

1        Table 1 reflects information from the Watson Wyatt Data Services Reports  
2        on Middle Management, Professional, Technical & Skilled Trades, Office  
3        Personnel Compensation, and Top Management for the years 1999-2004.  
4        Please see Exhibit RNF-10 for the specific pages from those surveys.

5                The percentages on Table 1 are the minimums reported in the  
6        Watson Wyatt reports for any of the five compensation levels for the year  
7        listed. (The five compensation levels are Middle Management,  
8        Professional, Technical & Skilled Trades, Office Personnel Compensation,  
9        and Top Management). Consequently, as shown on RNF 10, the  
10       percentages in Table 1 understate the prevalence of annual bonus  
11       programs that are similar to Entergy's Annual Incentive Plan.

12

13    Q.    DURING THE TTC COST PERIOD, WERE ANY OF THE ENTERGY  
14       ANNUAL INCENTIVE COMPENSATION PERFORMANCE GOALS  
15       BASED UPON SAFETY AND OPERATIONAL TARGETS DESIGNED TO  
16       IMPROVE CUSTOMER SERVICE?

17    A.    Yes. As part of Entergy's annual incentive plans, each Entergy business  
18       unit—such as customer support services, Entergy Texas Distribution, the  
19       Entergy Transmission Organization, and power plant operations—is  
20       required to set safety and operational goals specific to its type of  
21       operation. My Exhibit RNF-11 is a summary of the guidelines for setting  
22       those goals and examples of the general types of goals the business units  
23       must establish. As can be seen on that exhibit, the safety and operational

1 goals are aimed at, among other things, improving distribution,  
2 transmission, and generation reliability, reducing customer billing errors,  
3 improving customer call center responsiveness, achieving energy  
4 efficiency goals, and compliance with regulatory requirements. A  
5 business unit's incentive fund and an employee's annual incentive  
6 compensation award are affected positively by achieving the safety and  
7 operational goals and are affected negatively by failing to achieve those  
8 goals.

9  
10 Q. IN PREPARING A BENCHMARK COMPARISON OF ONE COMPANY'S  
11 LEVEL OF COMPENSATION TO ITS EMPLOYEES COMPARED WITH  
12 THE LEVEL OF COMPENSATION PAID BY COMPARABLE  
13 COMPANIES, HOW SHOULD ONE DEFINE THE "MARKET" LEVEL OF  
14 COMPENSATION?

15 A. When using a benchmark analysis to compare companies' levels of  
16 compensation, it is advisable to view the market level of compensation as  
17 a range (e.g., plus or minus 10% of a mid-point) rather than a precise,  
18 single point. Although benchmarking has its place in compensation  
19 analyses, and is used by HR departments and professionals, there are  
20 inherent differences in how companies match job responsibilities with job  
21 titles and in how accurately companies complete the survey information.  
22 These limitations do not invalidate benchmark comparisons of

1 compensation levels, but they do add an element of imprecision to any  
2 comparison of compensation by job title.

3 Consequently, for purposes of interpreting a compensation  
4 benchmark study, it is common among HR compensation professionals to  
5 define the market level of compensation as range of approximately plus or  
6 minus 10% around the median level of compensation. In other words, a  
7 value of approximately 90% to 110% of the median level of compensation  
8 is a market level of compensation, or "at market." Indeed, Towers Perrin  
9 uses this same definition of the market in its analysis. My Exhibit RNF-12  
10 is an excerpt from a Towers Perrin survey that states this definition of the  
11 market level of compensation.

12

13 Q. DURING THE TTC COST PERIOD, WERE ENTERGY'S TOTAL  
14 COMPENSATION COSTS REASONABLE?

15 A. Yes. During the TTC cost period, Entergy's total compensation costs  
16 were reasonable, based on my knowledge of the utility industry and the  
17 employment market, my familiarity with the Entergy system, and my  
18 experience with compensation principles. As summarized in the following  
19 two tables, Entergy's total compensation during the TTC cost period was  
20 reasonable and necessary in that employment market.

21 Table 2 illustrates that Entergy's base pay was equivalent to the  
22 market rate during the TTC cost period.

**Table 2<sup>5</sup>**

**Entergy Corporation  
1999-2004 Overall Base Pay  
As a Percentage of the Market  
(Market Equals 90% to 110%)**

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
102.6%	101.9%	104.8%	101.8%	98.6%	95.0%

Table 2 was developed by comparing the actual base salaries for Entergy's employees with the market benchmark base salaries for similar responsibilities in the Towers Perrin Energy Services series and the Watson Wyatt compensation series. For base salaries, the compensation surveys do not contain information to present one comparison versus All Industries and a separate comparison versus the Utility & Energy Industry. Consequently, Table 2 shows the comparison of Entergy versus the combination of All Industries and the Utility & Energy Industry.

In regard to annual incentive compensation, Table 3 shows that, for the Utility & Energy Industry comparison, Entergy's payments under its Annual Incentive Plans were at market during the TTC cost period, except for 2002 and 2003, when Entergy was above market. Entergy's annual incentive payments for 2002 and 2003 reflect: (1) the realization of Entergy's programs to improve its operational and financial performance

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<sup>5</sup> The calculations supporting Table 2 are provided in Exhibit RNF-13.

over previous years; and (2) flat annual incentive plan payments by others in the Utility & Energy Industry.

**Table 3**

**Entergy Corporation  
1999-2004 Annual Incentive Plans  
(Paid as a % of Base Salary) as a Percentage of the Market  
(Market Equals 90% to 110%)**

	<b>Entergy Compared With All Industries</b>	<b>Entergy Compared With Utility &amp; Energy</b>
1999	86%	87%
2000	124%	109%
2001	115%	103%
2002	153%	135%
2003	125%	118%
2004	126%	103%

For each year 1999-2004, Table 3 was developed by: first, determining the dollar amount of payments made under Entergy's Annual Incentive Plans; second, dividing that dollar amount by the dollar amount of annual base pay, which produces the payments under the Annual Incentive Plans as a percentage of base pay; and (3) comparing that percentage—payments under Entergy's Annual Incentive Plans as a percentage of

1           base pay—to the benchmark percentage of payments made under annual  
2           incentive plans as a percentage of base pay. These calculations are  
3           shown on Exhibit RNF-14.

4                     In regard to annual payments under the stock option plan, I have  
5           not prepared a comparison of Entergy's payments under its stock option  
6           plan versus the market because I know of no benchmark survey data that  
7           would allow me to develop such a comparison. None of the compensation  
8           surveys that the ESI HR department uses shows data solely for payments  
9           under stock option plans. Even so, Entergy structures the components of  
10          its compensation package in order to pay total compensation that is at  
11          market with comparable companies. My experience assessing total  
12          compensation for Entergy employees versus the market is that, during the  
13          TTC cost period, Entergy's total compensation, which includes payments  
14          under the stock option plan, was at market. Given this broader conclusion  
15          about Entergy's total compensation, it appears that Entergy's payments  
16          under the stock option plan were at market as well.

17

18    Q.    WHAT CONCLUSION DO YOU DRAW FROM TABLES 2 AND 3 AND  
19           YOUR ANSWER TO THE PREVIOUS QUESTION?

20    A.    Regardless of how the individual components of Entergy's compensation  
21           compared with the individual components of compensation offered by  
22           comparable companies during the TTC cost period, the combination of

1           Entergy's base pay, annual incentive compensation payments, and stock  
2           option payments during the TTC cost period was at market.

3

4                                   C.    Benefit Plans

5                                   (1)   Description of Entergy's Benefit Plans

6    Q.    PLEASE DESCRIBE THE BENEFIT PLANS PROVIDED BY EGSI, ESI,  
7           AND THE RETAIL ORGANIZATION TO THEIR EMPLOYEES DURING  
8           THE TTC COST PERIOD.

9    A.    During the TTC cost period, EGSI, ESI, and the Retail organization  
10          provided health and welfare, life insurance, income security, savings, and  
11          pension and other post-retirement benefits to their employees through  
12          Entergy's benefit plans. Employees of all of the Entergy subsidiaries,  
13          including EGSI, ESI, and the companies in the Retail organization,  
14          participated in the same consolidated benefits programs. These programs  
15          consisted of: (1) medical and dental plans; (2) employee disability  
16          insurance; (3) employee life insurance as well as accidental death and  
17          dismemberment insurance; (4) retirement plans, consisting of both a  
18          defined benefit pension plan and a 401(k) Savings Plan; and (5) post-  
19          retirement benefit programs.

20                The costs of providing many of these programs were shared  
21                between Entergy and its employees. The cost sharing allowed Entergy to  
22                provide competitive benefits programs to employees while maintaining  
23                total compensation costs that were comparable with industry averages.

1 Q. YOU HAVE LISTED FIVE CATEGORIES OF BENEFIT PLANS. PLEASE  
2 DESCRIBE THOSE PLANS.

3 A. The following summary describes the various plans offered during the  
4 TTC cost period.<sup>6</sup>

5 1. Medical and Dental Plans

6 *Medical Plan.* Entergy uses managed doctor and hospital  
7 networks, which reduce claims costs. Entergy's BenefitsPlus Medical  
8 Plan provides employees and their dependents comprehensive medical  
9 coverage. The plan offers two delivery options for healthcare, Preferred  
10 Provider Organization ("PPO") and a Point of Service managed care  
11 option. The PPO option has several deductible levels. Both options are  
12 provided through a network of health service providers managed by  
13 Aetna.

14 *Dental Plan.* The BenefitsPlus dental plan offers coverage for four  
15 types of services: diagnostic and preventive care; basic restorative care;  
16 major restorative care; and orthodontics (for dependent children only).  
17 The plan pays 100% of diagnostic and preventive care, 80% of basic  
18 restorative care, and 50% of both major restorative care and orthodontics  
19 services.

20 2. Long-Term Disability Benefit Plan

21 Entergy's long-term disability program provides a monthly income

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<sup>6</sup> As with my discussion of the compensation programs, although I may describe the benefit plans using the present tense, my testimony describes the offerings and practices during the TTC cost period.



1       for eligible employees who become disabled while actively employed by  
2       Entergy. The plan provides either 65% or 40% of the employees' monthly  
3       income, depending on the option elected by the employee, and is reduced  
4       by any amounts received by the employee from Worker's Compensation,  
5       Social Security, and other income benefit sources. Entergy and its  
6       employees share in the cost of this plan. An employee has the option to  
7       decline coverage under the plan and to, instead, apply Entergy's cost  
8       contribution to other Entergy benefit plans that the employee selects.

9       3.     Life Insurance Benefit Plans

10       Entergy offers eligible employees choices in Life Insurance and in  
11       Accidental Death and Dismemberment Insurance. Benefit levels range  
12       from four times annual base pay to one-half times base pay. Entergy pays  
13       the premium for plans that provide benefits equal to one times base pay.  
14       For plans that provide greater benefits, the employee pays the additional  
15       premium.

16       In addition to basic employee life coverage, employees may elect  
17       Survivor Income Insurance and Dependent Life Insurance. These  
18       programs are provided to allow employees to take advantage of group  
19       rates. Employees pay 100 percent of the cost for these programs.

20       4.     Retirement Benefit Plans

21       Entergy offers a defined benefit retirement program and a defined  
22       contribution savings plan (a 401(k) savings plan).

1           Entergy's *defined benefit retirement program* is a noncontributory  
2           program that provides monthly benefits to retired employees and their  
3           contingent annuitants who qualify under the Plan(s). Entergy pays the  
4           entire cost of the program.

5           The *401(k) Savings Plan* encourages employees to save regularly  
6           for their retirement. During the TTC cost period, Entergy matched a  
7           portion of each dollar of employee contributions up to the first six percent  
8           of pay contributed by the employee.

9           5.    Executive Retirement Benefit Programs

10          Entergy executives participate in the same benefit programs in  
11          which most non-bargaining employees participate. In addition to  
12          participating in the same benefit programs available to other employees,  
13          certain executives also participate in one or more non-qualified executive  
14          retirement program(s). In general, executive retirement programs fall into  
15          two categories: (1) *restoration benefit plans* are designed to keep  
16          employees whole with respect to certain limitations placed on tax qualified  
17          plans by the Internal Revenue Code of 1986; and (2) *supplemental benefit*  
18          *plans* are designed to provide executives with a different benefit level than  
19          a qualified plan or a restoration plan would normally provide.

20

1           (2)   The Benefit Plans were Necessary and the Costs were Reasonable

2   Q.    DURING THE TTC COST PERIOD, DID ENTERGY USE BENCHMARK  
3           STUDIES TO EVALUATE ITS BENEFIT PLANS?

4   A.    Yes. Entergy evaluated its benefit plans every two years. Thus, Entergy  
5           has benchmark studies for the years 2000, 2002, and 2004.

6

7   Q.    DURING THE TTC COST PERIOD, WHAT SOURCES OF DATA DID  
8           ENTERGY USE TO EVALUATE ITS BENEFIT PLANS?

9   A.    Over the TTC cost period, Entergy consistently used the Towers Perrin  
10          BenVal reports to evaluate the competitiveness of its benefit plans and  
11          values. Although at various times during the TTC cost period, Entergy  
12          periodically also used other nationally recognized third party surveys to  
13          supplement its evaluation, the Towers Perrin BenVal series was Entergy's  
14          principal source of data to evaluate the benefit plans.

15               My Exhibit RNF-15 is a list of the Towers Perrin BenVal reports that  
16               Entergy used during the TTC cost period. The reports themselves are  
17               provided in Exhibits RNF-16A through RNF-16C.

18

19   Q.    DURING THE TTC COST PERIOD, WERE ENTERGY'S BENEFITS  
20          PLANS NECESSARY?

21   A.    Yes. In order to attract and retain a qualified workforce during the TTC  
22          cost period, it was necessary for Entergy to incur the cost to provide a  
23          competitive benefits package. As indicated by the Towers Perrin BenVal

1 series, the vast majority of companies in the utility industry offered benefit  
2 programs during the TTC cost period.<sup>7</sup> For example, 100% of the utility  
3 companies in the survey offered medical benefits, life insurance benefits,  
4 defined benefit retirement benefits, defined contribution savings benefits,  
5 short-term disability benefits, and long-term disability benefits. In addition,  
6 Towers Perrin's analysis shows that 90% of utility companies surveyed  
7 sponsored one or more executive retirement plan(s).

8

9 Q. DURING THE TTC COST PERIOD, DID EGSi TAKE ANY STEPS TO  
10 REDUCE THE COST OF ITS BENEFITS PLANS?

11 A. Yes. For example, effective in January 2003 and January 2005, Entergy  
12 changed the provider of its prescription drug plan, reducing Entergy's cost  
13 of this benefit plan each time. As another example, effective in January  
14 2004, the employee's share of the Medical Plan premium was increased  
15 from 20% to 25%, again reducing Entergy's cost of this benefit plan. In  
16 addition, even before the TTC cost period started, Entergy already had  
17 outsourced the administration of its 401(k) savings plan, with attendant  
18 cost savings.

19

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<sup>7</sup> Please see Exhibit RNF-17 for excerpts from the Towers Perrin BenVal Series showing the prevalence of benefit programs among companies in the utility industry.

1 Q. DURING THE TTC COST PERIOD, HOW DID ENTERGY DETERMINE  
2 THAT ITS BENEFIT PROGRAMS WERE REASONABLE?

3 A. First, plan costs were monitored on a monthly basis and the costs for  
4 providing these programs were compared against targets in the budget.

5 Second, Entergy compared itself with companies from both the  
6 utility industry and general industry when benchmarking its total benefit  
7 value because Entergy recruited from both utilities and general industry.  
8 The comparison also recognized that Entergy employees may pursue  
9 employment opportunities in either the utility market or general industry.  
10 Thus, Entergy's benefit levels had to be competitive with both labor  
11 markets. In general, the values of benefit programs drive the costs of the  
12 programs. Therefore, these comparisons assisted Entergy management  
13 in monitoring benefit costs to ensure that Entergy's benefit values were  
14 competitive with the market but not unnecessarily above the values  
15 needed to stay competitive.

16  
17 Q. IN PREPARING A BENCHMARK COMPARISON OF ONE COMPANY'S  
18 BENEFIT VALUES PROVIDED TO ITS EMPLOYEES COMPARED WITH  
19 THE BENEFIT LEVELS PROVIDED BY COMPARABLE COMPANIES,  
20 HOW SHOULD ONE DEFINE THE "MARKET" LEVEL OF BENEFITS?

21 A. When using a benchmark analysis to compare the values of benefit plans  
22 offered by companies to their employees, HR professionals define the  
23 market level as a range of approximately plus or minus 10% of the median

1           benefit values offered by comparable companies. As with my discussion  
2           regarding the use of benchmark analyses of compensation levels, there  
3           likewise is imprecision in developing benefit values for use in  
4           benchmarking studies. Thus, the market value is defined as a range  
5           rather than as a single, specific point.  
6

7    Q.    OVER THE SIX-YEAR TTC COST PERIOD, HOW DID ENTERGY'S  
8           BENEFIT VALUES COMPARE WITH THE BENEFIT VALUES OFFERED  
9           BY OTHER UTILITY COMPANIES OF SIMILAR SIZE AND SCOPE?

10   A.   Over the TTC cost period, the value of Entergy's total benefit program was  
11           at market when compared with the total value of benefit programs offered  
12           by utility companies of similar revenue size. As shown on Table 4,  
13           Entergy's total benefit values ranged from 95% to 98% of the market  
14           medians for the years 2000, 2002, and 2004.  
15

1  
2  
3  
4  
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7

**Table 4**  
  
**Entergy Corporation**  
**2000, 2002, and 2004 Values of Benefit Plans**  
**Compared With Comparable Utilities**  
**(Market Equals 90% to 110%)**

<u>Benefit Plans</u>	<b>Entergy Compared With Utilities of Similar Revenue Size</b>		
	<u>2000</u>	<u>2002</u>	<u>2004</u>
Defined Benefit & Defined Contribution Plans			
Retirement Plan	102	129	129
Savings Plan	97	80	76
Retirement & Savings Plans Combined	100	108	104
ACTIVE ONLY: Health & Welfare Plans			
Life Insurance	46	89	100
Medical	88	89	79
Dental	109	130	117
Short Term Disability	96	102	103
Long Term Disability	0	3	10
Short & Long Term Disability Combined	81	87	86
RETIREE ONLY: Health & Welfare Plans:			
Life Insurance	195	232	166
Medical (and Dental)	110	122	200
ACTIVE & RETIREE (COMBINED): Health & Welfare Plans			
Life Insurance	105	127	120
Medical	92	96	96
Medical & Dental Combined	94	97	97
<b>Entire Benefit Program</b>	<b>95</b>	<b>98</b>	<b>96</b>

1           Table 4 was developed by comparing the benefit values of  
2           Entergy's benefit plans with the benefit values of benefit plans offered by  
3           utilities of similar revenue size as reported in the Towers Perrin BenVal  
4           reports for the years 2000, 2002, and 2004. The Towers Perrin BenVal  
5           reports that ESI's HR department used during the TTC cost period do not  
6           contain information to present this comparison for 2000, 2002, and 2004  
7           versus All Industries. Therefore, Table 4 shows the comparison of  
8           Entergy versus utility companies of similar revenue size. The documents  
9           supporting Table 4 are provided in Exhibit RNF-18.

10           Although, as seen on Table 4, some of Entergy's benefit plans were  
11           below market, some were at market, and some were above market, the  
12           total values of the entire benefit program were at market.

13  
14    Q.    EARLIER IN YOUR TESTIMONY, YOU EXPLAINED THAT ENTERGY  
15           VIEWS COMPENSATION AND BENEFITS AS A TOTAL PACKAGE.  
16           SHOULD EACH COMPONENT OF THE TOTAL COMPENSATION AND  
17           BENEFITS PACKAGE (BASE PAY, ANNUAL INCENTIVE  
18           COMPENSATION, STOCK OPTIONS, BENEFITS) BE VIEWED AS A  
19           SEPARATE PROGRAM?

20    A.    No. The individual components and their costs are inter-related. Each  
21           component is a portion of Entergy's total compensation and benefits  
22           package for its workforce. As I have discussed, Entergy's approach is to  
23           provide, in a cost effective manner, a total compensation and benefits



1 package equivalent to what comparable companies pay. Individual  
2 components in that total package may be above or below the comparable  
3 market. A specific compensation or benefits component for a particular  
4 employee group may be above or below the market. Likewise, a specific  
5 employee's compensation and benefits may be above or below the  
6 market. But, overall, as I have demonstrated, Entergy's total  
7 compensation and benefits costs compare favorably with the market and  
8 are necessary and reasonable.

9  
10 E. Labor-Related Expenses

11 (1) Paid Time Off Policies

12 Q. DID ENTERGY OFFER PAID TIME OFF TO ITS EMPLOYEES DURING  
13 THE TTC COST PERIOD?

14 A. Yes. During the TTC cost period, 100% of the utility companies surveyed  
15 by the Towers Perrin BenVal Report offered short-term disability, long-  
16 term disability, vacation, and holiday benefits.<sup>8</sup>

17 My Exhibit RNF-20 shows a representative group of Entergy  
18 system policies that provided paid time off to employees.<sup>9</sup> These paid  
19 time off policies were: Absenteeism; Short-term Disability; Military Leaves  
20 of Absence; Holidays; and Vacation.

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<sup>8</sup> Please see Exhibit RNF-19 for excerpts from the Towers Perrin BenVal Series showing the prevalence of paid time off policies.

<sup>9</sup> The paid time off policies were substantially the same for each year in the TTC cost period. Therefore, Exhibit RNF-20 provides only one version of each policy.

1                   The Paid Time Off Policies are described in the following list:

- Absenteeism           Permits 40 hours of paid time off a year for compelling reasons, e.g., employee illness or spouse, child, or parent illness.
- Short-term Disability   Permits paid time off, based on years of employee service, for more than 40 consecutive hours of personal illness.
- Military Leaves of Absence   Permits pay differential and the continuation of benefits in the case of emergency active duty.
- Holidays           Permits at least 10 paid holidays per year.
- Vacation           Permits vacation, based on years of employment service, up to five weeks per year.

2

3   Q.   HOW ARE THE COSTS OF ENTERGY'S PAID TIME OFF POLICIES  
4       REFLECTED IN THE TTC COSTS?

5   A.   There is no explicit charge for paid time off. Instead, the costs for paid  
6       time off are subsumed within base pay.

7

8   Q.   DURING THE TTC COST PERIOD, WERE THE COSTS OF ENTERGY'S  
9       PAID TIME OFF POLICIES INCLUDED WITHIN BASE PAY  
10      REASONABLE?

11   A.   Yes. As I demonstrated earlier, Entergy's base pay was reasonable  
12       during the TTC cost period. Given that the costs of paid time off are  
13       subsumed within base pay, the costs of Entergy's paid time off policies  
14       during the TTC cost period were reasonable as well.

15

1 (2) Payroll Taxes

2 Q. WHAT ARE PAYROLL TAXES?

3 A. Payroll-related taxes are the employer's portion of Social Security and  
4 Medicare taxes, federal unemployment taxes, and state unemployment  
5 taxes.

6  
7 Q. DURING THE TTC COST PERIOD, WERE PAYROLL TAXES A  
8 REASONABLE AND NECESSARY EXPENSE?

9 A. Yes. Payroll taxes were reasonable and necessary because they were  
10 government mandated taxes due from employers based on amounts paid  
11 to employees for labor. These payroll taxes were an unavoidable  
12 component of overall payroll cost. Any labor necessary for Entergy's  
13 operations—including labor by ESI employees, by employees of the  
14 companies in the Retail organization, or by EGSi employees—includes  
15 required payroll taxes, which makes the payroll taxes necessary to  
16 Entergy's operations as well.

17  
18 Q. DURING THE TTC COST PERIOD, HOW WERE PAYROLL TAXES  
19 BILLED TO THE TTC PROJECTS?

20 A. Payroll taxes were distributed to each labor dollar incurred in the various  
21 TTC projects or activities. Thus, for example, for ESI employees who  
22 billed time to the TTC projects, payroll taxes were allocated to EGSi based  
23 upon the labor dollars in the various TTC project codes.

1 V. CONCLUSION

2 Q. WHAT IS YOUR CONCLUSION ABOUT THE ENTERGY  
3 COMPENSATION, BENEFITS, AND LABOR-RELATED EXPENSES  
4 INCLUDED IN THE TTC COSTS THAT EGSJ REQUESTS IN THIS  
5 DOCKET?

6 A. Entergy's compensation, benefits, and labor-related expenses included in  
7 the TTC costs at issue in this docket were necessary and reasonable.

8

9 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

10 A. Yes, at this time.

1 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND  
2 PROFESSIONAL EXPERIENCE.

3 A. I received a Master of Business Administration from the University of  
4 Dayton in 1981, a Bachelor of Business Administration from Wright State  
5 University in 1976, and have also completed Human Resource Executive  
6 programs at both Harvard and Cornell Universities. I have also completed  
7 continuing education through the Wharton Executive Program.

8 Before joining Middle South Services, Inc. (now Entergy Services,  
9 Inc., or "ESI") in 1992, I was employed by: Society Corporation, a financial  
10 services company, as Sr. Manager and Vice President, HR Operations  
11 from 1991 through 1992; TRW Automotive Worldwide, a 30,000 employee  
12 sector of TRW, Inc., as Manager, Compensation, Benefits and HRIS from  
13 1990 through 1991; and as Manager, Total Compensation Cost  
14 Management for Florida Power Corporation, an electric utility with 5,500  
15 employees, from 1985 through 1990.

16 Prior positions I have held with ESI are: Director, Human Resource  
17 Operations from February 1, 1998 to January 1, 1999; Director, HR  
18 Corporate Support and Compensation/HRIS from July 15, 1996 through  
19 January 31, 1998; Director, HR Transmission and Distribution from  
20 February 26, 1996 through July 14, 1996; Manager, System  
21 Compensation and HRIS from October 1, 1994 through February 25,  
22 1996; and Manager, System/EBS Compensation from October 19, 1992  
23 through September 30, 1994.

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## Incentive Plan Summaries

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# **ENTERGY ACHIEVEMENT MULTIPLIER (EAM) BASED INCENTIVE PLANS**

**Total Rewards  
January 2003**



## **EAM BASED INCENTIVE PLANS**

**Entergy's Incentive Plans are an important part of the total rewards you receive for your contribution to Entergy's success. The plans are designed to provide competitive compensation opportunities and establish a strong link between employees and increasing shareholder value.**

**This summary contains all the provisions for the Exempt Incentive Plan (EIP), the Management Incentive Plan (MIP), and the Executive Annual Incentive Plan (EAIP). It also describes the process for funding each of these plans.**

## EAM BASED INCENTIVE PLANS

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## **EAM BASED INCENTIVE PLANS**

### **OBJECTIVES**

- Fund incentive compensation payments only when Entergy creates shareholder value.
- Link interests of Management and of other participants to those of shareholders and customers.
- Reinforce company strategy and key goals.
- Provide clear incentive to improve results.
- Provide a competitive total compensation program.

### **ELIGIBILITY**

- For the **Executive Annual Incentive Plan (EAIP)**: Selected executives are nominated for participation by a member of the Operating Group. Management Level 4 participants are approved by the Office of the Chief Executive (OCE), Level 3 participants are approved by the CEO and Level 2 participants are approved by the Board of Directors.
- For the **Management Incentive Plan (MIP)**: Selected management personnel and key employees approved by the appropriate OCE member.
- For the **Exempt Incentive Plan (EIP)**: All exempt personnel who are not eligible for participation in another annual incentive plan (e.g. EAIP or MIP).
- MIP and EAIP participants are not eligible to receive overtime compensation.
- Participants cannot participate in another incentive plan concurrently.
- New employees must be hired **BEFORE** October 1 of the plan year to be eligible for an award in that year.
- Employees who retire or die are eligible for an award based on final base salary that may be prorated at the discretion of management and using the Entergy Achievement Multiplier. If a participant dies, any pro rata award due the participant will be made to the participant's designated beneficiary under the Benefits Plus Life Insurance Plan or, in the absence of a designated beneficiary, to the participant's estate.

### **ENTERGY ACHIEVEMENT MULTIPLIER (EAM)**

- Determines the total fund available for EAM-based incentives, where the EAM is multiplied by the sum of base salaries times the target incentive % for all participants.
- Measures the Company's Financial Success. Measurements and results are approved by the Personnel and Finance Committees of the Board.
- Has two components:
  - Earnings Per Share (EPS) - As reported Earnings Per Share is the Company's net profit divided by the number of outstanding shares of common stock.

## EAM BASED INCENTIVE PLANS

- Operating Cash Flow (OCF) - The amount of cash flow generated by operating activities. It includes changes in working capital components, items like accounts receivable and inventory that affect cash balance.
- Each of the Two Components, Earnings Per Share (EPS) and Operating Cash Flow (OCF) are weighted at 50 percent.
- 2002 Approved Targets were:

	Minimum (25%)	Target (100%)	Maximum (200%)	Actual (200%)
EPS	3.05	3.40	3.75	TBD
OCF (\$MM)	1,770	2,000	2,230	TBD

### MINIMUM & MAXIMUM

- The two Individual Components of EAM have a minimum achievement level of 25% and a maximum achievement level of 200%.
- Achievement below 25% will count as 0 for a component. Achievement above 200% will count as 200% for a component.
- The incentive fund will be determined by combining the results of the two components of the EAM. 25% minimum to 200% maximum. EAM below 25% will result in no incentive funding.
- EAM calculation examples:

▶ EPS Results are 225% <sup>(1)</sup>	X	50% Weighting	=	100%
OCF Results are 150%	X	50% Weighting	=	75%
EAM				= 175%
▶ EPS Results are 50%	X	50% Weighting	=	25%
OCF Results are 225% <sup>(1)</sup>	X	50% Weighting	=	100%
EAM				= 125%
▶ EPS Results are 23% <sup>(2)</sup>	X	50% Weighting	=	0%
OCF Results are 120%	X	50% Weighting	=	60%
EAM				= 60%
▶ EPS Results are 23% <sup>(2)</sup>	X	50% Weighting	=	0%
OCF Results are 48%	X	50% Weighting	=	24%
EAM				= 24% <sup>(3)</sup> = 0%

<sup>(1)</sup> 200% of Target = Maximum

<sup>(2)</sup> 25% of Target = Minimum

<sup>(3)</sup> No Incentive Funding

## **EAM BASED INCENTIVE PLANS**

### **LINE OF BUSINESS MULTIPLIER (LOBM)**

- The Two Components of the Line Of Business Multiplier are the same as the Entergy Achievement Multiplier – EPS & OCF.
- Targets and Results for the Line Of Business Multiplier are set by the Office of the Chief Executive (OCE) in support of the EAM.
- LOB Results determine the Total Fund Available for Incentives within the Line of Business.
- $\text{LOB Multiplier} \times \text{Target Incentives} = \text{LOB Fund}$ .
- $\text{Target Incentive} = \text{Base Salary} \times \text{Incentive \% at Target}$  for all participants in the LOB.
- If the combined LOB funds exceed the EAM Fund, the LOB funds will be reduced proportionately.
- The Minimum and Maximum limits are applied to the LOB Multiplier results the same as the EAM results.
- The OCE has the discretion to reserve funds from the EAM pool to use for special awards. Special awards are not included as pension earnings for calculations of pension benefits.

### **BALANCED SCORECARD INTEGRATION**

#### **What will the Balanced Scorecard Accomplish?**

- Focus on Business Unit strategy, allowing clarity and understanding of how everyone can contribute.
- Alignment within and across Business Units.
- Common framework to evaluate strategic initiatives across perspectives and incorporate feedback as needed.
- Commitment to corporate objectives.
- Balance between organization (Business Unit) and individual goals, allowing for performance differentiation.

### **INCENTIVE AWARD ALLOCATION TO PARTICIPANTS**

- The Sum of all incentive awards to participants in the LOB is limited to the total LOB fund.
- An Individual Participant's incentive award is limited to 200% of his or her target incentive amount, which is equal to participant's base salary and incentive target percentage as of December 31.

## **EAM BASED INCENTIVE PLANS**

- When setting an Individual Participant's goals, at least 25% of the weightings will be the Corporate EAM. (Reflected in the Financial Perspective on the BU Scorecard).
- An additional 25% of an Individual Participant's goal weightings will be financial for EAIP and for MIP participants.
- The remaining 50% or 75% of an Individual Participant's goal weightings will be determined and measured by their management. This will be based on measures that support BU scorecard objectives and reflect where individuals should focus their efforts.
- Balanced scorecard measures, targets and weights will be linked to individual participants via the PP&R process and should consider each balanced scorecard perspective. This is the responsibility of the supervisor and the individual participant.
- Awards to participants are not necessarily formula driven. Supervisors will distribute incentive awards to individual participants using the results of the balanced scorecard/PP&R Objectives etc. as a guide and may include discretion.
- Business Units will score how well plan participants performed against individual scorecard related measures.
- Scores will be based on results achieved against performance levels set for key measures.
- Each Line Of Business will determine and communicate how Incentive Awards are allocated to Individual Participants.

### **TARGET INCENTIVES/DEFERRAL OPPORTUNITES**

- Target incentive percentages vary with the level of position.
- **For MIP:** Target incentive percentages require approval of the appropriate OCE member.
- **FOR EAIP:** Target incentive percentages require approval of the CEO for Levels 3 and 4.
- **For EAIP:** Incentive awards can be received either in cash or deferred into the Equity Awards Program or into the Executive Deferred Compensation Program (or in any combination thereof).

### **CHANGE OF STATUS DURING PLAN YEAR**

- Employees who terminate or resign prior to the end of the Plan Year (i.e. December 31st) are not eligible for an award.
- No award will be paid to a participant who has been demoted to a non-eligible position during the Plan Year except at the discretion of the OCE, for EAIP and at the discretion of the OCE member for MIP. The employee will participate in the incentive plan and target award associated with the new position.
- Participants must be on the payroll December 31 of the Plan Year unless retirement, death or disability occurs.

## **EAM BASED INCENTIVE PLANS**

- Employees who retire or die are eligible for an award based on final base salary that may be prorated at the discretion of management. Additionally, the award will be calculated using the EAM. If a participant dies, any pro rata payment due the participant will be made to the Participant's designated beneficiary under the Benefits Plus Life Insurance Plan or, in the absence of a designated beneficiary, to the participant's estate.
- Employees who become disabled (short-term, long-term and worker's compensation), or who go on military leave of absence for more than sixty calendar days (the days do not have to be consecutive) are eligible for an award.

### **CHANGE OF STATUS FAQs**

- Q) *An employee who is in the Management or the Exempt Incentive Plan terminates his or her employment and is gone for ## months. The employee then returns to work for the company and is re-hired in the same location and placed back into MIP or EIP. How will the System treat this employee in terms of incentive award?***
- A)** The incentive allocation system will not prorate for the time during the year during which the employee did not work for Entergy. Entergy management will be provided with information regarding the break in service via the incentive allocation system, with the employee's management making the ultimate decision regarding the amount of award.
- Q) *What happens if the same employee as above is rehired on or after Oct 1?***
- A)** Provided that the total time worked in 2002 is more than 3 months, then the employee will be entitled to an award, with his or her management making the ultimate decision regarding the amount of award.

### **CALCULATIONS EXAMPLE**

In the example below, \$65,000 would be the initial sum of target incentives for the business unit (i.e. business unit I). That number is added to similar results for all other business units. That sum would be multiplied by the overall Entergy Achievement Multiplier result to get the final Entergy-wide pool. For example, if business unit I's result of \$65,000 (from below) is added to business unit II's result of \$50,000 and to III's result of \$75,000, the total is \$190,000. If the Entergy-wide EAM is 120%, then the total pool of funds available is  $\$190,000 \times 120\% = \$228,000$ .

The maximum amount that can now be paid for EAM-based Incentives is \$228,000. In the example below, business unit I requires \$58,500 in order to be fully funded at the Line of Business (LOB) pool level. If business unit II's fund is \$70,000 and III's fund is \$99,500, then the sum of the three is \$228,000, which is equal to the Entergy-wide pool (i.e. the maximum to be paid). So, all of the business units would receive full funding for the calculated amount of their LOB pools. If, on the other hand, the sum of the three LOB pools is greater than \$228,000, then the dollars allocated to each LOB pool would be reduced to a total not to exceed \$228,000.

## **EAM BASED INCENTIVE PLANS**

### **CALCULATIONS FAQs**

- Q) Why is 50% or more of my award discretionary?**
- A)** Some Business Units have selected a 50% formula based/ 50% discretionary methodology for allocating management and exempt incentive awards (note that some have selected discretionary amounts of up to 100%). 50% of the MIP or EIP award could be awarded based on the level of LPBM performance and/or attainment of the work group's performance measure and 50% will be allocated on a discretionary basis. Your management has determined how the 50% discretionary portion will be allocated.
- Q) Who can answer questions about the discretionary portion of my incentive award?**
- A)** You should contact your supervisor.

### **WORK GROUP ASSIGNMENT/GOALS**

- Employees should contact their supervisor for information about work group assignments and their goals.
- For employees who change workgroups during the year, incentive awards will be based on the workgroup you work in the longest. For MIP and EIP, management has the capability to reward based on performance of both workgroup results. The allocation system will give them the information they need to determine if an award should be granted based on the performance of their current workgroup, past workgroups, etc.

### **ALLOCATION SYSTEM**

- A computer based system is used by supervisors to allocate individual incentive awards.
- Supervisors should complete the Computer Based Training (CBT) in the Managers Toolkit. Call the HR Service Center internally at 8-576-5588 or externally at 1-800-824-5588 to answer any questions.

### **BENEFIT CALCULATIONS**

- Incentive awards are included as pension earnings for calculation of pension benefits.



## EAM BASED INCENTIVE PLANS

### COORDINATORS/RESPONSIBILITY

- *Business Unit Coordinators gather, obtain approval, and communicate goal results. The coordinators are as follows:*

<b><i>Business Unit</i></b>	<b><i>Coordinator</i></b>
<i>Finance</i>	<i>Mike Schmidt</i>
<i>Legal</i>	<i>Mimi O'Leary</i>
<i>Public Relations/Public Affairs, Communications, Govt Affairs, Reg Affairs, Contributions</i>	<i>Bryan Bennett</i>
<i>Human Resources &amp; Administration</i>	<i>Scott Curren</i>
<i>Retail</i>	<i>Robert Craig Sanders</i>
<i>Jurisdictions and Customer Service</i>	<i>Kathy Breaux</i>
<i>Transmission</i>	<i>Kathy Brown</i>
<i>Fossil</i>	<i>Vicki Fama</i>
<i>Nuclear</i>	<i>Gina Gremillion</i>
<i>Entergy Nuclear Inc.</i>	<i>Linda Iupe, Amy Borrell</i>
<i>Entergy Wholesale</i>	<i>Mike Schmidt</i>
<i>Transition Management</i>	<i>Ken Sandberg</i>
<i>Thermal</i>	<i>Kristina Gritsutenko</i>

## **TEAMSHARING INCENTIVE PLAN SUMMARY FOR NON-BARGAINING EMPLOYEES (TIP)**

### **OBJECTIVES**

- Reward employees as a team for achieving goals that are important to Entergy
- Link interests of participants to those of shareholders and customers
- Reinforce company strategy and key goals
- Provide an incentive to improve results
- Provide a competitive total compensation program

### **ELIGIBILITY**

- Active (full-time and part-time) employees hired before October 1, who are not exempt from overtime pay and are not participating in another incentive plan, are eligible for participation in TIP.
- Participants must be on the payroll December 31 of the plan year to receive an award.
- Employees are eligible for participation in one incentive plan at a time and cannot receive a TIP award if they receive an award through another incentive plan in the same year.

### **GOALS AND GOAL SETTING**

- Teamsharing goals may consist of Entergy, Line of Business and workgroup goals. Every workgroup must have the Entergy Achievement Multiplier as a goal with at least a 25% weighting.
- The Line of Business leader approves goals.
- Goal measures have targets set at the minimum, target, and maximum levels of achievement.

### **AWARDS**

- TIP incentive awards are based on a target of 5% of an employee's annual wages, but actual awards can range from 0% to 7%.
- Accomplishing goals at the minimum achievement level results in an award of 3%, and accomplishing goals at the maximum achievement level results in an award of 7%.
- Actual award is based on the participant's incentive plan and salary on December 31.
- Employees who change workgroups during the year will receive an award based on participation in the workgroup they were in the longest.
- Participants employed for only part of the year will receive prorated awards based on the number of days of participation completed.

## **TEAMSHARING INCENTIVE PLAN SUMMARY FOR NON-BARGAINING EMPLOYEES (TIP)**

### **CHANGE OF STATUS DURING PLAN YEAR**

- TIP participants hired into an eligible position prior to October 1 are eligible for a prorated award based upon total regular hours worked and December 31 hourly rate during the plan year.
- Participants who change from full-time to part-time status or vice-versa during the plan year will have their award based on December 31 hourly rate times the number of regular hours worked during the plan year.
- A participant who moves into TIP from another incentive plan during the year will receive an award based on his or her incentive plan and target incentive percentage as of December 31.
- Participants who terminate or who resign before the end of the plan year are not eligible for an award.
- Participants who retire or die are eligible for a prorated award based on final base salary and the number of days completed during the plan year. If a participant dies, any pro rata award due the participant will be made to the participant's designated beneficiary under the Benefits Plus Life Insurance Plan or, in the absence of a designated beneficiary, to the participant's estate.
- •

### **BENEFIT CALCULATIONS**

- Most benefits (e.g. Long Term Disability, Life Insurance, Savings Plans) will be based on the participants base earnings. However, calculation of retirement benefits will include incentive awards. Annual incentive awards are considered pensionable earnings.

## **TEAMSHARING INCENTIVE PLAN SUMMARY FOR SELECTED BARGAINING UNITS (TSPB)**

### **OBJECTIVES**

- Reward employees as a team for achieving Entergy, Line of Business and workgroup goals
- Link interests of participants to those of shareholders and customers
- Reinforce company strategy and key goals
- Provide an incentive to improve results

### **ELIGIBILITY**

- Bargaining unit employees hired before October 1, and covered by a bargaining agreement participating in the Teamsharing Plan (TSPB) are eligible.
- Participants must be on the payroll December 31 of the plan year to receive an award.
- Employees are eligible for participation in one incentive plan at a time and cannot receive a TSPB award if they receive an award through another incentive plan in the same year.

### **GOALS AND GOAL SETTING**

- Teamsharing goals may consist of Entergy, Line of Business and workgroup goals. Every workgroup must have the Entergy Achievement Multiplier as a goal with at least a 25% weighting.
- The Line of Business leader approves all goals.
- Goals are measured at the "minimum" level of achievement.

### **AWARDS**

- TSPB incentive awards can range from 0% to 3% of an employee's annual wages.
- A minimum award opportunity of 0.5% exists for accomplishing at least one goal and a maximum award opportunity of 3.0% results from accomplishing all goals.
- Actual award is based on the participant's incentive plan and salary on December 31.
- Employees who change workgroups during the year will receive an award based on participation in the workgroup they were in the longest.
- Participants employed for only part of the year will receive prorated awards based on the number of days of participation completed.

## **TEAMSHARING INCENTIVE PLAN SUMMARY FOR SELECTED BARGAINING UNITS (TSPB)**

### **CHANGE OF STATUS DURING PLAN YEAR**

- TSPB participants hired into an eligible position prior to October 1 are eligible for a prorated award based upon total regular hours worked and December 31 hourly rate during the Plan Year. An employee hired on or after October 1 of the Plan Year is not eligible for an award.
- Participants transferred or promoted from one eligible position to another between work groups, where the promotion or transfer results in a change of goals and/or responsibilities, will have their award based on the goal results for the position held for the majority of the time.
- Participants who change from full time to part-time status or vice-versa will receive an award for that year based on December 31 hourly wage rate times the number of regular hours worked during the plan year.
- A participant who moves into TSPB from another incentive plan during the year and remains in the plan as of December 31, will receive an award based on the TSPB target percentage and the workgroup goals he or she was in the longest.
- Participants who terminate or resign before the end of the plan year will not be considered for an award.
- Participants who retire or die before the end of the plan year are eligible for a prorated award based on final base salary and the number of days worked during the plan year. If a participant dies, any pro rata award due the participant will be made to the participant's designated beneficiary under the Benefits Plus Life Insurance Plan or, in the absence of a designated beneficiary, to the participant's estate.
- Participants who become disabled (short-term, long-term and worker's compensation) or go on military leave or leave of absence for more than sixty calendar days (the days do not have to be consecutive) are eligible for a prorated award based on final base salary and the number of days worked during the plan year, unless otherwise required by law.
- Participants on leave as a result of disability, leave of absence or military leave for less than sixty days during the Plan Year are eligible for the full award.

### **BENEFIT CALCULATIONS**

- Most benefits (e.g. Long Term Disability, Life Insurance, Savings Plans) will be based on the participants base earnings. However, calculation of retirement benefits includes incentive award. Annual incentive awards are considered pensionable earnings.

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**1998 EQUITY OWNERSHIP PLAN  
OF  
ENTERGY CORPORATION AND SUBSIDIARIES  
(As Amended and Restated Effective for Grants and Elections After February 13, 2003)**

**ARTICLE I**

**PURPOSE**

- 1.1 **Purpose.** The purpose of this 1998 Equity Ownership Plan of the Entergy Corporation and Subsidiaries (the "Plan") is to give key employees and outside directors of Entergy Corporation (or "Entergy" as defined in Section 2.5 below) and corporations with respect to which Entergy owns, or directly or indirectly controls, the majority of the combined voting power ("Subsidiaries") (hereinafter Entergy and Subsidiaries shall be collectively referred to as "Companies") an opportunity to acquire shares of Common Stock (as defined in Section 2.3 below), to more closely tie the interests of key employees and outside directors to those of Entergy shareholders and to reward the effective leadership of the Companies through the use of equity incentives.
- 1.2 **Scope and Duration**
- (a) Awards under the Plan may be granted in the following forms:
- (i) Options ("Options") as described in Article V, including, without limitation, Incentive Stock Options ("Incentive Stock Options") as provided in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and related equity maintenance rights as described in Article V;
  - (ii) Shares of Common Stock of Entergy which are restricted as provided in Article VI ("Restricted Shares");
  - (iii) Units which are subject to attainment of certain Performance Goals during a Performance Period as provided in Article VII ("Performance Units"); and
  - (iv) Equity Awards and related benefits as described in Article VIII ("Equity Awards").
- (b) Subject to Section 10.1, the maximum aggregate of fifteen million (15,000,000) shares of Common Stock shall be available for delivery pursuant to Awards (as defined in Section 2.1) of Options, Restricted Shares, Performance Units, Equity Awards or Additional Equity Awards granted from time to time under the Plan. Shares of Common Stock delivered under this Plan shall be authorized but unissued shares or open market shares of Entergy. Shares of Common Stock purchased on the open market shall be purchased and held, in such manner, as from time to time determined by the Committee, so that such shares are not returned to the status of authorized but unissued shares of Entergy but are available for Awards under the Plan. Shares of Common Stock covered by Awards which are not earned, or which are forfeited or terminated for any reason, and Options which expire unexercised or which are exchanged for other Awards, shall again be available for subsequent Awards under the Plan. Shares received in connection with the exercise of Options by delivery of other shares of Common Stock, and shares related to that portion of an Award utilized for the payment of withholding taxes shall again be available for Awards under the Plan. Shares of Common Stock which are surrendered by reason of forfeiture, or which are received in connection with the exercise of Options by delivery of other shares of Common Stock, shall be held by such person or persons (including, but not limited to, Entergy, any Subsidiary, or any employee or agent thereof, or any agent of the Plan), and in such manner, as from time to time shall be directed by the Committee, so that such shares are not returned to the status of authorized but unissued shares of Entergy, but are available for subsequent Awards under the Plan. Except to the extent used for the payment of withholding taxes, cash dividends or cash dividend equivalents, any Award, or portion

thereof, which is settled in cash shall be applied against the maximum allocation of shares. Shares of Common Stock that are delivered to a Participant under the Plan as a result of the reinvestment of cash dividends or dividend equivalents in conjunction with Awards shall be applied against the maximum allocation of shares.

## ARTICLE II

### DEFINITIONS

The following words and phrases shall have the respective meanings under the Plan as hereinafter set forth unless the context clearly requires a different meaning:

- 2.1 "After Tax Net Profit" shall mean the total dollar value of the shares exercised under an Option at the time of exercise, minus the total of (i) the exercise price of the Option, and (ii) the amount of all applicable federal, state and local income tax, employment tax and other similar fees that must be withheld in connection with the exercise.
- 2.2 "Award" shall mean the beneficial interest in or right to any Option, Restricted Shares, Performance Units or Equity Awards granted from time to time under the Plan by the Committee subject to such restrictions, terms and conditions as the Committee may determine.
- 2.3 "Board" shall mean the Board of Directors of Entergy Corporation.
- 2.4 "Cause" shall mean:
  - (1) willful and continuing failure by System Management Participant to substantially perform System Management Participant's duties (other than such failure resulting from the System Management Participant's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the System Management Participant) that has not been cured within 30 days after a written demand for substantial performance is delivered to the System Management Participant by the board of directors of the Employer, which demand specifically identifies the manner in which the board believes that the System Management Participant has not substantially performed the System Management Participant's duties; or
  - (2) the willful engaging by the System Management Participant in conduct which is demonstrably and materially injurious to any System Company, monetarily or otherwise; or
  - (3) conviction of or entrance of a plea of guilty or *nolo contendere* to a felony or other crime which has or may have a material adverse affect on System Management Participant's ability to carry out System Management Participant's duties or upon the reputation of any System Company; or
  - (4) a material violation by System Management Participant of any agreement System Management Participant has with a System Company; or
  - (5) unauthorized disclosure by System Management Participant of the confidences of any System Company.

For purposes of clauses (1) and (2) of this definition, no act, or failure to act, on System Management Participant's part shall be deemed "willful" unless done, or omitted to be done, by System



Management Participant not in good faith and without reasonable belief that System Management Participant's act, or failure to act, was in the best interest of Employer.

2.5 "Change in Control" shall mean:

- (1) the purchase or other acquisition by any person, entity or group of persons, acting in concert within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 25 percent or more of either the shares of common stock outstanding immediately following such acquisition or the combined voting power of Entergy Corporation's voting securities entitled to vote generally and outstanding immediately following such acquisition, other than any such purchase or acquisition in connection with a Non-CIC Merger (defined in subsection (2) below);
- (2) the consummation of a merger or consolidation of Entergy Corporation, or any direct or indirect subsidiary of Entergy Corporation with any other corporation, other than a Non-CIC Merger, which shall mean a merger or consolidation immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board, or the board of directors of the entity surviving such merger or consolidation, or the board of directors of any parent thereof (unless the failure of such individuals to comprise at least such a majority is unrelated to such merger or consolidation);
- (3) the stockholders of Entergy Corporation approve a plan of complete liquidation or dissolution of Entergy Corporation or there is consummated an agreement for the sale or disposition by Entergy Corporation of all or substantially all of Entergy Corporation's assets; or
- (4) any change in the composition of the Board such that during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Entergy Corporation) whose appointment or election by the Board or nomination for election by Entergy Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 2000 or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute at least a majority thereof.

Provided, however, that no Change in Control shall be deemed to occur solely by virtue of (i) the insolvency or bankruptcy of Entergy Corporation; or (ii) the transfer of assets of Entergy Corporation to an affiliate of Entergy Corporation, provided such affiliate assumes the obligations of the Plan and agrees to continue uninterrupted the rights of the System Management Participants under the Plan; or (iii) the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of Entergy Corporation immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Entergy Corporation immediately following such transaction or series of transactions.

2.6 "Change in Control Period" shall mean the period commencing ninety (90) days prior to and ending twenty-four (24) calendar months following a Change in Control.

- 2.7 "Code" shall mean the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendment or successor provisions to such section and any regulation under such section.
- 2.8 "Committee" shall mean the Committee provided for in Section 3.1.
- 2.9 "Common Stock" shall mean shares of common stock of Entergy Corporation and the common stock of any successor corporation by merger or reorganization.
- 2.10 "Covered Participant" shall mean a Participant who is a "covered employee" as defined in Section 162(m)(3) of the Code, and the regulations promulgated thereunder, or who the Committee believes will be such a covered employee for a Plan Year, and who the Committee believes will have remuneration in excess of \$1,000,000 for the applicable period, as provided in Section 162(m) of the Code.
- 2.11 "Employer" shall, except as otherwise determined by the Committee, mean, with respect to a given Participant and a given Award, Entergy or the Subsidiary for whom such Participant is employed at the time an Award is granted under this Plan.
- 2.12 "Entergy" shall mean Entergy Corporation, a Delaware corporation, and any successor of such corporation as a result of any reorganization or merger.
- 2.13 "Equity Award" shall mean an Award of a unit whose value is related to the value of shares of Common Stock but does not represent actual shares of Common Stock at the time such an Award is granted.
- 2.14 "Fair Market Value" shall mean the closing price of the Common Stock as reported on the New York Stock Exchange Composite Tape on the date the respective Award is granted or such other value as the Committee may determine represents the then current traded value of a share of Common Stock.
- 2.15 "Good Reason" shall mean the occurrence, without the System Management Participant's express written consent, of any of the following events during the Change in Control Period:
- (1) the substantial reduction or alteration in the nature or status of the System Management Participant's duties or responsibilities from those in effect on the date immediately preceding the first day of the Change in Control Period, other than an insubstantial and inadvertent act that is remedied by the System Company employer promptly after receipt of notice thereof given by the System Management Participant and other than any such alteration primarily attributable to the fact that Entergy Corporation may no longer be a public company;
  - (2) a reduction of 5% or more in System Management Participant's annual rate of base salary as in effect immediately prior to commencement of a Change in Control Period, which shall be calculated exclusive of any bonuses, overtime, or other special payments, but including the amount, if any, the System Management Participant elects to defer under: (i) a cash or deferred arrangement qualified under Code Section 401(k); (ii) a cafeteria plan under Code Section 125; (iii) the Executive Deferred Compensation Plan of Entergy Corporation and Subsidiaries, or any successor or replacement plan; and (iv) any other nonqualified deferred compensation plan, agreement, or arrangement in which the System Management Participant may hereafter participate or be a party;
  - (3) requiring System Management Participant to be based at a location outside of the continental United States and other than his primary work location as it existed on the date immediately preceding the first day of the Change in Control Period, except for required travel on business of

any System Company to an extent substantially consistent with the System Management Participant's present business obligations;

- (4) failure by System Company employer to continue in effect any compensation plan in which System Management Participant participates immediately prior to the commencement of the Change in Control Period which is material to System Management Participant's total compensation, including but not limited to compensation plans in effect, including stock option, restricted stock, stock appreciation right, incentive compensation, bonus and other plans or any substitute plans adopted prior to the Change in Control Period, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by System Company employer to continue System Management Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the System Management Participant's participation relative to other participants, as existed immediately prior to the Change in Control; or
- (5) failure by System Company employer to continue to provide System Management Participant with benefits substantially similar to those enjoyed by System Management Participant under any of the System Company's pension, savings, life insurance, medical, health and accident, or disability plans in which System Management Participant was participating immediately prior to the Change in Control Period; the taking of any other action by System Company employer which would directly or indirectly materially reduce any of such benefits or deprive System Management Participant of any material fringe benefit enjoyed by System Management Participant immediately prior to commencement of the Change in Control Period, or the failure by System Company employer to provide System Management Participant with the number of paid vacation days to which System Management Participant is entitled on the basis of years of service with the System in accordance with the System Company's normal vacation policy in effect at the time of the Change in Control.

System Management Participant's right to terminate his employment for Good Reason shall not be affected by System Management Participant's incapacity due to physical or mental illness. System Management Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason.

- 2.16 "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Plan relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of System Management Participant's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the terminating employer's board of directors at a meeting of such board of directors which was called and held for the purpose of considering such termination (after reasonable notice to System Management Participant and an opportunity for System Management Participant, together with System Management Participant's counsel, to be heard before that board) finding that, in the good faith opinion of the board, System Management Participant was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail.
- 2.17 "Operating Cash Flow" shall mean the amount of operating cash flow for any given Performance Period, as determined by the Committee based on the Company's financial statements and in accordance with generally accepted accounting principles.
- 2.18 "Options" shall mean any nonstatutory stock options or Incentive Stock Options (as defined in Section 5.2), or both, granted under the Plan.

- 2.19 "Participant" shall mean any key employee or outside director who is granted an Award under the Plan.
- 2.20 "Performance Goals" shall mean the goals for a Performance Period which are established by the Committee against which performance will be measured.
- 2.21 "Performance Period" shall mean the period designated by the Committee during which Performance Goals must be attained.
- 2.22 "Performance Units" shall mean units whose value is determined by the Committee which are awarded subject to attainment of Performance Goals during the applicable Performance Period.
- 2.23 "Plan" shall mean the 1998 Equity Ownership Plan of Entergy Corporation and Subsidiaries, as from time to time amended.

2.24 "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

- (1) Entergy Corporation or any affiliate or subsidiary company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or
- (2) the Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control has occurred; or
- (3) any System Company or any person or entity publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; or
- (4) any person or entity becomes the beneficial owner (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time), either directly or indirectly, of securities of Entergy Corporation representing 20% or more of either the then outstanding shares of common stock of Entergy Corporation or the combined voting power of Entergy Corporation's then outstanding securities (not including in the calculation of the securities beneficially owned by such person or entity any securities acquired directly from Entergy Corporation or its affiliates).

2.25 "Qualifying Event" shall mean the occurrence of one of the following within the Change in Control Period:

- (1) The System Management Participant's employment is terminated by Employer other than for Cause; or
- (2) The System Management Participant terminates his System employment for Good Reason.

For purposes of this Plan, the following shall not constitute Qualifying Events:

- (i) System Management Participant's death; or
- (ii) System Management Participant becoming disabled under the terms of the Entergy Corporation Companies' Benefits Plus Long Term Disability ("LTD") Plan.

2.26 "Restricted Shares" shall mean shares of Common Stock of Entergy Corporation which are awarded subject to restrictions on the holder's right to sell, transfer, pledge or assign such shares and with such other restrictions as the Committee may determine in accordance with the provisions of Article VI of the Plan.

- 2.27 "Restricted Share Units" shall mean an Equity Award that is subject to such restrictions on transfer and such forfeiture conditions as the Committee deems appropriate and shall be subject to the grant, dividend, forfeiture and other provisions of Article VI to the same extent as Restricted Shares, except that a Participant shall not be entitled to vote Restricted Share Units and payment in respect of Restricted Share Units may be settled in cash at the election of the Participant. The restrictions imposed upon an award of Restricted Share Units will lapse in accordance with the requirements specified by the Committee in the award agreement.
- 2.28 "System" shall mean Entergy Corporation and all System Companies and, except in determining whether a Change in Control has occurred, shall include any successor thereto.
- 2.29 "System Company" shall mean Entergy Corporation and any corporation 80% or more of whose stock (based on voting power) or value is owned, directly or indirectly, by Entergy Corporation and any partnership or trade or business which is 80% or more controlled, directly or indirectly, by Entergy Corporation, and, except in determining whether a Change in Control has occurred, shall include any successor thereto.
- 2.30 "System Management Level" shall mean the applicable management level set forth below:
- (1) System Management Level 1 ( Chief Executive Officer and Chairman of the Board of Entergy Corporation);
  - (2) System Management Level 2 (Presidents and Executive Vice Presidents within the System);
  - (3) System Management Level 3 (Senior Vice Presidents within the System); and
  - (4) System Management Level 4 (Vice Presidents within the System).
- 2.31 "System Management Participant" shall mean a Participant who, immediately prior to the commencement of a Change in Control Period, is (a) at one of the System Management Levels set forth in Section 2.30; and (b) for the purpose of Article XI, eligible to participate in the System Executive Continuity Plan of Entergy Corporation and Subsidiaries. Notwithstanding the foregoing, a former System Management Participant who has otherwise satisfied Section 12.3(c) shall be treated as a System Management Participant solely for purposes of being eligible to make Successive Deferral Elections in accordance with Section 12.3.

### ARTICLE III

#### ADMINISTRATION

- 3.1 Committee. The Plan shall be administered by the Personnel Committee or any successor thereto of the Board or such other committee as determined by the Board (the "Committee"). The Committee shall be comprised solely of two or more outside directors of the Board within the meaning of Section 162(m) of the Code and who are also non-employee directors within the meaning of Rule 16b-3, as amended, or other applicable rules under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or under any applicable rules of the New York Stock Exchange.
- 3.2 Powers of Committee. The Committee shall have plenary authority in its discretion, subject to and not inconsistent with the express provisions of this Plan:
- (a) To grant Options, to determine the purchase price of the Common Stock covered by each Option, the term of each Option, the key employees and outside directors to whom, and the time or times at which Options shall be granted and the number of shares to be covered by each Option;

- (b) To designate Options as nonstatutory stock options or Incentive Stock Options;
  - (c) To grant Restricted Shares and to determine the term of the Restricted Period (as defined in Article VI) and restrictions, forfeiture provisions and other conditions applicable to such Restricted Shares, the key employees and outside directors to whom, and the time or times at which, Restricted Shares shall be granted;
  - (d) To grant Performance Units and to determine the Performance Goals, Performance Period and other conditions applicable to such Performance Units, the key employees and outside directors to whom, and the time or times at which, Performance Units shall be granted;
  - (e) To grant or establish Equity Award Accounts pursuant to the terms of Article VIII, to determine restrictions related to such Equity Awards and any allocations to or distributions from such Equity Award Accounts, the key employees and outside directors to whom and the time or times when participation therein shall be permitted hereunder and the number of Equity Awards to be allocated to such Equity Award Accounts for Participants;
  - (f) To interpret the Plan subject to the terms of Section 3.4;
  - (g) To prescribe, amend and rescind rules and regulations relating to the Plan subject to the terms of Section 3.4;
  - (h) To determine the terms and provisions of the Options, Restricted Shares, Performance Units or Equity Award agreements (which need not be identical) and to cause the respective Employers to enter into such agreements with such Participants in connection with Awards under the Plan; and to make all other determinations deemed necessary or advisable for the administration of the Plan.
- 3.3 Delegation of Duties. With the exception of the authority to grant Awards to persons subject to Sections 16(a) and 16(b) of the Exchange Act, to persons who are Covered Participants, or to make other determinations regarding such persons the Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may employ attorneys, consultants, accountants or other persons and the Committee, Entergy and its officers and directors shall be entitled to rely upon the advice, opinions or evaluations of any such persons. However, the Committee may not delegate its authority if such delegation would cause the Plan not to comply to the extent required with the requirements of Rule 16b-3 or any successor rule under the Exchange Act or with the requirements of Section 162(m) of the Code.
- 3.4 Interpretations. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, Entergy and all other interested persons. No member or agent of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or Awards made hereunder, and all members and agents of the Committee shall be fully protected by Entergy in respect of any such action, determination or interpretation. Subject to the express provisions of the Plan, the Committee may interpret the Plan, prescribe, amend and rescind rules and regulations relating to it, determine the terms and provisions of the respective Awards and make all other determinations it deems necessary or advisable for the administration of the Plan.
- 3.5 Non-Uniform Determinations. The Committee's determinations under the Plan, including without limitation, determinations as to the key employees or outside directors to receive Awards, the terms and provisions of

such Awards and the agreement(s) evidencing the same, need not be uniform and may be made by it selectively among the key employees or outside directors who receive or are eligible to receive Awards under the Plan, whether or not such key employees or outside directors are similarly situated.

## ARTICLE IV

### PARTICIPATION

- 4.1 Eligibility. Key employees of Entergy or any of its Subsidiaries or outside directors of the Board, who, in the opinion of the Committee, have significant responsibility for the continued growth, development and financial success of the Companies shall be eligible to be granted Awards under the Plan. Subject to the provisions of the Plan, the Committee shall from time to time select from such eligible persons those to whom Awards shall be granted and determine the amount of such Award. No employee or outside director of Entergy or its Subsidiaries shall have any vested right to be granted an Award under the Plan.
- 4.2 Dividend Equivalents. In the discretion of the Committee, an Award made in the form of an Equity Award may provide, subject to such restrictions, terms and conditions as the Committee may establish, for (i) the crediting to the account of, or the current payment to, each Participant who has such an Award of an amount equal to cash dividends and stock dividends (collectively, "Dividends") paid by Entergy upon one share of Common Stock for each share of Common Stock subject to each Equity Award ("Dividend Equivalents"), or (ii) the deemed reinvestment of such Dividend Equivalents in the form of additional Equity Awards credited to the Participant's Equity Award Account ("Additional Equity Awards").

## ARTICLE V

### STOCK OPTIONS

- 5.1 General Provisions. The Committee may grant Options to such key employees and outside directors whom the Committee determines to be eligible pursuant to the terms of Article IV. Such Options shall be in such form and upon such terms and conditions as the Committee shall from time to time determine, subject to the following:
- (a) Option Price. The Option Price of each Option to purchase Common Stock shall be determined by the Committee, but shall not be less than the Fair Market Value on the date the Option is granted. Once determined by the Committee, no price of any Option shall be changed unless that change is authorized by a majority vote of the shareholders of Entergy Corporation.
- (b) Term of Options. No Option shall be either vested or exercisable until at least one year from the date that such Option is granted. No more than one third of any single grant of Options shall be either vested or exercisable until at least two years from the date that such Option is granted, and no more than two thirds of any single grant of Options shall be either vested or exercisable until at least three years from the date that such Option is granted. No Option shall be exercisable after ten years from the date such Option is granted.
- (c) Payment of Option Price. The purchase price of the shares as to which an Option is exercised shall be paid in accordance with such terms and conditions and by such means as the Committee shall determine.

- (d) Exercise of Options. If a Participant at System Management Level 1-4 exercises any Option granted on or after January 1, 2003, that Participant must retain at least 75% of the After Tax Net Profit in Common Stock until the earlier of 60 months from the date at which the Option is exercised or the termination of full-time employment within the System. Subject to the limitations of the preceding sentence, Options shall be subject to such terms and conditions, shall be exercisable at such time or times, and shall be evidenced by such form of option agreement between the Participant and the Employer, as the Committee shall determine; provided, that such determinations are not inconsistent with the other provisions of the Plan. The Committee may, in its discretion, accelerate the ability to exercise any Option in whole or in part at any time. The Committee may also permit Participants, either on a selective or aggregate basis, simultaneously to exercise Options and sell the shares of Common Stock thereby acquired pursuant to a brokerage or similar arrangement, approved in advance by the Committee, and use the proceeds from such sale as payment of the purchase price of such shares.
- (e) Non-Transferability of Options. Options granted under the Plan shall not be transferable otherwise than by will or by the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, and Options and rights may be exercised during the lifetime of the Participant only by the Participant or by the Participant's guardian or legal representative. Notwithstanding the foregoing sentence, Options which are not Incentive Stock Options may be transferred to family members or charities. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an option, or levy of attachment or similar process upon the Option not specifically permitted herein shall be null and void and without effect. The Participant may designate one or more beneficiaries who shall be entitled to exercise the Participant's rights hereunder following the death of the Participant. Such designation shall be made on a form supplied by the Committee. In the absence of a valid beneficiary designation, the Participant's rights hereunder shall pass pursuant to the Participant's will or by the laws of descent and distribution.
- (f) Maximum Number of Shares. The total number of shares of Common Stock which any single Participant may be allowed to purchase pursuant to the exercise of Options granted under this Plan shall not exceed 1,000,000, subject to adjustment in the same manner as provided in Section 10.1.
- 5.2 Incentive Stock Options. The Committee may elect to grant Incentive Stock Options for the purchase of shares of Common Stock to the key employees whom the Committee determines to be eligible pursuant to the terms of Article IV. To the extent the Committee elects to grant Incentive Stock Options under the Plan, such Incentive Stock Options shall be subject to the limitations under Section 422 of the Code including, without limitation, the time limitations on the Award of any such Incentive Stock Options.
- 5.3 Limitations on Exercise. The aggregate Fair Market Value (determined with respect to each Incentive Stock Option as of the time such Incentive Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of Entergy or any of its Subsidiaries) shall not exceed \$100,000. To the extent to which such Fair Market Value exceeds \$100,000, such Option shall be treated, for federal income tax purposes, as a nonstatutory stock option.

## ARTICLE VI

### RESTRICTED SHARE AWARDS

- 6.1 Grant of Restricted Shares. The Committee may award Restricted Shares to such key employees and outside directors whom the Committee determines to be eligible pursuant to the terms of Article IV; provided that the aggregate number of Restricted Shares and Equity Awards granted under the Plan shall not exceed 1,500,000. An Award of Restricted Shares may be subject to restrictions on transfer and



forfeiture provisions, all as the Committee may determine. Such Restricted Shares shall be awarded based on such other terms and conditions as the Committee shall from time to time determine subject to the provisions of the Plan; provided, however, the Participant shall be entitled to any voting rights relative to such Restricted Shares during the Restricted Period as defined below.

- 6.2 Award and Delivery of Restricted Shares. At the time an Award of Restricted Shares is made, the Committee shall establish a period of time (the "Restricted Period") applicable to such an Award. Each Award of Restricted Shares may have a different Restricted Period. The Committee may, in its sole discretion, at the time an Award is made, prescribe conditions for the incremental lapse of restrictions during the Restricted Period and for the lapse or termination of restrictions upon the satisfaction of other conditions in addition to or other than the expiration of the Restricted Period with respect to all or any portion of the Restricted Shares; provided, however, that any Participant subject to Section 16 of the Exchange Act shall be prohibited from selling such shares for a period of six (6) months from the grant thereof.
- 6.3 Dividends on Restricted Shares. Any and all cash and stock dividends paid with respect to the Restricted Shares shall be subject to any restrictions on transfer, forfeiture provisions or reinvestment requirements (including, without limitation, the reinvestment of such dividends in the form of Equity Awards) as the Committee may, in its discretion, determine.
- 6.4 Forfeiture. Upon the forfeiture of any Restricted Shares (including any additional Restricted Shares which may result from the reinvestment of cash and stock dividends in accordance with such rules as the Committee may establish pursuant to Section 6.3), such forfeited shares shall be surrendered. The Participant shall have the same rights and privileges, and be subject to the same restrictions, with respect to any additional shares received pursuant to Section 10.1 due to recapitalization, mergers, or the like.
- 6.5 Expiration of Restricted Period. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in Section 6.2, the restrictions applicable to the Restricted Shares shall lapse and a stock certificate for the number of Restricted Shares with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, except any that may be imposed by law, to the Participant or the Participant's beneficiary or estate, as the case may be.

## ARTICLE VII

### PERFORMANCE UNIT AWARDS

- 7.1 Award of Performance Units. The Committee may award Performance Units to such key employees and outside directors whom the Committee determines to be eligible pursuant to the terms of Article IV. An Award of Performance Units shall be subject to the attainment of specified Performance Goals during a Performance Period, both of which the Committee may determine. Performance Goals can be based on one or more business criteria that apply to the Participant, a business unit or Entergy Corporation as a whole, or any combination thereof.
- 7.2 Award of Performance Units to Covered Participants. Awards of Performance Units to Covered Participants shall also be governed by the conditions of this Section 7.2 in addition to the other requirements set forth in this Plan. Should conditions set forth under this Section 7.2. conflict with the other provisions of this Plan, the conditions of this Section 7.2 shall prevail.
- (a) The Performance Goals, the objective formula or standards for computing the number of Performance Units payable to a Covered Participant if the Performance Goals are attained and the

Performance Period shall be established by the Committee in writing prior to the beginning of the Performance Period, or by such other later date as may be permitted under Section 162(m) of the Code.

- (b) The value of Performance Units payable to all Covered Participants pursuant to this Plan shall not exceed 1% of Operating Cash Flow during any Performance Period. The value of Performance Units payable to a single Covered Participant pursuant to this Plan shall not exceed .5% of Operating Cash Flow during any Performance Period.
- (c) The Performance Goals may be based upon or may relate to one or any combination of the following business criteria: EBITDA, EBIT, net income, earnings per share, operating cash flow, cash flow, return on equity, sales, budget achievement, productivity, price of Entergy Corporation stock, market share, total return to shareholder, return on capital, net cash flow, cash available to parent, net operating profit after taxes (NOPAT), economic value added (EVA), expense spending, O&M expense, expense, O&M or capital/kwh, capital spending, gross margin, net margin, market capitalization, market value, debt ratio, equity ratio, return on assets, profit margin, customer growth or customer satisfaction. The Performance Goals may be stated in terms of absolute levels or relative to another company or companies or to an index or indices. Both the Performance Goals established by the Committee and the results for any Performance Period may be adjusted to reflect capital changes and may exclude unusual or nonrecurring events, including extraordinary items, changes in accounting principles, discontinued operations, acquisitions, divestitures and material restructuring charges.
- (d) The Performance Goals shall not allow for any discretion by the Committee as to an increase in any Award, but discretion to lower an Award is permissible.
- (e) The Award and payment of any Award under this Plan to a Covered Participant with respect to a relevant Performance Period shall be contingent upon the attainment of the Performance Goals that are applicable to such Covered Participant. The Committee shall certify in writing prior to payment any such Award that such applicable Performance Goals relating to the Award are satisfied. Approved minutes of the Committee may be used for this purpose.
- (g) All Awards to Covered Participants under this Plan shall be further subject to such other conditions, restrictions, and requirements as the Committee may determine to be necessary to carry out the purpose of this Section 7.2.
- 7.3 Delivery of Performance Units. Delivery of Performance Units shall not be made until after the end of the Performance Period. Final payment on all Performance Units shall be in cash, and the timing, deferral options, and other criteria relating to payment shall be determined in the discretion of the Committee.

## ARTICLE VIII

### EQUITY AWARDS

- 8.1 Issuance of Equity Awards. An Equity Award may be granted to such key employees and outside directors as the Committee determines pursuant to the terms of Article IV, subject to the limitation contained in Section 6.1 hereof. In addition, the Committee may permit such key employees and outside directors to purchase Equity Awards under such terms and conditions as the Committee, in its discretion, may determine. In the case of a purchase, the Equity Award shall be in the form of units, each of which represents one share of Common Stock, the purchase price of which shall not be less than the closing price of a share of Common Stock as reported on the New York Stock Exchange Composite Tape on the date such award is purchased. Key employees and outside directors who are permitted to purchase Equity Awards shall make the election to do so at least six (6) months in advance of the purchase of the