733</u>	<u>299,548</u>
<b>Long-Term Debt Excluding Amount Due Within One Year</b>				<u>\$10,043,713</u>	<u>\$11,317,157</u>
 Fair Value of Long-Term Debt (e)				 \$12,176,251	 \$10,988,646

- (a) Consists of pollution control revenue bonds and environmental revenue bonds.
- (b) These notes do not have a stated interest rate, but have an implicit interest rate of 4.8%.
- (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) See Note 10 for further discussion of the Waterford 3 and Grand Gulf Lease Obligations.
- (e) The fair value excludes lease obligations of \$188 million at Entergy Louisiana and \$179 million at System Energy, long-term DOE obligations of \$181 million at Entergy Arkansas, and the note payable to NYPA of \$133 million at Entergy, and includes debt due within one year. Fair values are based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads.

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2011, for the next five years are as follows:

	<u>Amount</u>
	(In Thousands)
2012	\$2,124,679
2013	\$707,684
2014	\$135,899
2015	\$860,566
2016	\$344,850

In November 2000, Entergy's non-utility nuclear business purchased the FitzPatrick and Indian Point 3 power plants in a seller-financed transaction. Entergy issued notes to NYPA with seven annual installments of approximately \$108 million commencing one year from the date of the closing, and eight annual installments of \$20 million commencing eight years from the date of the closing. These notes do not have a stated interest rate, but have an implicit interest rate of 4.8%. In accordance with the purchase agreement with NYPA, the purchase of Indian Point 2 in 2001 resulted in Entergy becoming liable to NYPA for an additional \$10 million per year for 10 years, beginning in September 2003. This liability was recorded upon the purchase of Indian Point 2 in September 2001, and is included in the note payable to NYPA balance above. In July 2003, a payment of \$102 million was made prior to maturity on the note payable to NYPA. Under a provision in a letter of credit supporting these notes, if certain of the Utility operating companies or System Energy were to default on other indebtedness, Entergy could be required to post collateral to support the letter of credit.

Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through July 2013. Entergy Arkansas has obtained long-term financing authorization from the APSC that extends through December 2012. Entergy New Orleans has obtained long-term financing authorization from the City Council that extends through July 2012.

#### Capital Funds Agreement

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

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

Long-term debt for the Registrant Subsidiaries as of December 31, 2011 and 2010 consisted of:

	2011	2010
	(In Thousands)	
<b><u>Entergy Arkansas</u></b>		
<b>Mortgage Bonds:</b>		
5.40% Series due August 2013	\$300,000	\$300,000
5.0% Series due July 2018	115,000	115,000
3.75% Series due February 2021	350,000	350,000
5.66% Series due February 2025	175,000	175,000
5.9% Series due June 2033	100,000	100,000
6.38% Series due November 2034	60,000	60,000
5.75% Series due November 2040	225,000	225,000
Total mortgage bonds	<u>1,325,000</u>	<u>1,325,000</u>
<b>Governmental Bonds (a):</b>		
4.6% Series due 2017, Jefferson County (d)	54,700	54,700
5.0% Series due 2021, Independence County (d)	45,000	45,000
Total governmental bonds	<u>99,700</u>	<u>99,700</u>
<b>Variable Interest Entity Notes Payable (Note 4):</b>		
5.60% Series G due September 2011	-	35,000
9% Series H due June 2013	30,000	30,000
5.69% Series I due July 2014	70,000	70,000
3.23% Series J due July 2016	55,000	-
Total variable interest entity notes payable	<u>155,000</u>	<u>135,000</u>
<b>Securitization Bonds:</b>		
2.30% Series Senior Secured due August 2021	113,792	124,100
Total securitization bonds	<u>113,792</u>	<u>124,100</u>
<b>Other:</b>		
Long-term DOE Obligation (b)	181,031	180,919
Unamortized Premium and Discount – Net	(733)	(812)
Other	2,131	3
<b>Total Long-Term Debt</b>	1,875,921	1,863,910
Less Amount Due Within One Year	-	35,000
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,875,921</u>	<u>\$1,828,910</u>
 Fair Value of Long-Term Debt (c)	 \$1,756,361	 \$1,712,663



**Entergy Gulf States Louisiana**

**Mortgage Bonds:**

	<b>2011</b>	<b>2010</b>
	(In Thousands)	
6.0% Series due May 2018	\$375,000	\$375,000
3.95% Series due October 2020	250,000	250,000
5.59% Series due October 2024	300,000	300,000
6.2% Series due July 2033	240,000	240,000
6.18% Series due March 2035	85,000	85,000
Total mortgage bonds	<u>1,250,000</u>	<u>1,250,000</u>

**Governmental Bonds (a):**

6.75% Series due 2012, Calcasieu Parish	-	26,170
6.7% Series due 2013, Pointe Coupee Parish	-	9,460
5.7% Series due 2014, Iberville Parish	-	11,710
2.875% Series due 2015, Louisiana Public Facilities Authority (d)	31,955	31,955
5.8% Series due 2016, West Feliciana Parish	10,840	10,840
5.0% Series due 2028, Louisiana Public Facilities Authority (d)	83,680	83,680
Total governmental bonds	<u>126,475</u>	<u>173,815</u>

**Variable Interest Entity Notes Payable (Note 4):**

5.41% Series O due July 2012	60,000	60,000
5.56% Series N due May 2013	75,000	75,000
Credit Facility due July 2013, weighted avg rate 2.25%	29,400	24,200
Total variable interest entity notes payable	<u>164,400</u>	<u>159,200</u>

**Other:**

Unamortized Premium and Discount - Net	(2,048)	(2,287)
Other	<u>3,603</u>	<u>3,604</u>

**Total Long-Term Debt**

Total Long-Term Debt	1,542,430	1,584,332
Less Amount Due Within One Year	<u>60,000</u>	<u>-</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,482,430</u>	<u>\$1,584,332</u>

Fair Value of Long-Term Debt (c)	\$1,642,388	\$1,643,514
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	2011	2010
	(In Thousands)	
<b><u>Entergy Louisiana</u></b>		
<b>Mortgage Bonds:</b>		
6.50% Series due September 2018	\$300,000	\$300,000
4.8% Series due May 2021	200,000	-
5.40% Series due November 2024	400,000	400,000
4.44% Series due January 2026	250,000	250,000
6.4% Series due October 2034	70,000	70,000
6.3% Series due September 2035	100,000	100,000
6.0% Series due March 2040	150,000	150,000
5.875% Series due June 2041	150,000	150,000
Total mortgage bonds	<u>1,620,000</u>	<u>1,420,000</u>
<b>Governmental Bonds (a):</b>		
5.0% Series due 2030, Louisiana Public Facilities Authority (d)	115,000	115,000
Total governmental bonds	<u>115,000</u>	<u>115,000</u>
<b>Variable Interest Entity Notes Payable (Note 4):</b>		
5.69% Series E due July 2014	50,000	50,000
3.30% Series F due March 2016	20,000	-
Total variable interest entity notes payable	<u>70,000</u>	<u>50,000</u>
<b>Securitization Bonds:</b>		
2.04% Series Senior Secured due June 2021	207,156	-
Total securitization bonds	<u>207,156</u>	<u>-</u>
<b>Other:</b>		
Waterford 3 Lease Obligation 7.45% (Note 10)	188,255	223,802
Bank Credit Facility, weighted average rate 0.67% (Note 4)	50,000	-
Unamortized Premium and Discount - Net	(1,912)	(1,689)
Other	<u>3,813</u>	<u>3</u>
<b>Total Long-Term Debt</b>	2,252,312	1,807,116
Less Amount Due Within One Year	<u>75,309</u>	<u>35,550</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$2,177,003</u>	<u>\$1,771,566</u>
 Fair Value of Long-Term Debt (c)	 \$2,211,355	 \$1,515,121

	2011	2010
	(In Thousands)	
<b><u>Entergy Mississippi</u></b>		
<b>Mortgage Bonds:</b>		
4.65% Series due May 2011	\$-	\$80,000
5.15% Series due February 2013	100,000	100,000
5.92% Series due February 2016	-	100,000
3.25% Series due June 2016	125,000	-
4.95% Series due June 2018	95,000	95,000
6.64% Series due July 2019	150,000	150,000
6.0% Series due November 2032	75,000	75,000
6.25% Series due April 2034	100,000	100,000
6.20% Series due April 2040	80,000	80,000
6.0% Series due May 2051	150,000	-
Total mortgage bonds	875,000	780,000
<b>Governmental Bonds (a):</b>		
4.60% Series due 2022, Mississippi Business Finance Corp.(d)	16,030	16,030
4.90% Series due 2022, Independence County (d)	30,000	30,000
Total governmental bonds	46,030	46,030
<b>Other:</b>		
Unamortized Premium and Discount - Net	(591)	(652)
<b>Total Long-Term Debt</b>	920,439	825,378
Less Amount Due Within One Year	-	80,000
Long-Term Debt Excluding Amount Due Within One Year	\$920,439	\$745,378
Fair Value of Long-Term Debt (c)	\$985,600	\$802,045
	2011	2010
	(In Thousands)	
<b><u>Entergy New Orleans</u></b>		
<b>Mortgage Bonds:</b>		
5.25% Series due August 2013	\$70,000	\$70,000
5.10% Series due December 2020	25,000	25,000
5.6% Series due September 2024	33,449	33,738
5.65% Series due September 2029	38,145	38,546
Total mortgage bonds	166,594	167,284
<b>Other:</b>		
Unamortized Premium and Discount - Net	(57)	(69)
<b>Total Long-Term Debt</b>	166,537	167,215
Less Amount Due Within One Year	-	-
Long-Term Debt Excluding Amount Due Within One Year	\$166,537	\$167,215
Fair Value of Long-Term Debt (c)	\$169,270	\$171,077

	<u>2011</u>	<u>2010</u>
	(In Thousands)	
<b><u>Entergy Texas</u></b>		
<b>Mortgage Bonds:</b>		
3.60% Series due June 2015	\$200,000	\$200,000
7.125% Series due February 2019	500,000	500,000
4.1% Series due September 2021	75,000	-
7.875% Series due June 2039	150,000	150,000
Total mortgage bonds	<u>925,000</u>	<u>850,000</u>
<b>Securitization Bonds:</b>		
5.51% Series Senior Secured, Series A due October 2013	18,494	38,152
5.79% Series Senior Secured, Series A due October 2018	121,600	121,600
5.93% Series Senior Secured, Series A due June 2022	114,400	114,400
2.12% Series Senior Secured due February 2016	132,005	169,766
3.65% Series Senior Secured due August 2019	144,800	144,800
4.38% Series Senior Secured due November 2023	218,600	218,600
Total securitization bonds	<u>749,899</u>	<u>807,318</u>
<b>Other:</b>		
Unamortized Premium and Discount - Net	(3,103)	(3,419)
Other	<u>5,331</u>	<u>5,331</u>
<b>Total Long-Term Debt</b>	1,677,127	1,659,230
Less Amount Due Within One Year	<u>-</u>	<u>-</u>
Long-Term Debt Excluding Amount Due Within One Year	<u>\$1,677,127</u>	<u>\$1,659,230</u>
 Fair Value of Long-Term Debt (c)	 \$1,906,081	 \$1,822,219

	2011	2010
	(In Thousands)	
<b>System Energy</b>		
<b>Mortgage Bonds:</b>		
6.2% Series due October 2012	\$70,000	\$70,000
Total mortgage bonds	70,000	70,000
<b>Governmental Bonds (a):</b>		
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	50,000	90,000
Total governmental bonds	368,975	408,975
<b>Variable Interest Entity Notes Payable (Note 4):</b>		
6.29% Series F due September 2013	70,000	70,000
5.33% Series G due April 2015	60,000	60,000
Total variable interest entity notes payable	130,000	130,000
<b>Other:</b>		
Grand Gulf Lease Obligation 5.13% (Note 10)	178,784	222,280
Unamortized Premium and Discount - Net	(714)	(789)
Other	3	2
<b>Total Long-Term Debt</b>	747,048	830,468
Less Amount Due Within One Year	110,163	33,740
Long-Term Debt Excluding Amount Due Within One Year	\$636,885	\$796,728
 Fair Value of Long-Term Debt (c)	 \$582,952	 \$611,837

- (a) Consists of pollution control revenue bonds and environmental revenue bonds.
- (b) 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.
- (c) The fair value excludes lease obligations of \$188 million at Entergy Louisiana and \$179 million at System Energy and long-term DOE obligations of \$181 million at Entergy Arkansas, and includes debt due within one year. Fair values are based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads.
- (d) The bonds are secured by a series of collateral first mortgage bonds.

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2011, for the next five years are as follows:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
2012	-	\$60,000	\$50,000	-	-	-	\$70,000
2013	\$330,000	\$104,400	-	\$100,000	\$70,000	\$18,494	\$70,000
2014	\$70,000	-	\$50,000	-	-	-	-
2015	-	\$31,955	-	-	-	\$200,000	\$60,000
2016	\$55,000	\$10,840	\$20,000	\$125,000	-	\$132,005	-

### **Entergy Corporation Debt Issuance**

In January 2012, Entergy Corporation issued \$500 million of 4.70% senior notes due January 2017. Entergy Corporation used the proceeds to repay borrowings under its \$3.5 billion credit facility.

### **Entergy Louisiana Debt Issuances**

On December 14, 2011, Entergy Louisiana issued \$750 million of 1.1007% Series first mortgage bonds, due December 31, 2012, to Entergy Corporation. Entergy Louisiana repurchased the bonds at par, plus accrued interest of \$161 thousand, on December 22, 2011.

In January 2012, Entergy Louisiana issued \$250 million of 1.875% Series first mortgage bonds due December 2014. Entergy Louisiana used the proceeds to repay short-term borrowings under the Entergy System money pool.

### **Entergy Arkansas Securitization Bonds**

In June 2010 the APSC issued a financing order authorizing the issuance of bonds to recover Entergy Arkansas's January 2009 ice storm damage restoration costs, including carrying costs of \$11.5 million and \$4.6 million of up-front financing costs. In August 2010, Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, issued \$124.1 million of storm cost recovery bonds. The bonds have a coupon of 2.30% and an expected maturity date of August 2021. Although the principal amount is not due until the date given above, Entergy Arkansas Restoration Funding expects to make principal payments on the bonds over the next five years in the amount of \$12.2 million for 2012, \$12.6 million for 2013, \$12.8 million for 2014, \$13.2 million for 2015, and \$13.4 million for 2016. With the proceeds, Entergy Arkansas Restoration Funding purchased from Entergy Arkansas the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy Arkansas balance sheet. The creditors of Entergy Arkansas do not have recourse to the assets or revenues of Entergy Arkansas Restoration Funding, including the storm recovery property, and the creditors of Entergy Arkansas Restoration Funding do not have recourse to the assets or revenues of Entergy Arkansas. Entergy Arkansas has no payment obligations to Entergy Arkansas Restoration Funding except to remit storm recovery charge collections.

### **Entergy Louisiana Securitization Bonds – Little Gypsy**

In August 2011, the LPSC issued a financing order authorizing the issuance of bonds to recover Entergy Louisiana's investment recovery costs associated with the cancelled Little Gypsy repowering project. In September 2011, Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, issued \$207.2 million of senior secured investment recovery bonds. The bonds have an interest rate of 2.04% and an expected maturity date of June 2021. Although the principal amount is not due until the date given above, Entergy Louisiana Investment Recovery Funding expects to make principal payments on the bonds over the next five years in the amounts of \$25.6 million for 2012, \$16.6 million for 2013, \$21.9 million for 2014, \$20.5 million for 2015, and \$21.6 million for 2016. With the proceeds, Entergy Louisiana Investment Recovery Funding purchased from Entergy Louisiana the investment recovery property, which is the right to recover from customers through an investment recovery charge amounts sufficient to service the bonds. In accordance with the financing order, Entergy Louisiana will apply the proceeds it received from the sale of the investment recovery property as a reimbursement for previously-incurred investment recovery costs. The investment recovery property is reflected as a regulatory asset on the consolidated Entergy Louisiana balance sheet. The creditors of Entergy Louisiana do not have recourse to the assets or revenues of Entergy Louisiana Investment Recovery Funding, including the investment recovery property, and the creditors of Entergy Louisiana Investment Recovery Funding do not have recourse to the assets or revenues of Entergy Louisiana. Entergy Louisiana has no payment obligations to Entergy Louisiana Investment Recovery Funding except to remit investment recovery charge collections.

### Entergy Texas Securitization Bonds - Hurricane Rita

In April 2007 the PUCT issued a financing order authorizing the issuance of securitization bonds to recover \$353 million of Entergy Texas's Hurricane Rita reconstruction costs and up to \$6 million of transaction costs, offset by \$32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company that is now wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition bonds (securitization bonds) as follows:

	<u>Amount</u> (In Thousands)
Senior Secured Transition Bonds, Series A:	
Tranche A-1 (5.51%) due October 2013	\$93,500
Tranche A-2 (5.79%) due October 2018	121,600
Tranche A-3 (5.93%) due June 2022	114,400
Total senior secured transition bonds	<u>\$329,500</u>

Although the principal amount of each tranche is not due until the dates given above, Entergy Gulf States Reconstruction Funding expects to make principal payments on the bonds over the next five years in the amounts of \$20.8 million for 2012, \$21.9 million for 2013, \$23.2 million for 2014, \$24.6 million for 2015, and \$26.0 million for 2016. Of the scheduled principal payments for 2012, \$18.5 million are for Tranche A-1 and \$2.3 million are for Tranche A-2, and all of the scheduled principal payments for 2013-2016 are for Tranche A-2.

With the proceeds, Entergy Gulf States Reconstruction Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Gulf States Reconstruction Funding, including the transition property, and the creditors of Entergy Gulf States Reconstruction Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Gulf States Reconstruction Funding except to remit transition charge collections.

### Entergy Texas Securitization Bonds - Hurricane Ike and Hurricane Gustav

In September 2009 the PUCT authorized the issuance of securitization bonds to recover \$566.4 million of Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs, plus carrying costs and transaction costs, offset by insurance proceeds. In November 2009, Entergy Texas Restoration funding, LLC (Entergy Texas Restoration Funding), a company wholly-owned and consolidated by Entergy Texas, issued \$545.9 million of senior secured transition bonds (securitization bonds), as follows:

	<u>Amount</u> (In Thousands)
Senior Secured Transition Bonds	
Tranche A-1 (2.12%) due February 2016	\$182,500
Tranche A-2 (3.65%) due August 2019	144,800
Tranche A-3 (4.38%) due November 2023	218,600
Total senior secured transition bonds	<u>\$545,900</u>

Although the principal amount of each tranche is not due until the dates given above, Entergy Texas Restoration Funding expects to make principal payments on the bonds over the next five years in the amount of \$38.6 million for 2012, \$39.4 million for 2013, \$40.2 million for 2014, \$41.2 million for 2015, and \$42.6 million for 2016. All of the scheduled principal payments for 2012-2014 are for Tranche A-1, \$13.8 million of the scheduled principal payments

for 2015 are for Tranche A-1 and \$27.4 million are for Tranche A-2, and all of the scheduled principal payments for 2016 are for Tranche A-2.

With the proceeds, Entergy Texas Restoration Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Texas Restoration Funding, including the transition property, and the creditors of Entergy Texas Restoration Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Texas Restoration Funding except to remit transition charge collections.

#### Entergy New Orleans Affiliate Notes

Pursuant to its plan of reorganization, in May 2007 Entergy New Orleans issued notes due in three years in satisfaction of its affiliate prepetition accounts payable (approximately \$74 million, including interest), including its indebtedness to the Entergy System money pool. In May 2010, Entergy New Orleans repaid, at maturity, the notes payable.

#### NOTE 6. PREFERRED EQUITY (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and minority interest for Entergy Corporation subsidiaries as of December 31, 2011 and 2010 are presented below. All series of the Utility preferred stock are redeemable at the option of the related company.

	Shares/Units Authorized		Shares/Units Outstanding			
	2011	2010	2011	2010	2011	2010
<b>Entergy Corporation</b>						
<b>Utility:</b>						
<b>Preferred Stock or Preferred Membership</b>						
<b>Interests without sinking fund:</b>						
Entergy Arkansas, 4.32%-6.45% Series	3,413,500	3,413,500	3,413,500	3,413,500	\$116,350	\$116,350
Entergy Gulf States Louisiana, Series A 8.25 %	100,000	100,000	100,000	100,000	10,000	10,000
Entergy Louisiana, 6.95% Series (a)	1,000,000	1,000,000	840,000	840,000	84,000	84,000
Entergy Mississippi, 4.36%-6.25% Series	1,403,807	1,403,807	1,403,807	1,403,807	50,381	50,381
Entergy New Orleans, 4.36%-5.56% Series	197,798	197,798	197,798	197,798	19,780	19,780
<b>Total Utility Preferred Stock or Preferred</b>						
<b>Membership Interests without sinking fund</b>	6,115,105	6,115,105	5,955,105	5,955,105	280,511	280,511
<b>Entergy Wholesale Commodities:</b>						
<b>Preferred Stock without sinking fund:</b>						
Entergy Asset Management, 8.95% rate (b)	1,000,000	1,000,000	-	305,240	-	29,375
Other	-	-	-	-	-	852
<b>Total Subsidiaries' Preferred Stock</b>						
<b>without sinking fund</b>	7,115,105	7,115,105	5,955,105	6,260,345	\$280,511	\$310,738

(a) In 2007, Entergy Louisiana Holdings, an Entergy subsidiary, purchased 160,000 of these shares from the holders.



- (b) Upon the sale of Class B preferred shares in December 2009, Entergy Asset Management had issued and outstanding Class A and Class B preferred shares. On December 20, 2011, Entergy Asset Management purchased all of the outstanding Class B preferred shares from the holder thereof; currently, there are no outstanding Class B preferred shares. On December 20, 2011, Entergy Asset Management purchased all of the outstanding Class A preferred shares (278,905 shares) that were held by a third party; currently, there are 4,759 shares held by an Entergy affiliate.

At December 31, 2011 and 2010, Entergy Gulf States Louisiana had outstanding 100,000 units of no par value 8.25% Series Preferred Membership Interests that were initially issued by Entergy Gulf States, Inc. as preference stock. The preference shares were converted into the preferred units as part of the jurisdictional separation. The distributions are cumulative and payable quarterly beginning March 15, 2008. The preferred membership interests are redeemable on or after December 15, 2015, at Entergy Gulf States Louisiana's option, at the fixed redemption price of \$100 per unit.

The number of shares and units authorized and outstanding and dollar value of preferred stock and membership interests for Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans as of December 31, 2011 and 2010 are presented below. All series of the Utility operating companies' preferred stock and membership interests are redeemable at the respective company's option at the call prices presented. Dividends and distributions paid on all of Entergy's preferred stock and membership interests series are eligible for the dividends received deduction. The dividends received deduction is limited by Internal Revenue Code section 244 for the following preferred stock series: Entergy Arkansas 4.72%, Entergy Mississippi 4.56%, and Entergy New Orleans 4.75%.

	Shares Authorized and Outstanding		Dollars (In Thousands)		Call Price per Share as of December 31, 2011
	2011	2010	2011	2010	
<b><u>Entergy Arkansas Preferred Stock</u></b>					
<b>Without sinking fund:</b>					
Cumulative, \$100 par value:					
4.32% Series	70,000	70,000	\$7,000	\$7,000	\$103.65
4.72% Series	93,500	93,500	9,350	9,350	\$107.00
4.56% Series	75,000	75,000	7,500	7,500	\$102.83
4.56% 1965 Series	75,000	75,000	7,500	7,500	\$102.50
6.08% Series	100,000	100,000	10,000	10,000	\$102.83
Cumulative, \$25 par value:					
6.45% Series (a)	3,000,000	3,000,000	75,000	75,000	\$-
Total without sinking fund	3,413,500	3,413,500	\$116,350	\$116,350	
	Units Authorized and Outstanding		Dollars (In Thousands)		Call Price per Unit as of December 31, 2011
	2011	2010	2011	2010	
<b><u>Entergy Gulf States Louisiana Preferred Membership Interests</u></b>					
<b>Without sinking fund:</b>					
Cumulative, \$100 liquidation value:					
8.25% Series (b)	100,000	100,000	\$10,000	\$10,000	\$-
Total without sinking fund	100,000	100,000	\$10,000	\$10,000	

	Units Authorized and Outstanding		Dollars (In Thousands)		Call Price per Unit as of December 31, 2011
	2011	2010	2011	2010	
<b><u>Entergy Louisiana Preferred Membership Interests</u></b>					
<b>Without sinking fund:</b>					
Cumulative, \$100 liquidation value:					
6.95% Series (c)	1,000,000	1,000,000	\$100,000	\$100,000	\$-
Total without sinking fund	1,000,000	1,000,000	\$100,000	\$100,000	
<b><u>Entergy Mississippi Preferred Stock</u></b>					
<b>Without sinking fund:</b>					
Cumulative, \$100 par value:					
4.36% Series	59,920	59,920	\$5,992	\$5,992	\$103.88
4.56% Series	43,887	43,887	4,389	4,389	\$107.00
4.92% Series	100,000	100,000	10,000	10,000	\$102.88
Cumulative, \$25 par value					
6.25% Series (d)	1,200,000	1,200,000	30,000	30,000	\$-
Total without sinking fund	1,403,807	1,403,807	\$50,381	\$50,381	
<b><u>Entergy New Orleans Preferred Stock</u></b>					
<b>Without sinking fund:</b>					
Cumulative, \$100 par value:					
4.36% Series	60,000	60,000	\$6,000	\$6,000	\$104.58
4.75% Series	77,798	77,798	7,780	7,780	\$105.00
5.56% Series	60,000	60,000	6,000	6,000	\$102.59
Total without sinking fund	197,798	197,798	\$19,780	\$19,780	

- (a) Series is callable at par.
- (b) Series is callable at par on and after December 15, 2015.
- (c) Series is callable at par.
- (d) Series is callable at par.

**NOTE 7. COMMON EQUITY (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

**Common Stock**

Common stock and treasury stock shares activity for Entergy for 2011, 2010, and 2009 is as follows:

	<b>2011</b>		<b>2010</b>		<b>2009</b>	
	<b>Common Shares Issued</b>	<b>Treasury Shares</b>	<b>Common Shares Issued</b>	<b>Treasury Shares</b>	<b>Common Shares Issued</b>	<b>Treasury Shares</b>
Beginning Balance, January 1	254,752,788	76,006,920	254,752,788	65,634,580	248,174,087	58,815,518
Equity Unit Transaction	-	-	-	-	6,578,701	-
Repurchases	-	3,475,000	-	11,490,551	-	7,680,000
Issuances:						
Employee Stock-Based						
Compensation Plans	-	(1,079,008)	-	(1,113,411)	-	(856,390)
Directors' Plan	-	(5,924)	-	(4,800)	-	(4,548)
Ending Balance, December 31	<u>254,752,788</u>	<u>78,396,988</u>	<u>254,752,788</u>	<u>76,006,920</u>	<u>254,752,788</u>	<u>65,634,580</u>

In December 2005, Entergy Corporation sold 10 million equity units with a stated amount of \$50 each. An equity unit consisted of (1) a note, initially due February 2011 and initially bearing interest at an annual rate of 5.75%, and (2) a purchase contract that obligated the holder of the equity unit to purchase for \$50 between 0.5705 and 0.7074 shares of Entergy Corporation common stock on or before February 17, 2009. Entergy paid the holders quarterly contract adjustment payments of 1.875% per year on the stated amount of \$50 per equity unit. Under the terms of the purchase contracts, Entergy attempted to remarket the notes in February 2009 but was unsuccessful, the note holders put the notes to Entergy, Entergy retired the notes, and Entergy issued shares of common stock to settle the purchase contracts.

Entergy Corporation reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), two Equity Ownership Plans of Entergy Corporation and Subsidiaries, the Equity Awards Plan of Entergy Corporation and Subsidiaries, and certain other stock benefit plans. The Directors' Plan awards to non-employee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation common stock.

In January 2007, the Board approved a repurchase program that authorized Entergy to repurchase up to \$1.5 billion of its common stock. In January 2008, the Board authorized an incremental \$500 million share repurchase program to enable Entergy to consider opportunistic purchases in response to equity market conditions. Entergy completed both the \$1.5 billion and \$500 million programs in the third quarter 2009. In October 2009, the Board granted authority for an additional \$750 million share repurchase program which was completed in the fourth quarter 2010. In October 2010, the Board granted authority for an additional \$500 million share repurchase program. As of December 31, 2011, \$350 million remains under the \$500 million share repurchase program.

**Retained Earnings and Dividend Restrictions**

Provisions within the articles of incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries could restrict the payment of cash dividends or other distributions on their common and preferred equity. As of December 31, 2011, under provisions in their mortgage indentures, Entergy Arkansas and Entergy Mississippi had retained earnings unavailable for distribution to Entergy Corporation of \$394.9 million and \$68.5 million, respectively. Entergy Corporation

received dividend payments from subsidiaries totaling \$595 million in 2011, \$580 million in 2010, and \$417 million in 2009.

### **Comprehensive Income**

Accumulated other comprehensive income (loss) is included in the equity section of the balance sheets of Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana. Accumulated other comprehensive income (loss) in the balance sheets included the following components:

	<b>Entergy</b>		<b>Entergy Gulf States Louisiana</b>		<b>Entergy Louisiana</b>	
	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	(In Thousands)					
Cash flow hedges net unrealized gain	\$177,497	\$106,258	\$-	\$-	\$-	\$-
Pension and other postretirement liabilities	(499,556)	(276,466)	(69,610)	(40,304)	(39,507)	(24,962)
Net unrealized investment gains	150,939	129,685	-	-	-	-
Foreign currency translation	2,668	2,311	-	-	-	-
<b>Total</b>	<b>(\$168,452)</b>	<b>(\$38,212)</b>	<b>(\$69,610)</b>	<b>(\$40,304)</b>	<b>(\$39,507)</b>	<b>(\$24,962)</b>

Other comprehensive income and total comprehensive income for years ended December 31, 2011, 2010, and 2009 are presented in Entergy's, Entergy Gulf States Louisiana's, and Entergy Louisiana's Statements of Comprehensive Income.

### **NOTE 8. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Entergy and the Registrant Subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material effect on Entergy's results of operations, cash flows, or financial condition. Entergy discusses regulatory proceedings in Note 2 to the financial statements and discusses tax proceedings in Note 3 to the financial statements.

#### **Vidalia Purchased Power Agreement**

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately \$185.6 million in 2011, \$216.5 million in 2010, and \$204.9 million in 2009. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$172.1 million in 2012, and a total of \$2.5 billion for the years 2013 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by \$11 million each year for up to ten years, beginning in October 2002. In addition, in accordance with an LPSC settlement, Entergy Louisiana credited rates in August 2007 by \$11.3 million

(including interest) as a result of a settlement with the IRS of the 2001 tax treatment of the Vidalia contract. As discussed in more detail in Note 3 to the financial statements, in August 2011, Entergy agreed to a settlement with the IRS regarding the mark-to-market income tax treatment of various wholesale electric power purchase and sale agreements, including the Vidalia agreement. In October 2011, the LPSC approved a final settlement under which Entergy Louisiana agreed to share the remaining benefits of this tax accounting election by crediting customers an additional \$20.235 million per year for 15 years beginning January 2012. Entergy Louisiana recorded a \$199 million regulatory charge and a corresponding net-of-tax regulatory liability to reflect this obligation. The provisions of the settlement also provide that the LPSC shall not recognize or use Entergy Louisiana's use of the cash benefits from the tax treatment in setting any of Entergy Louisiana's rates. Therefore, to the extent Entergy Louisiana's use of the proceeds would ordinarily have reduced its rate base, no change in rate base shall be reflected for ratemaking purposes.

### **Nuclear Insurance**

#### **Third Party Liability Insurance**

The Price-Anderson Act requires that reactor licensees purchase insurance and participate in a secondary insurance pool that provides insurance coverage for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two layers of coverage:

1. The primary level is private insurance underwritten by American Nuclear Insurers (ANI) and provides public liability insurance coverage of \$375 million. If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies.
2. Within the Secondary Financial Protection level, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident or fault, up to a maximum of \$117.5 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$1.3 billion). This consists of a \$111.9 million maximum retrospective premium plus a five percent surcharge, which equates to \$117.5 million, that may be payable, if needed, at a rate that is currently set at \$17.5 million per year per incident per nuclear power reactor.
3. In the event that one or more acts of terrorism cause a nuclear power plant accident, which results in third-party damages – off-site property and environmental damage, off-site bodily injury, and on-site third-party bodily injury (i.e. contractors); the primary level provided by ANI combined with the Secondary Financial Protection would provide \$12.6 billion in coverage. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event.

Currently, 104 nuclear reactors are participating in the Secondary Financial Protection program. The product of the maximum retrospective premium assessment to the nuclear power industry and the number of nuclear power reactors provides over \$12.2 billion in secondary layer insurance coverage to compensate the public in the event of a nuclear power reactor accident. The Price-Anderson Act provides that all potential liability for a nuclear accident is limited to the amounts of insurance coverage available under the primary and secondary layers.

Entergy Arkansas has two licensed reactors and Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each have one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (SMEPA) that would share on a pro-rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). The Entergy Wholesale Commodities segment includes the ownership and operation of six nuclear power reactors and the ownership of the shutdown Indian Point 1 reactor and Big Rock Point facility.

## Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage, including decontamination and premature decommissioning expense, to the members' nuclear generating plants. Effective April 1, 2011, Entergy was insured against such losses per the following structures:

### Utility Plants (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3)

- Primary Layer (per plant) - \$500 million per occurrence
- Excess Layer (per plant) - \$750 million per occurrence
- Blanket Layer (shared among the Utility plants) - \$350 million per occurrence
- Total limit - \$1.6 billion per occurrence
- Deductibles:
  - \$2.5 million per occurrence - Turbine/generator damage
  - \$2.5 million per occurrence - Other than turbine/generator damage
  - \$10 million per occurrence plus 10% of amount above \$10 million - Damage from a windstorm, flood, earthquake, or volcanic eruption

Note: ANO 1 and 2 share in the primary and excess layers with common policies because the policies are issued on a per site basis.

### Entergy Wholesale Commodities Plants (Indian Point, FitzPatrick, Pilgrim, Vermont Yankee, Palisades, and Big Rock Point)

- Primary Layer (per plant) - \$500 million per occurrence
- Excess Layer - \$615 million per occurrence
- Total limit - \$1.115 billion per occurrence
- Deductibles:
  - \$2.5 million per occurrence - Turbine/generator damage
  - \$2.5 million per occurrence - Other than turbine/generator damage
  - \$10 million per occurrence plus 10% of amount above \$10 million - Damage from a windstorm, flood, earthquake, or volcanic eruption

Note: The Indian Point Units share in the primary and excess layers with common policies because the policies are issued on a per site basis. Big Rock Point has its own primary policy with no excess coverage.

In addition, Waterford 3, Grand Gulf, and the Entergy Wholesale Commodities plants are also covered under NEIL's Accidental Outage Coverage program. This coverage provides certain fixed indemnities in the event of an unplanned outage that results from a covered NEIL property damage loss, subject to a deductible period. The following summarizes this coverage effective April 1, 2011:

### Waterford 3

- \$2.95 million weekly indemnity
- \$413 million maximum indemnity
- Deductible: 26 week deductible period

### Grand Gulf

- \$400,000 weekly indemnity (total for four policies)
- \$56 million maximum indemnity (total for four policies)
- Deductible: 26 week deductible period

Indian Point 2, Indian Point 3, and Palisades

- \$4.5 million weekly indemnity
- \$490 million maximum indemnity
- Deductible: 12 week deductible period

FitzPatrick and Pilgrim

- \$4.0 million weekly indemnity
- \$490 million maximum indemnity
- Deductible: 12 week deductible period

Vermont Yankee

- \$3.5 million weekly indemnity
- \$435 million maximum indemnity
- Deductible: 12 week deductible period

Under the property damage and accidental outage insurance programs, all NEIL insured plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. Effective April 1, 2011, the maximum amounts of such possible assessments per occurrence were as follows:

	<u>Assessments</u> (In Millions)
Utility:	
Entergy Arkansas	\$20.1
Entergy Gulf States Louisiana	\$16.3
Entergy Louisiana	\$19.3
Entergy Mississippi	\$0.07
Entergy New Orleans	\$0.07
Entergy Texas	N/A
System Energy	\$16.3
Entergy Wholesale Commodities	\$-

Potential assessments for the Entergy Wholesale Commodities plants are covered by insurance obtained through NEIL's reinsurers.

Entergy maintains property insurance for its nuclear units in excess of the NRC's minimum requirement of \$1.06 billion per site for nuclear power plant licensees. NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate of \$3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event.

### **Conventional Property Insurance**

Entergy's conventional property insurance program provides coverage of up to \$400 million on an Entergy system-wide basis for all operational perils (direct physical loss or damage due to machinery breakdown, electrical failure, fire, lightning, hail, or explosion) on an "each and every loss" basis; up to \$400 million in coverage for certain natural perils (direct physical loss or damage due to earthquake, tsunami, flood, ice storm, and tornado) on an annual aggregate basis; and up to \$125 million for certain other natural perils (direct physical loss or damage due to a named windstorm or storm surge) on an annual aggregate basis. The conventional property insurance program provides up to \$50 million in coverage for the Entergy New Orleans gas distribution system on an annual aggregate basis. The coverage is subject to a \$20 million self-insured retention per occurrence for operational perils and a \$35 million self-insured retention per occurrence for natural perils and for the Entergy New Orleans gas distribution system.

Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes above-ground transmission and distribution lines, poles, and towers. The primary layer consists of a \$65 million layer in excess of the self-insured retention and the excess layer consists of a \$335 million layer in excess of the \$65 million primary layer. Both layers are placed on a quota share basis through several insurers. This coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries, including the owners of the nuclear power plants in the Entergy Wholesale Commodities segment. Entergy also purchases \$300 million in terrorism insurance coverage for its conventional property. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event.

In addition to the conventional property insurance program, Entergy has purchased additional coverage (\$20 million per occurrence) for some of its non-regulated, non-generation assets. This policy serves to buy-down the \$20 million deductible and is placed on a scheduled location basis. The applicable deductibles are \$100,000 to \$250,000, except for properties that are damaged by flooding and properties whose values are greater than \$20 million; these properties have a \$500,000 deductible.

### **Gas System Rebuild Insurance Proceeds (Entergy New Orleans)**

Entergy New Orleans received insurance proceeds for future construction expenditures associated with rebuilding its gas system, and the October 2006 City Council resolution approving the settlement of Entergy New Orleans's rate and storm-cost recovery filings requires Entergy New Orleans to record those proceeds in a designated sub-account of other deferred credits until the proceeds are spent on the rebuild project. This other deferred credit is shown as "Gas system rebuild insurance proceeds" on Entergy New Orleans's balance sheet.

### **Employment and Labor-related Proceedings**

The Registrant Subsidiaries and other Entergy subsidiaries are responding to various lawsuits in both state and federal courts and to other labor-related proceedings filed by current and former employees and third parties not selected for open positions. These actions include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations Board; claims of retaliation; and claims for or regarding benefits under various Entergy Corporation sponsored plans. Entergy and the Registrant Subsidiaries are responding to these suits and proceedings and deny liability to the claimants. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of Entergy or the Utility operating companies.



**Asbestos Litigation (Entergy Gulf States Louisiana, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)**

Numerous lawsuits have been filed in federal and state courts primarily in Texas and Louisiana, primarily by contractor employees who worked in the 1940-1980s timeframe, against Entergy Gulf States Louisiana and Entergy Texas, and to a lesser extent the other Utility operating companies, as premises owners of power plants, for damages caused by alleged exposure to asbestos. Many other defendants are named in these lawsuits as well. Currently, there are approximately 500 lawsuits involving approximately 5,000 claimants. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover reimbursements. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of the Utility operating companies.

**Grand Gulf - Related Agreements**

**Capital Funds Agreement (Entergy Corporation and System Energy)**

System Energy has entered into agreements with Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans whereby they are obligated to purchase their respective entitlements of capacity and energy from System Energy's interest in Grand Gulf, and to make payments that, together with other available funds, are adequate to cover System Energy's operating expenses. System Energy would have to secure funds from other sources, including Entergy Corporation's obligations under the Capital Funds Agreement, to cover any shortfalls from payments received from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under these agreements.

**Unit Power Sales Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

System Energy has agreed to sell all of its share of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by the FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered. The agreement will remain in effect until terminated by the parties and the termination is approved by the FERC, most likely upon Grand Gulf's retirement from service. Monthly obligations are based on actual capacity and energy costs. The average monthly payments for 2011 under the agreement are approximately \$17.2 million for Entergy Arkansas, \$6.9 million for Entergy Louisiana, \$14.4 million for Entergy Mississippi, and \$8.4 million for Entergy New Orleans.

**Availability Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are individually obligated to make payments or subordinated advances to System Energy in accordance with stated percentages (Entergy Arkansas-17.1%, Entergy Louisiana-26.9%, Entergy Mississippi-31.3%, and Entergy New Orleans-24.7%) in amounts that, when added to amounts received under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses as defined, including an amount sufficient to amortize the cost of Grand Gulf 2 over 27 years (See Reallocation Agreement terms below) and expenses incurred in connection with a permanent shutdown of Grand Gulf. System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Since commercial operation of Grand Gulf began, payments under the Unit Power Sales Agreement have exceeded the amounts payable under the Availability Agreement. Accordingly, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments.

**Reallocation Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans entered into the Reallocation Agreement relating to the sale of capacity and energy from Grand Gulf and the related costs, in which Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans agreed to assume all of Entergy Arkansas's responsibilities and obligations with respect to Grand Gulf under the Availability Agreement. FERC's decision allocating a portion of Grand Gulf capacity and energy to Entergy Arkansas supersedes the Reallocation Agreement as it relates to Grand Gulf. Responsibility for any Grand Gulf 2 amortization amounts has been individually allocated (Entergy Louisiana-26.23%, Entergy Mississippi-43.97%, and Entergy New Orleans-29.80%) under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect Entergy Arkansas's obligation to System Energy's lenders under the assignments referred to in the preceding paragraph. Entergy Arkansas would be liable for its share of such amounts if Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans were unable to meet their contractual obligations. No payments of any amortization amounts will be required so long as amounts paid to System Energy under the Unit Power Sales Agreement, including other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

**Reimbursement Agreement (System Energy)**

In December 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of \$500 million. The interests represent approximately 11.5% of Grand Gulf. During the term of the leases, System Energy is required to maintain letters of credit for the equity investors to secure certain amounts payable to the equity investors under the transactions.

Under the provisions of the reimbursement agreement relating to the letters of credit, System Energy has agreed to a number of covenants regarding the maintenance of certain capitalization and fixed charge coverage ratios. System Energy agreed, during the term of the reimbursement agreement, to maintain a ratio of debt to total liabilities and equity less than or equal to 70%. In addition, System Energy must maintain, with respect to each fiscal quarter during the term of the reimbursement agreement, a ratio of adjusted net income to interest expense of at least 1.50 times earnings. As of December 31, 2011, System Energy was in compliance with these covenants.

**NOTE 9. ASSET RETIREMENT OBLIGATIONS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Accounting standards require the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. For Entergy, substantially all of its asset retirement obligations consist of its liability for decommissioning its nuclear power plants. In addition, an insignificant amount of removal costs associated with non-nuclear power plants is also included in the decommissioning line item on the balance sheets.

These liabilities are recorded at their fair values (which are the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation is accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The accretion will continue through the completion of the asset retirement activity. The amounts added to the carrying amounts of the long-lived assets will be depreciated over the useful lives of the assets. The application of accounting standards related to asset retirement obligations is earnings neutral to the rate-regulated business of the Registrant Subsidiaries.

In accordance with ratemaking treatment and as required by regulatory accounting standards, the depreciation provisions for the Registrant Subsidiaries include a component for removal costs that are not asset retirement obligations under accounting standards. In accordance with regulatory accounting principles, the Registrant Subsidiaries have recorded regulatory assets (liabilities) in the following amounts to reflect their estimates of the difference between estimated incurred removal costs and estimated removal costs recovered in rates:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(In Millions)</b>	
Entergy Arkansas	(\$16.4)	(\$24.0)
Entergy Gulf States Louisiana	(\$30.3)	(\$24.9)
Entergy Louisiana	(\$62.6)	(\$52.9)
Entergy Mississippi	\$48.5	\$46.1
Entergy New Orleans	\$16.3	\$15.4
Entergy Texas	\$4.5	\$7.3
System Energy	\$11.8	\$12.2

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2011 by Entergy were as follows:

	<b>Liabilities as of December 31, 2010</b>	<b>Accretion</b>	<b>Change in Cash Flow Estimate</b>		<b>Liabilities as of December 31, 2011</b>
			<b>Spending</b>		
			<b>(In Millions)</b>		
Utility:					
Entergy Arkansas	\$602.2	\$38.0	\$-	\$-	\$640.2
Entergy Gulf States Louisiana	\$339.9	\$19.9	\$-	\$-	\$359.8
Entergy Louisiana	\$321.2	\$24.6	\$-	\$-	\$345.8
Entergy Mississippi	\$5.4	\$0.3	\$-	\$-	\$5.7
Entergy New Orleans	\$3.4	\$0.2	\$-	(\$0.7)	\$2.9
Entergy Texas	\$3.6	\$0.3	\$-	\$-	\$3.9
System Energy	\$452.8	\$31.5	(\$38.9)	\$-	\$445.4
Entergy Wholesale Commodities	\$1,420.0	\$115.6	(\$34.1)	(\$8.6)	\$1,492.9

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2010 by Entergy were as follows:

	<b>Liabilities as of December 31, 2009</b>	<b>Accretion</b>	<b>Change in Cash Flow Estimate</b>		<b>Liabilities as of December 31, 2010</b>
			<b>Spending</b>		
			<b>(In Millions)</b>		
Utility:					
Entergy Arkansas	\$566.4	\$35.8	\$-	\$-	\$602.2
Entergy Gulf States Louisiana	\$321.2	\$18.7	\$-	\$-	\$339.9
Entergy Louisiana	\$298.2	\$23.0	\$-	\$-	\$321.2
Entergy Mississippi	\$5.1	\$0.3	\$-	\$-	\$5.4
Entergy New Orleans	\$3.2	\$0.2	\$-	\$-	\$3.4
Entergy Texas	\$3.4	\$0.2	\$-	\$-	\$3.6
System Energy	\$421.4	\$31.4	\$-	\$-	\$452.8
Entergy Wholesale Commodities	\$1,320.6	\$107.6	\$-	(\$8.2)	\$1,420.0

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. As described below, during 2011 Entergy updated decommissioning cost estimates for certain nuclear power plants. There were no updates to decommissioning cost estimates for 2010.

In the first quarter of 2011, System Energy recorded a revision to its estimated decommissioning cost liability for Grand Gulf as a result of a revised decommissioning cost study. The revised estimate resulted in a \$38.9 million reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

In the fourth quarter of 2011, Entergy Wholesale Commodities recorded a reduction of \$34.1 million in the decommissioning cost liability for a plant as a result of a revised decommissioning cost study obtained to comply with a state regulatory requirement. The revised cost study resulted in a change in the undiscounted cash flows and a credit to decommissioning expense of \$34.1 million (\$21 million net-of-tax) was recorded, reflecting the excess of the reduction in the liability over the amount of undepreciated assets.

For the Indian Point 3 and FitzPatrick plants purchased in 2000, NYPA retained the decommissioning trusts and the decommissioning liability. NYPA and Entergy subsidiaries executed decommissioning agreements, which specify their decommissioning obligations. NYPA has the right to require the Entergy subsidiaries to assume the decommissioning liability provided that it assigns the corresponding decommissioning trust, up to a specified level, to the Entergy subsidiaries. If the decommissioning liability is retained by NYPA, the Entergy subsidiaries will perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trusts. Entergy recorded an asset, which is now \$521.6 million as of December 31, 2011, representing its estimate of the present value of the difference between the stipulated contract amount for decommissioning the plants less the decommissioning cost estimated in an independent decommissioning cost study. The asset is increased by monthly accretion based on the applicable discount rate necessary to ultimately provide for the estimated future value of the decommissioning contract. The monthly accretion is recorded as interest income.

Entergy maintains decommissioning trust funds that are committed to meeting the costs of decommissioning the nuclear power plants. The fair values of the decommissioning trust funds and the related asset retirement obligation regulatory assets of Entergy as of December 31, 2011 are as follows:

	<b>Decommissioning Trust Fair Values</b>	<b>Regulatory Asset</b>
	<b>(In Millions)</b>	
Utility:		
ANO 1 and ANO 2	\$541.7	\$181.5
River Bend	\$420.9	\$5.5
Waterford 3	\$254.0	\$116.1
Grand Gulf	\$423.4	\$59.6
Entergy Wholesale Commodities	\$2,148.0	\$-

The fair values of the decommissioning trust funds and the related asset retirement obligation regulatory assets of Entergy as of December 31, 2010 are as follows:

	<b>Decommissioning Trust Fair Values</b>	<b>Regulatory Asset</b>
	(In Millions)	
Utility:		
ANO 1 and ANO 2	\$520.8	\$161.4
River Bend	\$393.6	\$10.9
Waterford 3	\$240.5	\$104.2
Grand Gulf	\$387.9	\$98.3
Entergy Wholesale Commodities	\$2,052.9	\$-

**NOTE 10. LEASES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

General

As of December 31, 2011, Entergy had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) with minimum lease payments as follows:

<b>Year</b>	<b>Operating Leases</b>	<b>Capital Leases</b>
	(In Thousands)	
2012	\$84,860	\$6,494
2013	78,552	6,494
2014	78,559	4,694
2015	62,043	4,615
2016	37,963	4,457
Years thereafter	166,445	38,025
Minimum lease payments	508,422	64,779
Less: Amount representing interest	-	23,621
Present value of net minimum lease payments	<u>\$508,422</u>	<u>\$41,158</u>

Total rental expenses for all leases (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) amounted to \$75.3 million in 2011, \$80.8 million in 2010, and \$71.6 million in 2009.

As of December 31, 2011, the Registrant Subsidiaries had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum lease payments as follows:

### Capital Leases

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Mississippi</u>
	(In Thousands)	
2012	\$237	\$3,370
2013	237	3,370
2014	237	1,570
2015	158	1,570
2016	-	1,570
Years thereafter	-	1,701
Minimum lease payments	869	13,151
Less: Amount representing interest	530	2,430
Present value of net minimum lease payments	<u>\$339</u>	<u>\$10,721</u>

### Operating Leases

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Gulf States Louisiana</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)					
2012	\$22,843	\$11,437	\$9,068	\$6,192	\$1,698	\$5,646
2013	21,318	10,904	7,876	5,568	1,464	5,435
2014	20,296	17,596	6,522	4,466	1,320	4,028
2015	21,692	8,341	5,540	3,324	1,077	1,999
2016	7,545	7,901	2,171	1,878	728	1,066
Years thereafter	5,013	65,565	1,801	6,156	604	1,274
Minimum lease payments	<u>\$98,707</u>	<u>\$121,744</u>	<u>\$32,978</u>	<u>\$27,584</u>	<u>\$6,891</u>	<u>\$19,448</u>

### Rental Expenses

<u>Year</u>	<u>Entergy Arkansas</u>	<u>Entergy Gulf States Louisiana</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>	<u>System Energy</u>
	(In Millions)						
2011	\$13.4	\$12.2	\$12.2	\$5.2	\$1.7	\$8.4	\$1.6
2010	\$13.0	\$12.5	\$11.7	\$5.5	\$1.7	\$7.4	\$1.4
2009	\$12.0	\$11.6	\$10.7	\$5.3	\$1.6	\$9.9	\$1.3

In addition to the above rental expense, railcar operating lease payments and oil tank facilities lease payments are recorded in fuel expense in accordance with regulatory treatment. Railcar operating lease payments were \$8.3 million in 2011, \$8.4 million in 2010, and \$7.2 million in 2009 for Entergy Arkansas and \$2.0 million in 2011, \$2.3 million in 2010, and \$3.1 million in 2009 for Entergy Gulf States Louisiana. Oil tank facilities lease payments for Entergy Mississippi were \$3.4 million in 2011, \$3.4 million in 2010, and \$3.4 million in 2009.

## Sale and Leaseback Transactions

### Waterford 3 Lease Obligations

In 1989, in three separate but substantially identical transactions, Entergy Louisiana sold and leased back undivided interests in Waterford 3 for the aggregate sum of \$353.6 million. The interests represent approximately 9.3% of Waterford 3. The leases expire in 2017. Under certain circumstances, Entergy Louisiana may repurchase the leased interests prior to the end of the term of the leases. At the end of the lease terms, Entergy Louisiana has the option to repurchase the leased interests in Waterford 3 at fair market value or to renew the leases for either fair market value or, under certain conditions, a fixed rate.

Entergy Louisiana issued \$208.2 million of non-interest bearing first mortgage bonds as collateral for the equity portion of certain amounts payable under the leases.

Upon the occurrence of certain events, Entergy Louisiana may be obligated to assume the outstanding bonds used to finance the purchase of the interests in the unit and to pay an amount sufficient to withdraw from the lease transaction. Such events include lease events of default, events of loss, deemed loss events, or certain adverse "Financial Events." "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure period, to maintain (i) total equity capital (including preferred membership interests) at least equal to 30% of adjusted capitalization, or (ii) a fixed charge coverage ratio of at least 1.50 computed on a rolling 12 month basis. As of December 31, 2011, Entergy Louisiana was in compliance with these provisions.

As of December 31, 2011, Entergy Louisiana had future minimum lease payments (reflecting an overall implicit rate of 7.45%) in connection with the Waterford 3 sale and leaseback transactions, which are recorded as long-term debt, as follows:

	<u>Amount</u> (In Thousands)
2012	\$39,067
2013	26,301
2014	31,036
2015	28,827
2016	16,938
Years thereafter	<u>106,335</u>
Total	248,504
Less: Amount representing interest	<u>60,249</u>
Present value of net minimum lease payments	<u>\$188,255</u>

### Grand Gulf Lease Obligations

In 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of \$500 million. The interests represent approximately 11.5% of Grand Gulf. The leases expire in 2015. Under certain circumstances, System Energy may repurchase the leased interests prior to the end of the term of the leases. At the end of the lease terms, System Energy has the option to repurchase the leased interests in Grand Gulf at fair market value or to renew the leases for either fair market value or, under certain conditions, a fixed rate.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a

FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount was a net regulatory asset (liability) of (\$2.0) million and \$60.6 million as of December 31, 2011 and 2010, respectively.

As of December 31, 2011, System Energy had future minimum lease payments (reflecting an implicit rate of 5.13%), which are recorded as long-term debt as follows:

	<u>Amount</u>
	(In Thousands)
2012	\$49,959
2013	50,546
2014	51,637
2015	52,253
2016	-
Years thereafter	-
Total	<u>204,395</u>
Less: Amount representing interest	<u>25,611</u>
Present value of net minimum lease payments	<u>\$178,784</u>



**NOTE 11. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS** (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

**Qualified Pension Plans**

Entergy has seven qualified pension plans covering substantially all employees: "Entergy Corporation Retirement Plan for Non-Bargaining Employees," "Entergy Corporation Retirement Plan for Bargaining Employees," "Entergy Corporation Retirement Plan II for Non-Bargaining Employees," "Entergy Corporation Retirement Plan II for Bargaining Employees," "Entergy Corporation Retirement Plan III," "Entergy Corporation Retirement Plan IV for Non-Bargaining Employees," and "Entergy Corporation Retirement Plan IV for Bargaining Employees." The Registrant Subsidiaries participate in two of these plans: "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees." Except for the Entergy Corporation Retirement Plan III, the pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. The Entergy Corporation Retirement Plan III includes a mandatory employee contribution of 3% of earnings during the first 10 years of plan participation, and allows voluntary contributions from 1% to 10% of earnings for a limited group of employees.

The assets of the seven qualified pension plans are held in a master trust established by Entergy. Each pension plan has an undivided beneficial interest in each of the investment accounts of the master trust that is maintained by a trustee. Use of the master trust permits the commingling of the trust assets of the pension plans of Entergy Corporation and its Registrant Subsidiaries for investment and administrative purposes. Although assets are commingled in the master trust, the trustee maintains supporting records for the purpose of allocating the equity in net earnings (loss) and the administrative expenses of the investment accounts to the various participating pension plans. The fair value of the trust assets is determined by the trustee and certain investment managers. The trustee calculates a daily earnings factor, including realized and unrealized gains or losses, collected and accrued income, and administrative expenses, and allocates earnings to each plan in the master trust on a pro rata basis.

Further, within each pension plan, the record of each Registrant Subsidiary's beneficial interest in the plan assets is maintained by the plan's actuary and is updated quarterly. Assets for each Registrant Subsidiary are increased for investment income and contributions, and decreased for benefit payments. A plan's investment net income/(loss) (i.e. interest and dividends, realized gains and losses and expenses) is allocated to the Registrant Subsidiaries participating in that plan based on the value of assets for each Registrant Subsidiary at the beginning of the quarter adjusted for contributions and benefit payments made during the quarter.

Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their respective jurisdictions.

**Components of Qualified Net Pension Cost and Other Amounts Recognized as a Regulatory Asset and/or Accumulated Other Comprehensive Income (AOCI)**

Entergy Corporation and its subsidiaries' total 2011, 2010, and 2009 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In Thousands)		
<b>Net periodic pension cost:</b>			
Service cost - benefits earned during the period	\$121,961	\$104,956	\$89,646
Interest cost on projected benefit obligation	236,992	231,206	218,172
Expected return on assets	(301,276)	(259,608)	(249,220)
Amortization of prior service cost	3,350	4,658	4,997
Recognized net loss	<u>92,977</u>	<u>65,901</u>	<u>22,401</u>
Net periodic pension costs	<u>\$154,004</u>	<u>\$147,113</u>	<u>\$85,996</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>			
Arising this period:			
Net loss	\$1,045,624	\$232,279	\$76,799
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:			
Amortization of prior service cost	(3,350)	(4,658)	(4,997)
Amortization of net loss	<u>(92,977)</u>	<u>(65,901)</u>	<u>(22,401)</u>
Total	<u>949,297</u>	<u>161,720</u>	<u>49,401</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u>\$1,103,301</u>	<u>\$308,834</u>	<u>\$135,397</u>
<b>Estimated amortization amounts from regulatory asset and/or AOCI to net periodic cost in the following year</b>			
Prior service cost	\$2,733	\$3,350	\$4,658
Net loss	\$169,064	\$92,977	\$65,901