ENTERGY TEXAS, INC.
ELIGIBLE FUEL COSTS
JANUARY 2021 - DECEMBER 2021
PUBLIC

LINE	ACCT	PLANT/DESCRIPTION	JANUARY 2021	FEBRUARY 2021	MARCH 2021	APRIL 2021	MAY 2021	JUNE 2021	JULY 2021	AUGUST 2021	SEPTEMBER 2021	OCTOBER 2021	NOVEMBER 2021	DECEMBER 2021	TOTALS 2021
28	501	GAS COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
29	501	GAS TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
30	501	GAS TAXES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
31		TOTAL GAS	-	-	-	-	-	-	-	-	-	-	-	-	-
32															
33	501	OIL COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
34	501	OIL TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
35	501	OIL TAXES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
36		TOTAL OIL	-	-	-	-	-	-	-	-	-	-	-	-	-
37		TOTAL GAS PLANTS	-	-	-	-	-	-	-	-	-	-	-	-	-
38															
39		COAL PLANTS - ELIGIBLE													
40		BIG CAJUN II UNIT 3													
41	501	COAL STOCK COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
42	501	TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
43	501	BOILER FUEL TAX	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
44		TOTAL COAL	-	-	-	-	-	-	-	-	-	-	-	-	-
45															
46	501	OIL COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
47	501	OIL TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
48	501	OIL TAXES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
49		TOTAL OIL	-	-	-	-	-	-	-	-	-	-	-	-	-
50		TOTAL BC II U3	-	-	-	-	-	-	-	-	-	-	-	-	-
51															

Amounts may not add or tie to other schedules due to rounding.
** Information is Highly Sensitive
xxx Information is included in the waiver as requested by The Company
Sponsors: Andrew Dornier

ENTERGY TEXAS, INC.
ELIGIBLE FUEL COSTS
JANUARY 2021 - DECEMBER 2021
PUBLIC

LINE		ACCT	PLANT/DESCRIPTION	JANUARY 2021	FEBRUARY 2021	MARCH 2021	APRIL 2021	MAY 2021	JUNE 2021	JULY 2021	AUGUST 2021	SEPTEMBER 2021	OCTOBER 2021	NOVEMBER 2021	DECEMBER 2021	TOTALS 2021
52			NELSON COAL													
53	PURC & CHOL	501	COAL STOCK COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
54	MGSH & RESV	501	TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
55	BLFT	501	BOILER FUEL TAX	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
56			TOTAL COAL	-	-	-	-	-	-	-	-	-	-	-	-	-
57																
58	PURC	501	OIL COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
59	MGSH	501	OIL TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
60		501	OIL TAXES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
61			TOTAL OIL	-	-	-	-	-	-	-	-	-	-	-	-	-
62			TOTAL NELSON	-	-	-	-	-	-	-	-	-	-	-	-	-
63																
64			COAL PLANTS - ELIGIBLE													
65			TOTALS													
66		501	COAL STOCK COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
67		501	TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
68		501	BOILER FUEL TAX	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
69			TOTAL COAL	-	-	-	-	-	-	-	-	-	-	-	-	-
70																
71		501	OIL COSTS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
72		501	OIL TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
73		501	OIL TAXES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
74			TOTAL OIL	-	-	-	-	-	-	-	-	-	-	-	-	-
75			TOTAL COAL PLANTS	-	-	-	-	-	-	-	-	-	-	-	-	-
76																
77			TOTAL ELIGIBLE ACCOUNT 501 COSTS	-	-	-	-	-	-	-	-	-	-	-	-	-
78																
79			ELIGIBLE													
80			ALLOWANCE REVENUES AND EXPENSES													
81		4118	GAINS FROM DISP OF ALLOW	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
82		502	ALLOWANCES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
83		509	ALLOWANCES	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
84			TOTAL ALLOW. REVENUES AND EXPENSES	-	-	-	-	-	-	-	-	-	-	-	-	-
85																
86			TOTAL ELIGIBLE COSTS (501+4118+502+509)	-	-	-	-	-	-	-	-	-	-	-	-	-
87																
88			INELIGIBLE COSTS:													
89			NEL.COAL AD VALOREM TAXES **	**	**	**	**	**	**	**	**	**	**	**	**	**
90			NEL. COAL CAR MAINT. **	**	**	**	**	**	**	**	**	**	**	**	**	**
91			NEL. COAL COAL CAR LEASES **	**	**	**	**	**	**	**	**	**	**	**	**	**
92			NEL. COAL ASH PROCEEDS **	**	**	**	**	**	**	**	**	**	**	**	**	**
93			NEL. COAL HANDLING **	**	**	**	**	**	**	**	**	**	**	**	**	**
94			BC II U3 RAIL CAR LEASE COST **	**	**	**	**	**	**	**	**	**	**	**	**	**
95			BC II U3 ASH PROCEEDS **	**	**	**	**	**	**	**	**	**	**	**	**	**
96			BC II U3 HANDLING **	**	**	**	**	**	**	**	**	**	**	**	**	**
97			NON-FUEL O&M **	**	**	**	**	**	**	**	**	**	**	**	**	**
98			TOTAL INELIGIBLE COSTS	203,286	199,382	151,812	205,288	306,767	10,678	85,365	199,543	237,655	191,173	136,126	156,078	2,083,152
99																
100			TOTAL ELIGIBLE + INELIGIBLE													
101			(LINE 86 + LINE 98)													

Amounts may not add or tie to other schedules due to rounding.
** Information is Highly Sensitive
xxx Information is included in the waiver as requested by The Company
Sponsors: Andrew Dornier

ENTERGY TEXAS, INC.
FOSSIL FUEL MIX (BURNED)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

Sponsored by: N/A

ENTERGY TEXAS, INC.
FOSSIL FUEL MIX (PURCHASED)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

Sponsored by: N/A

ENTERGY TEXAS, INC.
COMPETITIVE SPOT FOSSIL FUEL PURCHASES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

Sponsored by: N/A

ENTERGY TEXAS, INC.
OTHER SPOT FOSSIL FUEL PURCHASES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

ENTERGY TEXAS, INC.
COAL COST BREAKDOWN - AS PURCHASED
JANUARY 2021 - DECEMBER 2021
PUBLIC

Line	Description	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Totals
1	BIG CAJUN II UNIT 3													
2	ELIGIBLE COSTS:													
3	COAL STOCK COST	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4	TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
5	BOILER FUEL TAX	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
6	TOTAL ELIGIBLE	-	-	-	-	-	-	-	-	-	-	-	-	-
7														
8	INELIGIBLE COSTS:													
9	ASH **	**	**	**	**	**	**	**	**	**	**	**	**	**
10	COAL HANDLING **	**	**	**	**	**	**	**	**	**	**	**	**	**
11	COAL CAR LEASE **	**	**	**	**	**	**	**	**	**	**	**	**	**
12	COAL CAR MTCE **	**	**	**	**	**	**	**	**	**	**	**	**	**
13	AD VALOREM TAXES **	**	**	**	**	**	**	**	**	**	**	**	**	**
14	RAIL CAR SERVICES **	**	**	**	**	**	**	**	**	**	**	**	**	**
15	TOTAL INELIGIBLE	-	-	-	-	-	-	-	-	-	-	-	-	-
16	TOTAL BC II U3													
17														
18	MMBTUs PURCHASED	-	-	-	-	-	-	-	-	-	-	-	-	-
19	TONS PURCHASED	-	-	-	-	-	-	-	-	-	-	-	-	-

Line	Description	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Totals
1	NELSON													
2	ELIGIBLE COSTS:													
3	COAL STOCK COST	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4	TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
5	BOILER FUEL TAX	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
6	TOTAL ELIGIBLE	-	-	-	-	-	-	-	-	-	-	-	-	-
7														
8	INELIGIBLE COSTS:													
9	ASH[1] **	**	**	**	**	**	**	**	**	**	**	**	**	**
10	COAL HANDLING[1] **	**	**	**	**	**	**	**	**	**	**	**	**	**
11	COAL CAR LEASE **	**	**	**	**	**	**	**	**	**	**	**	**	**
12	COAL CAR MTCE **	**	**	**	**	**	**	**	**	**	**	**	**	**
13	AD VALOREM TAXES **	**	**	**	**	**	**	**	**	**	**	**	**	**
14	RAIL CAR SERVICES **	**	**	**	**	**	**	**	**	**	**	**	**	**
15	TOTAL INELIGIBLE	30,101	36,466	48,087	46,627	48,279	48,181	42,073	36,307	24,237	24,237	24,188	30,829	439,614
16	TOTAL NELSON													
17														
18	MMBTUs PURCHASED													0
19	TONS PURCHASED													0

xxx Information is included in the waiver as requested by The Company

[1] Amounts charged directly to expense.

[2] See Schedule E-2.5.

** Highly Sensitive.

Amounts may not add or tie to other schedules due to rounding.

Sponsors: Andrew Dornier

ENTERGY TEXAS, INC.
COAL COST BREAKDOWN - AS PURCHASED
JANUARY 2021 - DECEMBER 2021
PUBLIC

Line	Description	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Totals
1	TOTAL COAL PLANTS													
2	ELIGIBLE COSTS:													
3	COAL STOCK COST	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4	TRANSPORTATION	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
5	BOILER FUEL TAX	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
6	TOTAL ELIGIBLE	-	-	-	-	-	-	-	-	-	-	-	-	-
7														
8	INELIGIBLE COSTS:													
9	ASH[1] **	**	**	**	**	**	**	**	**	**	**	**	**	**
10	COAL HANDLING[1] **	**	**	**	**	**	**	**	**	**	**	**	**	**
11	COAL CAR LEASE **	**	**	**	**	**	**	**	**	**	**	**	**	**
12	COAL CAR MTCE **	**	**	**	**	**	**	**	**	**	**	**	**	**
13	AD VALOREM TAXES **	**	**	**	**	**	**	**	**	**	**	**	**	**
14	RAIL CAR SERVICES **	**	**	**	**	**	**	**	**	**	**	**	**	**
15	TOTAL INELIGIBLE	30,101	36,466	48,087	46,627	48,279	48,181	42,073	36,307	24,237	24,237	24,188	30,829	439,614
16	TOTAL COAL PLANTS													
17														
18	MMBTUs PURCHASED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
19	TONS PURCHASED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

xxx Information is included in the waiver as requested by The Company

[1] Amounts charged directly to expense.
[2] See Schedule E-2.5.
** Highly Sensitive.

Amounts may not add or tie to other schedules due to rounding.
Sponsors: Andrew Dornier

ENTERGY TEXAS, INC.
LIGNITE COST BREAKDOWN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

Sponsored by: N/A

ENTERGY TEXAS, INC.
COAL COST DESCRIPTION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

ENTERGY TEXAS, INC.
COAL AND LIGNITE SUPPLIER LOCATIONS
JANUARY – DECEMBER 2021

Nelson 6:

Powder River Basin Coal:

ORIGIN MINE / LOAD OUT	COUNTY	STATE
North Antelope Mine	Campbell	WY
Black Thunder Mine	Campbell	WY
Black Thunder Loadout	Campbell	WY
South Thunder Loadout	Campbell	WY
Belle Ayr Mine	Campbell	WY
Coal Creek Mine	Campbell	WY

Cleco Cajun LLC provided the following for Big Cajun II:

ORIGIN MINE / LOAD OUT	COUNTY	STATE
Buckskin	Campbell	WY
Black Thunder	Campbell	WY
Coal Creek	Campbell	WY
Cordero Rojo	Campbell	WY
Eagle Butte	Campbell	WY
North Antelope	Campbell	WY
West Black Thunder	Campbell	WY

ENTERGY TEXAS, INC.
RAIL HAUL DISTANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

Sponsored by: N/A

ENTERGY TEXAS, INC.
UNIT TRAINS
JANUARY – DECEMBER 2021

Roy S. Nelson Station, Unit 6:

Typical: 125 cars

Minimum: 115 cars

Maximum: 126 cars

Spares: Approximately two percent, or two and one half cars per train set

Big Cajun II, Unit 3 (provided by Louisiana Generating, LLC):

Typical 135 cars

Minimum 120 cars

Maximum 142 cars

Spares 3 cars per train set

ENTERGY TEXAS, INC.
CYCLE TIME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

ENTERGY TEXAS, INC.
RAIL CARS
JANUARY – DECEMBER 2021

Rail cars operated by the Company are as follows:

Year of Purchase/Lease	Manufacturer	Number of Cars	Capacity (tons)	Lease End	Average Cost of Cars Purchased
2019	Johnstown America	227 (See Note 1)	120	Owned	$11,829.37
2015	Johnstown America	285 (See Note 1)	120	Owned	$2,937.81

Note 1: Railcar EGSX 950300 was destroyed by the BNSF Railway on 10/01/2011 and removed from the lease and railcar EGSX 950067 was destroyed by Union Pacific Railroad on 12/28/2015 and removed from the lease, leaving 510 cars. Depreciated value of the destroyed car was recovered in accordance with industry standard formulas published in the Association of American Railroads ("AAR") Interchange Rules.

Big Cajun II, Unit 3:
The following data for Big Cajun II, Unit 3 was provided to ETI by Cleco Cajun LLC:

Trainsets are allocated to Big Cajun II from Cleco Cajun's pool as needed to meet fuel delivery requirements for the plant. Cost for the allocation is based on actual trainsets in service for BCII, prorated for Entergy's share of Unit 3 per the 2005 BCII Unit 3 Audit of Costs Agreement between Cleco Cajun LLC and Entergy.

All cars referenced above are leased.

Sponsored by: Andrew Dornier

ENTERGY TEXAS, INC.
RAILCAR LEASES
JANUARY – DECEMBER 2021

ELL did not fully utilize its railcar fleet during the audit period but retained its fleet to preserve flexibility in response to market volatility; therefore, making no attempts to lease or sublease any of its fleet.

Big Cajun II, Unit 3:
The following data provided by Cleco Cajun LLC:

Trainsets are allocated to Big Cajun II from Cleco Cajun's pool as needed to meet fuel delivery requirements for the plant. Cost for the allocation is based on actual trainsets in service for BCII, prorated for Entergy's share of Unit 3 per the 2005 BCII Unit 3 Audit of Costs Agreement between Cleco Cajun LLC and Entergy.

ENTERGY TEXAS, INC.
RAIL CAR MAINTENANCE
JANUARY – DECEMBER 2021

NELSON 6

The Company's coal car fleet is scheduled for routine inspection and maintenance at approximately semi-annual intervals, subject to shop constraints, coal delivery requirements, miles since the last maintenance and, beginning in 2012, Equipment Health Management System ("EHMS") reports issued by the railroads from data gathered by various trackside monitoring devices.

Maintenance is performed by either WATCO (formerly GBW Railcar Services, L.L.C.) at its shop in Pittsburg, KS, or Progress Rail Services Corporation at its shop in Northport, NE. Railcar maintenance work by WATCO Progress, and the railroads is inspected by AllTranstek, LLC, an independent railcar maintenance management and consulting company with whom ELL contracted beginning January 1, 2017. AllTranstek also audits all maintenance invoices and provides railcar maintenance consultation and management services for the ELL railcar fleet.

Big Cajun II, Unit 3

The following data was provided by Cleco Cajun, LLC:

Railcar maintenance costs are allocated per the 2005 BCII Unit 3 Audit of Costs Agreement between Cleco Cajun, LLC and Entergy.

PUBLIC

ENTERGY TEXAS, INC.
RAIL CAR REPAIRS
JANUARY – DECEMBER 2021

NELSON 6
Railcar repairs by Railroad. *

Big Cajun II, Unit 3
The following data was provided to ETI by Cleco Cajun LLC:

Railcar repair costs are allocated per the 2005 BCII Unit 3 Audit of Costs Agreement between Louisiana Generating, LLC and Entergy.

*Confidential

Sponsored by: Andrew Dornier

ENTERGY TEXAS, INC.
FUEL MANAGEMENT TRAVEL
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

Sponsored by: N/A

ENTERGY TEXAS, INC.
FUEL MANAGEMENT
JANUARY – DECEMBER 2021

Significant activities undertaken by the Company during the Test Year to reduce fuel costs:

- On March 31, 2021, Entergy Louisiana, LLC issued a request for proposals for Rail Transportation of Coal to Nelson 6; the process resulted in a new transportation agreement with Union Pacific that reduced the coal transportation rate by approximately 20% beginning January 1, 2022.

Sponsored by: Andrew Dornier

ENTERGY TEXAS, INC.
FUEL COST OVER/UNDER RECOVERY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

The Company has requested a waiver of this schedule.

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Twelve Months Ended December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
OPERATING REVENUES		
Electric	$ 1,902,511	$ 1,587,125
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	335,742	238,428
Purchased power	588,941	510,633
Other operation and maintenance	281,713	250,170
Taxes other than income taxes	94,989	72,909
Depreciation and amortization	214,838	177,738
Other regulatory charges (credits) - net	59,581	90,398
TOTAL	1,575,804	1,340,276
OPERATING INCOME	326,707	246,849
OTHER INCOME		
Allowance for equity funds used during construction	9,892	44,073
Interest and investment income	837	1,201
Miscellaneous - net	721	(28)
TOTAL	11,450	45,246
INTEREST EXPENSE		
Interest expense	87,787	92,920
Allowance for borrowed funds used during construction	(3,980)	(18,940)
TOTAL	83,807	73,980
INCOME BEFORE INCOME TAXES	254,350	218,115
Income taxes	25,526	3,042
NET INCOME	228,824	215,073
Preferred dividend requirements	1,909	1,882
EARNINGS APPLICABLE TO COMMON STOCK	$ 226,915	$ 213,191

See Notes to Financial Statements, pages 6 through 191.
Amounts may not add or tie to other schedules due to rounding.
Sponsored by: Allison P. Lofton

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Twelve Months Ended December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$ 228,824	$ 215,073
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	214,838	177,738
Deferred income taxes, investment tax credits, and non-current taxes accrued	48,813	36,033
Changes in assets and liabilities:		
Receivables	(16,455)	(30,082)
Fuel inventory	10,819	(5,938)
Accounts payable	(5,718)	(23,692)
Prepaid taxes and taxes accrued	(3,420)	2,730
Interest accrued	(1,854)	1,864
Deferred fuel costs	(133,636)	72,355
Other working capital accounts	(12,105)	(11,837)
Provisions for estimated losses	(140)	274
Other regulatory assets	103,380	(12,065)
Other regulatory liabilities	(28,747)	(57,477)
Pension and other postretirement liabilities	(42,502)	(28,825)
Other assets and liabilities	(5,164)	39,174
Net cash flow provided by operating activities	356,933	375,325
INVESTING ACTIVITIES		
Construction expenditures	(702,754)	(895,857)
Allowance for equity funds used during construction	9,892	44,073
Proceeds from sale of assets	67,920	—
Payment for purchase of assets	(36,534)	(4,931)
Changes in money pool receivable - net	4,601	6,580
Changes in securitization account	9,604	1,487
Net cash flow used in investing activities	(647,271)	(848,648)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	127,931	937,725
Retirement of long-term debt	(269,435)	(367,565)
Capital contributions from parent	95,000	175,000
Proceeds from the issuance of preferred stock	3,713	—
Changes in money pool payable - net	79,594	—
Dividends paid:		
Common stock	—	(30,000)
Preferred stock	(1,881)	(2,064)
Other	6,848	(4,106)
Net cash flow provided by financing activities	41,770	708,990
Net increase (decrease) in cash and cash equivalents	(248,568)	235,667
Cash and cash equivalents at beginning of period	248,596	12,929
Cash and cash equivalents at end of period	$ 28	$ 248,596
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$ 87,094	$ 89,077
Income taxes	$ 17,594	$ 2,792

See Notes to Financial Statements, pages 6 through 191.
Amounts may not add or tie to other schedules due to rounding.
Sponsored by: Allison P. Lofton

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$ 28	$ 26
Temporary cash investments	—	248,570
Total cash and cash equivalents	28	248,596
Securitization recovery trust account	26,629	36,233
Accounts receivable:		
Customer	83,797	103,221
Allowance for doubtful accounts	(5,814)	(16,810)
Associated companies	31,720	18,892
Other	13,404	11,780
Accrued unbilled revenues	62,241	56,411
Total accounts receivable	185,348	173,494
Deferred fuel costs	48,280	—
Fuel inventory - at average cost	42,712	53,531
Materials and supplies - at average cost	72,884	56,227
Prepayments and other	17,515	20,165
TOTAL	393,396	588,246
OTHER PROPERTY AND INVESTMENTS		
Investments in affiliates - at equity	300	349
Non-utility property - at cost (less accumulated depreciation)	376	376
Other	18,128	19,889
TOTAL	18,804	20,614
UTILITY PLANT		
Electric	7,181,567	6,007,687
Construction work in progress	183,965	879,908
TOTAL UTILITY PLANT	7,365,532	6,887,595
Less - accumulated depreciation and amortization	2,049,750	1,864,494
UTILITY PLANT - NET	5,315,782	5,023,101
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of $23,818 as of December 31, 2021 and $78,590 as of December 31, 2020)	421,333	524,713
Other	112,096	70,397
TOTAL	533,429	595,110
TOTAL ASSETS	$ 6,261,411	$ 6,227,071

See Notes to Financial Statements, pages 6 through 191.
Amounts may not add or tie to other schedules due to rounding.
Sponsored by: Allison P. Lofton

ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$ —	$ 200,000
Accounts payable:		
Associated companies	142,929	55,944
Other	164,981	350,947
Customer deposits	37,271	36,282
Taxes accrued	49,018	52,438
Interest accrued	19,002	20,856
Current portion of unprotected excess accumulated deferred income taxes	27,188	29,249
Deferred fuel costs	—	85,356
Other	16,120	12,370
TOTAL	456,509	843,442
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	692,496	639,422
Accumulated deferred investment tax credits	9,325	9,942
Regulatory liability for income taxes - net	144,145	175,594
Other regulatory liabilities	37,060	32,297
Asset retirement cost liabilities	8,520	8,063
Accumulated provisions	8,242	8,382
Long-term debt (includes securitization bonds of $53,979 as of December 31, 2021 and $123,066 as of December 31, 2020)	2,354,148	2,293,708
Other	67,760	58,643
TOTAL	3,321,696	3,226,051
Commitments and Contingencies		
EQUITY		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2021 and 2020	49,452	49,452
Paid-in capital	1,050,125	955,162
Retained earnings	1,344,879	1,117,964
Total common shareholder's equity	2,444,456	2,122,578
Preferred stock without sinking fund	38,750	35,000
TOTAL	2,483,206	2,157,578
TOTAL LIABILITIES AND EQUITY	$ 6,261,411	$ 6,227,071

See Notes to Financial Statements, pages 6 through 191.
Amounts may not add or tie to other schedules due to rounding.
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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Thousands)

		Common Equity			
	Preferred Stock	**Common Stock**	**Paid-in Capital**	**Retained Earnings**	**Total**
Balance at December 31, 2019	$ 35,000	$ 49,452	$ 780,182	$ 934,773	$ 1,799,407
Net income	—	—	—	215,073	215,073
Capital contributions from parent	—	—	175,000	—	175,000
Common stock dividends	—	—	—	(30,000)	(30,000)
Preferred stock dividends	—	—	—	(1,882)	(1,882)
Other	—	—	(20)	—	(20)
Balance at December 31, 2020	$ 35,000	$ 49,452	$ 955,162	$ 1,117,964	$ 2,157,578
Net income	—	—	—	228,824	228,824
Capital contributions from parent	—	—	95,000	—	95,000
Preferred stock issuance	3,750	—	(37)	—	3,713
Preferred stock dividends	—	—	—	(1,909)	(1,909)
Balance at December 31, 2021	$ 38,750	$ 49,452	$ 1,050,125	$ 1,344,879	$ 2,483,206

See Notes to Financial Statements, pages 6 through 191.
Amounts may not add or tie to other schedules due to rounding.
Sponsored by: Allison P. Lofton

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2021

OR

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

For the transition period from ____________ to ____________

Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-35747	ENTERGY NEW ORLEANS, LLC (a Texas limited liability company) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 82-2212934
1-10764	ENTERGY ARKANSAS, LLC (a Texas limited liability company) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 83-1918668	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 2107 Research Forest Drive The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 576-4000 47-4469646	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777
1-31508	ENTERGY MISSISSIPPI, LLC (a Texas limited liability company) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 83-1950019		

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its subsidiaries. As required by generally accepted accounting principles in the United States of America, all intercompany transactions have been eliminated in the consolidated financial statements. Entergy's Registrant Subsidiaries (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy) also include their separate financial statements in this Form 10-K. The Registrant Subsidiaries and many other Entergy subsidiaries also maintain accounts in accordance with FERC and other regulatory guidelines.

Use of Estimates in the Preparation of Financial Statements

In conformity with generally accepted accounting principles in the United States of America, the preparation of Entergy Corporation's consolidated financial statements and the separate financial statements of the Registrant Subsidiaries requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

Revenues and Fuel Costs

See Note 19 to the financial statements for a discussion of Entergy's and the Registrant Subsidiaries' revenues and fuel costs.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less regulatory disallowances and impairments. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives of the various classes of property. For the Registrant Subsidiaries, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Certain combined-cycle gas turbine generating units are maintained under long-term service agreements with third-party service providers. The costs under these agreements are split between operating expenses and capital additions based upon the nature of the work performed. Substantially all of the Registrant Subsidiaries' plant is subject to mortgage liens.

Electric plant includes the portion of Grand Gulf that was sold and leased back in a prior period. For financial reporting purposes, this sale and leaseback arrangement is reported as a financing transaction.

Net property, plant, and equipment for Entergy (including property under lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2021 and 2020, is shown below:

2021	**Entergy**	**Utility**	**Entergy Wholesale Commodities**	**Parent & Other**
		(In Millions)		
Production				
Nuclear	$7,632	$7,624	$8	$—
Other	7,158	7,105	53	—
Transmission	9,578	9,577	1	—
Distribution	12,877	12,877	—	—
Other	2,910	2,905	—	5
Construction work in progress	1,512	1,511	1	—
Nuclear fuel	577	563	14	—
Property, plant, and equipment - net	$42,244	$42,162	$77	$5

2020	**Entergy**	**Utility**	**Entergy Wholesale Commodities**	**Parent & Other**
		(In Millions)		
Production				
Nuclear	$7,526	$7,493	$33	$—
Other	6,346	6,270	76	—
Transmission	8,758	8,758	—	—
Distribution	10,805	10,805	—	—
Other	2,804	2,792	5	7
Construction work in progress	2,012	2,008	4	—
Nuclear fuel	601	548	53	—
Property, plant, and equipment - net	$38,853	$38,674	$171	$7

Depreciation rates on average depreciable property for Entergy approximated 2.7% in 2021, 2.8% in 2020, and 2.8% in 2019. Included in these rates are the depreciation rates on average depreciable Utility property of 2.7% in 2021, 2.7% in 2020, and 2.6% in 2019, and the depreciation rates on average depreciable Entergy Wholesale Commodities property of 7.5% in 2021, 12.7% in 2020, and 18.3% in 2019. The depreciation rates for Entergy Wholesale Commodities reflect the significantly reduced remaining estimated operating lives associated with management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. The decreases in the depreciation rates in 2021 and 2020 for Entergy Wholesale Commodities are due to the shutdown of Indian Point 3 in April 2021 and the shutdown of Indian Point 2 in April 2020.

Entergy amortizes nuclear fuel using a units-of-production method. Nuclear fuel amortization is included in fuel expense in the income statements. Because the values of their long-lived assets were impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, charged nuclear fuel costs directly to expense when incurred because their undiscounted cash flows were insufficient to recover the carrying amount of these capital additions.

Non-utility property - at cost (less accumulated depreciation) for Entergy is reported net of accumulated depreciation of $200 million as of December 31, 2021 and $191 million as of December 31, 2020.

Construction expenditures included in accounts payable is $723 million as of December 31, 2021 and $745 million as of December 31, 2020.

Net property, plant, and equipment for the Registrant Subsidiaries (including property under lease and associated accumulated amortization) by company and functional category, as of December 31, 2021 and 2020, is shown below:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Millions)			
Production						
Nuclear	$1,775	$3,941	$—	$—	$—	$1,908
Other	931	3,631	882	411	1,250	—
Transmission	2,065	4,237	1,383	114	1,743	35
Distribution	2,801	5,629	1,879	702	1,866	—
Other	534	1,042	342	349	273	24
Construction work in progress	241	848	95	22	184	98
Nuclear fuel	182	209	—	—	—	171
Property, plant, and equipment - net	$8,529	$19,537	$4,581	$1,598	$5,316	$2,236

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Millions)			
Production						
Nuclear	$1,622	$3,980	$—	$—	$—	$1,891
Other	803	3,660	868	416	523	—
Transmission	2,053	3,756	1,235	111	1,566	37
Distribution	2,666	4,130	1,651	576	1,782	—
Other	506	984	325	326	273	26
Construction work in progress	234	667	135	12	880	60
Nuclear fuel	163	210	—	—	—	175
Property, plant, and equipment - net	$8,047	$17,388	$4,214	$1,441	$5,023	$2,189

Depreciation rates on average depreciable property for the Registrant Subsidiaries are shown below:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
2021	2.7%	2.4%	3.6%	3.2%	3.2%	1.9%
2020	2.6%	2.4%	3.5%	3.1%	3.1%	2.1%
2019	2.5%	2.4%	3.2%	3.2%	3.0%	2.1%

Non-utility property - at cost (less accumulated depreciation) for Entergy Louisiana is reported net of accumulated depreciation of $188.5 million as of December 31, 2021 and $179.8 million as of December 31, 2020. Non-utility property - at cost (less accumulated depreciation) for Entergy Mississippi is reported net of accumulated depreciation of $0.5 million as of December 31, 2021 and $0.5 million as of December 31, 2020.

As of December 31, 2021, construction expenditures included in accounts payable are $35.6 million for Entergy Arkansas, $507.9 million for Entergy Louisiana, $26.5 million for Entergy Mississippi, $73.1 million for Entergy Texas, and $23.4 million for System Energy. As of December 31, 2020, construction expenditures included in accounts payable are $59.7 million for Entergy Arkansas, $460.5 million for Entergy Louisiana, $31.4 million for Entergy Mississippi, $9.2 million for Entergy New Orleans, $116.8 million for Entergy Texas, and $17.7 million for System Energy.

Jointly-Owned Generating Stations

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. All parties are required to provide their own financing. The investments, fuel expenses, and other operation and maintenance expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2021, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel Type	Total Megawatt Capability (a)	Ownership	Investment	Accumulated Depreciation
					(In Millions)	
Utility business:						
Entergy Arkansas -						
Independence	Unit 1	Coal	822	31.50%	$143	$106
Independence	Common Facilities	Coal		15.75%	$43	$31
White Bluff	Units 1 and 2	Coal	1,639	57.00%	$587	$390
Ouachita (b)	Common Facilities	Gas		66.67%	$173	$156
Union (c)	Common Facilities	Gas		25.00 %	$29	$9
Entergy Louisiana -						
Roy S. Nelson	Unit 6	Coal	521	40.25%	$294	$212
Roy S. Nelson	Unit 6 Common Facilities	Coal		19.57%	$21	$10
Big Cajun 2	Unit 3	Coal	540	24.15%	$151	$131
Big Cajun 2	Unit 3 Common Facilities	Coal		8.05%	$5	$3
Ouachita (b)	Common Facilities	Gas		33.33%	$91	$78
Acadia	Common Facilities	Gas		50.00%	$21	$2
Union (c)	Common Facilities	Gas		50.00 %	$59	$10
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,246	25.00%	$286	$179
Entergy New Orleans -						
Union (c)	Common Facilities	Gas		25.00 %	$29	$8
Entergy Texas -						
Roy S. Nelson	Unit 6	Coal	521	29.75%	$208	$120
Roy S. Nelson	Unit 6 Common Facilities	Coal		14.47%	$7	$3
Big Cajun 2	Unit 3	Coal	540	17.85%	$113	$84
Big Cajun 2	Unit 3 Common Facilities	Coal		5.95%	$4	$1
Montgomery County	Unit 1	Gas	909	92.44%	$728	$18
System Energy -						
Grand Gulf (d)	Unit 1	Nuclear	1,404	90.00 %	$5,363	$3,317
Entergy Wholesale Commodities:						
Independence	Unit 2	Coal	424	14.37%	$76	$55
Independence	Common Facilities	Coal		7.18%	$20	$14
Roy S. Nelson	Unit 6	Coal	521	10.90%	$118	$69
Roy S. Nelson	Unit 6 Common Facilities	Coal		5.30%	$3	$1

(a) “Total Megawatt Capability” is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.

(b) Ouachita Units 1 and 2 are owned 100% by Entergy Arkansas and Ouachita Unit 3 is owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the common facilities and not for the generating units.

(c) Union Unit 1 is owned 100% by Entergy New Orleans, Union Unit 2 is owned 100% by Entergy Arkansas, Union Units 3 and 4 are owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the specified common facilities and not for the generating units.

(d) Includes a leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 5 to the financial statements.

Nuclear Refueling Outage Costs

Nuclear refueling outage costs are deferred during the outage and amortized over the estimated period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Because the values of their long-lived assets were impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, charged nuclear refueling outage costs directly to expense when incurred because their undiscounted cash flows were insufficient to recover the carrying amount of these costs.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction by the Registrant Subsidiaries. AFUDC increases both the plant balance and earnings and is realized in cash through depreciation provisions included in the rates charged to customers.

Income Taxes

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. In September 2019, Entergy Utility Holding Company, LLC and its regulated wholly-owned subsidiaries including Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy New Orleans, LLC became eligible to join and joined the Entergy Corporation consolidated federal income tax group. These changes do not affect the accrual or allocation of income taxes for the Registrant Subsidiaries. Each tax-paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the tax filing entities in accordance with Entergy's intercompany income tax allocation agreements. Deferred income taxes are recorded for temporary differences between the book and tax basis of assets and liabilities, and for certain losses and credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted. See the "**Other Tax Matters** - **Tax Cuts and Jobs Act**" section in Note 3 to the financial statements for discussion of the effects of the enactment of the Tax Cuts and Jobs Act in December 2017.

The benefits of investment tax credits are deferred and amortized over the average useful life of the related property, as a reduction of income tax expense, for such credits associated with rate-regulated operations in accordance with ratemaking treatment.

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share calculation included on the consolidated statements of operations:

	For the Years Ended December 31,					
	2021		2020		2019	
	(In Millions, Except Per Share Data)					
		$/share		$/share		$/share
Net income attributable to Entergy Corporation	$1,118.5		$1,388.3		$1,241.2	
Basic shares and earnings per average common share	200.9	$5.57	200.1	$6.94	195.2	$6.36
Average dilutive effect of:						
Stock options	0.4	(0.01)	0.5	(0.02)	0.6	(0.02)
Other equity plans	0.6	(0.02)	0.5	(0.02)	0.8	(0.03)
Equity forwards	—	—	—	—	0.4	(0.01)
Diluted shares and earnings per average common shares	201.9	$5.54	201.1	$6.90	197.0	$6.30

The calculation of diluted earnings per share excluded 1,013,320 options outstanding at December 31, 2021, 523,999 options outstanding at December 31, 2020, and 173,290 options outstanding at December 31, 2019 because they were antidilutive. In addition, as discussed further in Note 7 to the financial statements, at December 31, 2021, 1,158,917 shares under then outstanding forward sale agreements were not included in the calculation of diluted earnings per share because their effect would have been antidilutive.

Stock-based Compensation Plans

Entergy grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees of the Entergy subsidiaries under its Equity Ownership Plans, which are shareholder-approved stock-based compensation plans. These plans are described more fully in Note 12 to the financial statements. The cost of the stock-based compensation is charged to income over the vesting period. Awards under Entergy's plans generally vest over three years. Entergy accounts for forfeitures of stock-based compensation when they occur. Entergy recognizes all income tax effects related to share-based payments through the income statement.

Accounting for the Effects of Regulation

Entergy's Utility operating companies and System Energy are rate-regulated enterprises whose rates meet three criteria specified in accounting standards. The Utility operating companies and System Energy have rates that (i) are approved by a body (its regulator) empowered to set rates that bind customers; (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility's business, such as the generation or transmission functions, or to specific classes of customers. Because the Utility operating companies and System Energy meet these criteria, each of them capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity's balance sheet.

An enterprise that ceases to meet the three criteria for all or part of its operations should report that event in its financial statements. In general, the enterprise no longer meeting the criteria should eliminate from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs, it is possible that an impairment may exist that could require further write-offs of plant assets.

Entergy Louisiana does not apply regulatory accounting standards to the Louisiana retail deregulated portion of River Bend, the 30% interest in River Bend formerly owned by Cajun, or its steam business, unless specific cost recovery is provided for in tariff rates. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 15%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Louisiana to sell the electricity from the deregulated assets to Louisiana retail customers at 4.6 cents per kWh or off-system at higher prices, with certain provisions for sharing incremental revenue above 4.6 cents per kWh between customers and shareholders.

Regulatory Asset or Liability for Income Taxes

Accounting standards for income taxes provide that a regulatory asset or liability be recorded if it is probable that the currently determinable future increase or decrease in regulatory income tax expense will be recovered from or returned to customers through future rates. There are two main sources of Entergy's regulatory asset or liability for income taxes. There is a regulatory asset related to the ratemaking treatment of the tax effects of book depreciation for the equity component of AFUDC that has been capitalized to property, plant, and equipment but for which there is no corresponding tax basis. Equity-AFUDC is a component of property, plant, and equipment that is included in rate base when the plant is placed in service. There is a regulatory liability related to the adjustment of Entergy's net deferred income taxes that was required by the enactment in December 2017 of a change in the federal corporate income tax rate, which is discussed in Note 2 and 3 to the financial statements.

Cash and Cash Equivalents

Entergy considers all unrestricted highly liquid debt instruments with an original maturity of three months or less at date of purchase to be cash equivalents.

Securitization Recovery Trust Accounts

The funds that Entergy New Orleans and Entergy Texas hold in their securitization recovery trust accounts are not classified as cash and cash equivalents or restricted cash and cash equivalents because of their nature, uses, and restrictions. These funds are classified as part of other current assets and other investments, depending on the timeframe within which the Registrant Subsidiary expects to use the funds.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects Entergy's best estimate of losses on the accounts receivable balances. The allowance is calculated as the historical rate of customer write-offs multiplied by the current accounts receivable balance, taking into account the length of time the receivable balances have been outstanding. Although the rate of customer write-offs has historically experienced minimal variation, management monitors the current condition of individual customer accounts to manage collections and ensure bad debt expense is recorded in a timely manner. Utility operating company customer accounts receivable are written off consistent with approved regulatory requirements. See Note 19 to the financial statements for further details on the allowance for doubtful accounts.

Investments

Entergy records decommissioning trust funds on the balance sheet at their fair value. Unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds are recorded in earnings as they occur rather than in other comprehensive income. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the 30% interest in River Bend formerly owned by Cajun, Entergy Louisiana records an offsetting amount in other deferred credits for the unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains/(losses) recorded on the equity securities in the trust funds are recognized in earnings. Unrealized gains recorded on the available-for-sale debt securities in the trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity. Unrealized losses (where cost exceeds fair market value) on the available-for-sale debt securities in the trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. A portion of Entergy's decommissioning trust funds were held in a wholly-owned registered investment company, and unrealized gains and losses on both the equity and debt securities held in the registered investment company were recognized in earnings. In December 2020, Entergy liquidated its interest in the registered investment company. The assessment of whether an investment in an available-for-sale debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Effective January 1, 2020, with the adoption of ASU 2016-13, Entergy estimates the expected credit losses for its available for sale securities based on the current credit rating and remaining life of the securities. To the extent an expected credit loss is realized, the individual security comprising the loss is written off against this allowance. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. See Note 16 to the financial statements for details on the decommissioning trust funds.

Equity Method Investments

Entergy owns investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of the investee's comprehensive earnings and losses in income and as an increase or decrease to the investment account. Any cash distributions are charged against the investment account. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount for an investee plus any advances made or commitments to provide additional financial support.

Partnership with Disproportionate Allocation of Earnings and Losses in Relation to an Investor's Ownership Interest

Entergy Arkansas, as managing member, controls a tax equity partnership with a third party tax equity investor and consolidates the partnership for financial reporting purposes. The limited liability company agreement with the tax equity investor stipulates a disproportionate allocation of tax attributes, earnings, and cash flows between Entergy Arkansas and the tax equity investor with the tax equity investor being allocated a significant portion of the tax attributes, earnings, and cash flows until it receives its target return, at which point the earnings and cash flows will primarily be allocated to Entergy Arkansas. Entergy Arkansas has the option to purchase, at a future date specified in the partnership agreement, the tax equity investor's interests at the then-current fair market value, plus an amount that results in the tax equity investor reaching its target return, if needed.

Because of this disproportionate allocation, Entergy Arkansas accounts for its earnings in the partnership using the HLBV method of accounting. Under the HLBV method, the amounts of income and loss attributable to both Entergy Arkansas and the tax equity investor reflect changes in the amount each would hypothetically receive at the balance sheet date under the respective liquidation provisions of the limited liability company agreement, assuming the net assets of the partnership were liquidated at book value, after consideration of contributions and distributions, between Entergy Arkansas and the tax equity investor. Once the tax equity investor reaches its target return in the hypothetical liquidation, the remaining proceeds are primarily allocated to Entergy Arkansas. This allocation may result in fluctuations of income on a periodic basis that differ significantly from what would otherwise be recognized if the earnings were allocated under the relative ownership percentages between Entergy Arkansas and the tax equity investor. Entergy Arkansas has determined these differences are primarily due to timing, and the APSC has approved that, for purposes of ratemaking, Entergy Arkansas reflect its interest in the partnership using its relative ownership percentage and disregard the effects of the HLBV method of accounting. Because of this, Entergy Arkansas recorded a regulatory liability of $18.1 million in 2021 for the difference between the earnings allocated to it under the HLBV method of accounting and the earnings that would have been allocated to it under its respective ownership percentage in the partnership.

Derivative Financial Instruments and Commodity Derivatives

The accounting standards for derivative instruments and hedging activities require that all derivatives be recognized at fair value on the balance sheet, either as assets or liabilities, unless they meet various exceptions including the normal purchase/normal sale criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. Due to regulatory treatment, an offsetting regulatory asset or liability is recorded for changes in fair value of recognized derivatives for the Registrant Subsidiaries.

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

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified to earnings in the periods when the underlying transactions actually occur. Changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded in current-period earnings on a mark-to-market basis.

Entergy has determined that contracts to purchase uranium do not meet the definition of a derivative under the accounting standards for derivative instruments because they do not provide for net settlement and the uranium markets are not sufficiently liquid to conclude that forward contracts are readily convertible to cash. If the uranium markets do become sufficiently liquid in the future and Entergy begins to account for uranium purchase contracts as derivative instruments, the fair value of these contracts would be accounted for consistent with Entergy's other derivative instruments. See Note 15 to the financial statements for further details on Entergy's derivative instruments and hedging activities.

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments other than those instruments held by the Entergy Wholesale Commodities business are reflected in future rates and therefore do not affect net income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. See Note 15 to the financial statements for further discussion of fair value.

Impairment of Long-lived Assets

Entergy periodically reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such operations and assets. Projected net cash flows depend on the expected operating life of the assets, the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy and capacity over the remaining life of the assets. Because the values of the long-lived assets were impaired, and the remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, were charging additional expenditures for capital assets directly to expense when incurred. See Note 14 to the financial statements for further discussions of the impairments of the Entergy Wholesale Commodities nuclear plants.

River Bend AFUDC

The River Bend AFUDC gross-up is a regulatory asset that represents the incremental difference imputed by the LPSC between the AFUDC actually recorded by Entergy Louisiana on a net-of-tax basis during the construction of River Bend and what the AFUDC would have been on a pre-tax basis. The imputed amount was only calculated on that portion of River Bend that the LPSC allowed in rate base and is being amortized through August 2025.

Reacquired Debt

The premiums and costs associated with reacquired debt of Entergy's Utility operating companies and System Energy (except that portion allocable to the deregulated operations of Entergy Louisiana) are included in regulatory assets and are being amortized over the life of the related new issuances, or over the life of the original debt issuance if the debt is not refinanced, in accordance with ratemaking treatment.

Taxes Imposed on Revenue-Producing Transactions

Governmental authorities assess taxes that are both imposed on and concurrent with a specific revenue-producing transaction between a seller and a customer, including, but not limited to, sales, use, value added, and some excise taxes. Entergy presents these taxes on a net basis, excluding them from revenues, unless required to report them differently by a regulatory authority.

New Accounting Pronouncements

The accounting standard-setting process is ongoing and the FASB is currently working on several projects that have not yet resulted in final pronouncements. Final pronouncements that result from these projects could have a material effect on Entergy's future net income, financial positions, or cash flows.

NOTE 2. RATE AND REGULATORY MATTERS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Regulatory Assets and Regulatory Liabilities

Regulatory assets represent probable future revenues associated with costs that Entergy expects to recover from customers through the regulatory ratemaking process under which the Utility business operates. Regulatory liabilities represent probable future reductions in revenues associated with amounts that Entergy expects to benefit customers through the regulatory ratemaking process under which the Utility business operates. In addition to the regulatory assets and liabilities that are specifically disclosed on the face of the balance sheets, the tables below provide detail of "Other regulatory assets" and "Other regulatory liabilities" that are included on Entergy's and the Registrant Subsidiaries' balance sheets as of December 31, 2021 and 2020:

Other Regulatory Assets

Entergy

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - **Qualified Pension Plans**, **Other Postretirement Benefits**, and **Non-Qualified Pension Plans**) (a)	$2,327.7	$3,027.5
Removal costs (Note 9)	1,488.8	893.8
Storm damage costs, including hurricane costs - recovered through securitization and retail rates (Note 2 - **Hurricane Ida** and **Storm Cost Recovery Filings with Retail Regulators** and Note 5 - **Securitization Bonds**)	993.6	379.2
Asset retirement obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	935.5	1,018.9
Retired electric and gas meters - recovered through retail rates as determined by retail regulators	179.4	192.1
Deferred COVID-19 costs - recovery period to be determined (Note 2 - **Retail Rate Proceedings**) (b)	133.1	105.7
Opportunity Sales - recovery will be determined after final order in proceeding (Note 2 - **Entergy Arkansas Opportunity Sales Proceeding**) (b)	131.8	131.8
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - **Qualified Pension Settlement Cost**)	113.2	16.9
Unamortized loss on reacquired debt - recovered over term of debt	74.7	79.2
Retail rate deferrals - recovered through formula rates or rate riders as rates are redetermined by retail regulators	66.1	66.0
Attorney General litigation costs - recovered over a six-year period through March 2026 (b)	20.5	25.3
Formula rate plan historical year rate adjustment (Note 2 - **Retail Rate Proceedings**)	19.0	—
New nuclear generation development costs - recovery through formula rate plan December 2014 through November 2022 (b)	6.8	14.2
Other	123.1	125.9
Entergy Total	$6,613.3	$6,076.5

Entergy Arkansas

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - **Qualified Pension Plans**, **Other Postretirement Benefits**, and **Non-Qualified Pension Plans**) (a)	$640.0	$831.5
Asset retirement obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	489.2	479.3
Removal costs (Note 9)	224.3	212.6
Opportunity sales - recovery will be determined after final order in proceeding (Note 2 - **Entergy Arkansas Opportunity Sales Proceeding**) (b)	131.8	131.8
Retired electric meters - recovered over 15-year period through March 2034	43.4	46.9
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - **Qualified Pension Settlement Cost**)	39.8	9.5
Storm damage costs - recovered either through securitization or retail rates (Note 5 - Entergy Arkansas Securitization Bonds)	39.3	42.7
Deferred COVID-19 costs - recovery period to be determined (Note 2 - **Retail Rate Proceedings**) (b)	32.6	10.5
Unamortized loss on reacquired debt - recovered over term of debt	23.1	24.7
ANO Fukushima and Flood Barrier costs - recovered through retail rates through February 2026 (Note 2 - **Retail Rate Proceedings**) (b)	7.3	9.1
Retail rate deferrals - recovered through rate riders as rates are redetermined annually (b)	1.0	12.6
Other	17.9	21.2
Entergy Arkansas Total	$1,689.7	$1,832.4

Entergy Louisiana

	2021	2020
	(In Millions)	
Removal costs (Note 9)	$848.2	$302.5
Storm damage costs, including hurricane costs - recovery expected through retail rates and securitization (Note 2 - **Hurricane Ida** and **Storm Cost Recovery Filings with Retail Regulators**)	773.6	94.0
Pension & postretirement costs (Note 11 - **Qualified Pension Plans** and **Non-Qualified Pension Plans**) (a)	592.7	799.4
Asset Retirement Obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	286.6	299.0
Retired electric meters - recovered over a 22-year period through July 2041	91.7	96.4
Deferred COVID-19 costs - recovery period to be determined (Note 2 - **Retail Rate Proceedings**) (b)	56.3	48.8
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - **Qualified Pension Settlement Cost)**	55.0	5.4
Unamortized loss on reacquired debt - recovered over term of debt	26.9	26.6
New nuclear generation development costs - recovery through formula rate plan December 2014 through November 2022 (b)	6.7	14.0
Other	39.0	40.0
Entergy Louisiana Total	$2,776.7	$1,726.1

Entergy Mississippi

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - **Qualified Pension Plans**, **Other Postretirement Benefits**, and **Non-Qualified Pension Plans**) (a)	$175.4	$242.7
Removal costs (Note 9)	136.8	107.3
Retail rate deferrals - returned through formula rates or rate riders as rates are redetermined annually	48.1	44.3
Attorney General litigation costs - recovered over a six-year period through March 2026 (b)	20.5	25.3
Formula rate plan historical year rate adjustment (Note 2 - **Retail Rate Proceedings**)	19.0	—
Deferred COVID-19 costs - recovery period to be determined (Note 2 - **Retail Rate Proceedings**) (b)	15.0	19.2
Qualified Pension Settlement Cost Deferral - recovered over a 10-year period through July 2031 (Note 11 - **Qualified Pension Settlement Cost)**	13.8	2.0
Unamortized loss on reacquired debt - recovered over term of debt	12.2	13.5
Asset retirement obligation - recovery dependent upon timing of dismantlement of non-nuclear power plants (Note 9) (a)	8.4	7.9
Other	13.2	5.1
Entergy Mississippi Total	$462.4	$467.3

Entergy New Orleans

	2021	2020
	(In Millions)	
Removal costs (Note 9)	$91.7	$63.2
Pension & postretirement costs (Note 11 - **Qualified Pension Plans**, **Other Postretirement Benefits**, and **Non-Qualified Pension Plans**) (a)	44.9	75.7
Storm damage costs, including hurricane costs - recovered through securitization or retail rates (Note 2 - **Storm Cost Recovery Filings with Retail Regulators** and Note 5 - Entergy New Orleans Securitization Bonds - Hurricane Isaac)	31.2	55.2
Retired meters - recovered over a 12-year period through July 2031 (b)	19.6	21.7
Deferred COVID-19 costs - recovery period to be determined (Note 2 - **Retail Rate Proceedings**) (b)	17.4	14.3
Asset retirement obligation - recovery dependent upon timing of dismantlement of non-nuclear power plants (Note 9) (a)	5.4	5.2
Unamortized loss on reacquired debt - recovered over term of debt	1.6	1.9
Other	36.8	29.6
Entergy New Orleans Total	$248.6	$266.8

Entergy Texas

	2021	2020
	(In Millions)	
Storm damage costs, including hurricane costs - recovered through securitization and retail rates (Note 2 - **Storm Cost Recovery Filings with Retail Regulators** and Note 5 - Entergy Texas Securitization Bonds - Hurricane Rita and Entergy Texas Securitization Bonds - Hurricane Ike and Hurricane Gustav)	$143.1	$187.3
Removal costs (Note 9)	98.1	115.3
Pension & postretirement costs (Note 11 - **Qualified Pension Plans**, **Other Postretirement Benefits**, and **Non-Qualified Pension Plans**) (a)	96.0	140.1
Retired electric meters - recovered over 13-year period through February 2032	23.7	26.0
Neches and Sabine costs - recovered over a 10-year period through September 2028 (Note 2 - **Retail Rate Proceedings**)	16.4	18.8
Pension & postretirement benefits expense deferral - recovery period to be determined (Note 11 - **Entergy Texas Reserve**)	14.6	3.8
Deferred COVID-19 costs - recovery period to be determined (Note 2 - **Retail Rate Proceedings**) (b)	11.7	12.9
Unamortized loss on reacquired debt - recovered over term of debt	9.8	10.5
Other	7.9	10.0
Entergy Texas Total	$421.3	$524.7

System Energy

	2021	2020
	(In Millions)	
Pension & postretirement costs (Note 11 - **Qualified Pension Plans** and **Other Postretirement Benefits**) (a)	$160.3	$217.8
Asset retirement obligation - recovery dependent upon timing of decommissioning (Note 9) (a)	144.4	226.3
Removal costs - recovered through depreciation rates (Note 9)	89.7	92.9
Unamortized loss on reacquired debt - recovered over term of debt	1.1	2.0
System Energy Total	$395.5	$539.0

(a) Does not earn a return on investment, but is offset by related liabilities.
(b) Does not earn a return on investment.

Hurricane Ida

In August 2021, Hurricane Ida caused extensive damage to the Entergy distribution and, to a lesser extent, transmission systems across Louisiana resulting in widespread power outages. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida for Entergy Louisiana and Entergy New Orleans are currently estimated to be approximately $2.7 billion. Also, Utility revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

Entergy has recorded accounts payable for the estimated costs incurred that were necessary to return customers to service. Entergy recorded corresponding regulatory assets of approximately $1.1 billion, including $1 billion at Entergy Louisiana and $80 million at Entergy New Orleans, and construction work in progress of approximately $1.6 billion, including $1.5 billion at Entergy Louisiana and $120 million at Entergy New Orleans. Entergy recorded the regulatory assets in accordance with its accounting policies and based on the historic treatment of such costs in its service area because management believes that recovery through some form of regulatory mechanism is probable. There are well-established mechanisms and precedent for addressing these catastrophic events and providing for recovery of prudently incurred storm costs in accordance with applicable regulatory and legal principles. Because Entergy has not gone through the regulatory process regarding these storm costs, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs that it may ultimately recover, or the timing of such recovery.

Entergy is considering all available avenues to recover storm-related costs from Hurricane Ida, including federal government assistance and securitization financing. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately $1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, as discussed below in "**Storm Cost Filings with Retail Regulators - Entergy Louisiana -** Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida," Entergy Louisiana sought approval for the creation and funding of a $1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review. In September 2021, Entergy New Orleans withdrew $39 million from its funded storm reserves. Storm cost recovery or financing will be subject to review by applicable regulatory authorities. In February 2022, Entergy New Orleans filed with the City Council a securitization application requesting that the City Council review Entergy New Orleans's storm reserve and increase the storm reserve funding level to $150 million, to be funded through securitization.

Other Regulatory Liabilities

Entergy

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	$1,993.3	$1,694.1
Louisiana Act 55 financing savings obligation (Note 3) (b)	127.4	144.3
Retail rate over-recovery - refunded through formula rate or rate riders as rates are redetermined annually	126.5	75.1
Vidalia purchased power agreement (Note 8) (b)	106.2	115.7
Grand Gulf sale-leaseback - (Note 5 - **Grand Gulf Sale-Leaseback Transactions**)	55.6	55.6
Asset retirement obligation - return to customers dependent upon timing of decommissioning (Note 9) (a)	45.5	29.7
Entergy Arkansas's accumulated accelerated Grand Gulf amortization - will be returned to customers when approved by the APSC and the FERC	44.4	44.4
Internal restructuring guaranteed tax credits	19.8	26.4
Deferred tax equity partnership earnings (Note 1)	18.1	—
Business combination guaranteed customer benefits - returned to customers through retail rates and fuel rates December 2015 through November 2024	16.0	21.5
Advanced metering system (AMS) surcharge - return to customers dependent upon AMS spend	7.3	20.1
Formula rate plan historical year rate adjustment (Note 2 - **Retail Rate Proceedings**)	—	43.5
Other	83.7	53.5
Entergy Total	$2,643.8	$2,323.9

Entergy Arkansas

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	$685.4	$597.4
Internal restructuring guaranteed customer credits	19.8	26.4
Retail rate rider over-recovery - refunded through rate riders as rates are redetermined annually	18.9	19.6
Deferred tax equity partnership earnings (Note 1)	18.1	—
Formula rate plan historical year rate adjustment (Note 2 - **Retail Rate Proceedings**)	—	43.5
Other	1.1	—
Entergy Arkansas Total	$743.3	$686.9

Entergy Louisiana

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	$692.2	$567.7
Louisiana Act 55 financing savings obligation (Note 3)	127.4	144.3
Vidalia purchased power agreement (Note 8) (b)	106.2	115.7
Asset retirement obligation - return to customers dependent upon timing of decommissioning (Note 9) (a)	45.5	29.7
Retail rate rider over-recovery - refunded through rate riders as rates are determined annually	30.7	36.0
Business combination guaranteed customer benefits - returned to customers through retail rates and fuel rates December 2015 through November 2024	16.0	21.5
Derivative Instruments & Hedging Activities (Note 15)	11.4	—
Other	13.2	3.4
Entergy Louisiana Total	$1,042.6	$918.3

Entergy Mississippi

	2021	2020
	(In Millions)	
Retail rate rider over-recovery - refunded through rate riders as rates are redetermined annually	$34.2	$14.2
Grand Gulf over-recovery - returned to customers through rate riders as rates are redetermined annually	15.1	1.0
Other	—	0.6
Entergy Mississippi Total	$49.3	$15.8

Entergy Texas

	2021	2020
	(In Millions)	
Retail refunds - return to customers to be determined	$22.8	$—
Advanced metering system (AMS) surcharge - returned to customers dependent upon AMS spend	7.3	20.1
Income tax rate change - refunded through a rate rider (Note 2 - **Retail Rate Proceedings**)	2.7	6.5
Transition to competition costs - returned to customers through rate riders when rates are redetermined periodically	—	3.2
Other	4.3	2.5
Entergy Texas Total	$37.1	$32.3

System Energy

	2021	2020
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	$615.7	$529.0
Grand Gulf sale-leaseback - (Note 5 - **Grand Gulf Sale-Leaseback Transactions)**	55.6	55.6
Entergy Arkansas's accumulated accelerated Grand Gulf amortization - will be returned to customers when approved by the APSC and the FERC	44.4	44.4
Grand Gulf sale-leaseback accumulated deferred income taxes (a)	25.6	25.7
Entergy Mississippi's accumulated accelerated Grand Gulf amortization - amortized and credited through the Unit Power Sales Agreement	3.6	10.7
System Energy Total	$744.9	$665.4

(a) Offset by related asset.
(b) As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21% effective January 2018, the Vidalia purchased power agreement regulatory liability was reduced by $30.5 million and the Louisiana Act 55 financing savings obligation regulatory liabilities were reduced by $25 million, with corresponding increases to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

Regulatory activity regarding the Tax Cuts and Jobs Act

See the "**Other Tax Matters - Tax Cuts and Jobs Act**" section in Note 3 to the financial statements for discussion of the effects of the December 2017 enactment of the Tax Cuts and Jobs Act (Tax Act), including its effects on Entergy's and the Registrant Subsidiaries' regulatory asset/liability for income taxes.

Entergy Arkansas

Consistent with its previously stated intent to return unprotected excess accumulated deferred income taxes to customers as expeditiously as possible, Entergy Arkansas initiated a tariff proceeding in February 2018 proposing to establish a tax adjustment rider to provide retail customers with certain tax benefits of $467 million associated with the Tax Act. For the residential customer class, unprotected excess accumulated deferred income taxes were returned to customers over a 21-month period from April 2018 through December 2019. For all other customer classes, unprotected excess accumulated deferred income taxes were returned to customers over a nine-month period from April 2018 through December 2018. A true-up provision also was included in the rider, with any over- or under-returned unprotected excess accumulated deferred income taxes credited or billed to customers during the billing month of January 2020, with any residual amounts of over- or under-returned unprotected excess accumulated deferred income taxes to be flowed through Entergy Arkansas's energy cost recovery rider. In March 2018 the APSC approved the tax adjustment rider effective with the first billing cycle of April 2018.

As discussed below, in July 2018, Entergy Arkansas made its formula rate plan filing to set its formula rate for the 2019 calendar year. A hearing was held in May 2018 regarding the APSC's inquiries into the effects of the Tax Act, including Entergy Arkansas's proposal to utilize its formula rate plan rider for its customers to realize the remaining benefits of the Tax Act. Entergy Arkansas's formula rate plan rider included a netting adjustment that compared actual annual results to the allowed rate of return on common equity. In July 2018 the APSC issued an order agreeing with Entergy Arkansas's proposal to have the effects of the Tax Act on current income tax expense flow through Entergy Arkansas's formula rate plan rider and with Entergy Arkansas's treatment of protected and unprotected excess accumulated deferred income taxes. The APSC also directed Entergy Arkansas to submit in the tax adjustment rider proceeding, discussed above, the adjustments to all other riders affected by the Tax Act and to include an amendment for a true up mechanism where a rider affected by the Tax Act does not already contain a true-up mechanism. Pursuant to a 2018 settlement agreement in Entergy Arkansas's formula rate plan proceeding, Entergy Arkansas also removed the net operating loss accumulated deferred income tax asset caused by the Tax Act from Entergy Arkansas's tax adjustment rider. Entergy Arkansas's compliance tariff filings were accepted by the APSC in October 2018. In February 2021, pursuant to its 2020 formula rate plan evaluation report settlement, Entergy Arkansas flowed $5.6 million in credits to customers through the tax adjustment rider based on the outcome of certain federal tax positions and a decrease in the state tax rate.

Entergy Louisiana

In an electric formula rate plan settlement approved by the LPSC in April 2018 the parties agreed that Entergy Louisiana would return to customers one-half of its eligible unprotected excess deferred income taxes from May 2018 through December 2018 and return to customers the other half from January 2019 through August 2022. In addition, the settlement provided that in order to flow back to customers certain other tax benefits created by the Tax Act, Entergy Louisiana established a regulatory liability effective January 1, 2018 in the amount of $9.1 million per month to reflect these tax benefits already included in retail rates until new base rates under the formula rate plan were established in September 2018, and this regulatory liability was returned to customers over the September 2018 through August 2019 formula rate plan rate-effective period. The LPSC staff and intervenors in the settlement reserved the right to obtain data from Entergy Louisiana to confirm the determination of excess accumulated deferred income taxes resulting from the Tax Act and the analysis thereof as part of the formula rate plan review proceeding for the 2017 test year filing which, as discussed below, Entergy Louisiana filed in June 2018.

Entergy New Orleans

After enactment of the Tax Act the City Council passed a resolution ordering Entergy New Orleans to, effective January 1, 2018, record deferred regulatory liabilities to account for the Tax Act's effect on Entergy New Orleans's revenue requirement and to make a filing by mid-March 2018 regarding the Tax Act's effects on Entergy New Orleans's operating income and rate base and potential mechanisms for customers to receive benefits of the Tax Act. The City Council's resolution also directed Entergy New Orleans to request that Entergy Services file with the FERC for revisions of the Unit Power Sales Agreement and MSS-4 replacement tariffs to address the return of excess accumulated deferred income taxes. Entergy submitted filings of this type to the FERC.

In March 2018, Entergy New Orleans filed its response to the resolution stating that the Tax Act reduced income tax expense from what was then reflected in rates by approximately $8.2 million annually for electric operations and by approximately $1.3 million annually for gas operations. In the filing, Entergy New Orleans proposed to return to customers from June 2018 through August 2019 the benefits of the reduction in income tax expense and its unprotected excess accumulated deferred income taxes through a combination of bill credits and investments in energy efficiency programs, grid modernization, and Smart City projects. Entergy New Orleans submitted supplemental information in April 2018 and May 2018. Shortly thereafter, Entergy New Orleans and the City Council's advisors reached an agreement in principle that provides for benefits that will be realized by Entergy New Orleans customers through bill credits that started in July 2018 and offsets to future investments in energy efficiency programs, grid modernization, and Smart City projects, as well as additional benefits related to the filings made at the FERC. The agreement in principle was approved by the City Council in June 2018.

Entergy Texas

After enactment of the Tax Act the PUCT issued an order requiring most utilities, including Entergy Texas, beginning January 25, 2018, to record a regulatory liability for the difference between revenues collected under existing rates and revenues that would have been collected had existing rates been set using the new federal income tax rates and also for the balance of excess accumulated deferred income taxes. Entergy Texas had previously provided information to the PUCT staff and stated that it expected the PUCT to address the lower tax expense as part of Entergy Texas's rate case expected to be filed in May 2018.

In May 2018, Entergy Texas filed its 2018 base rate case with the PUCT. Entergy Texas's proposed rates and revenues reflected the inclusion of the federal income tax reductions due to the Tax Act. The PUCT issued an order in December 2018 establishing that 1) $25 million be credited to customers through a rider to reflect the lower federal income tax rate applicable to Entergy Texas from January 2018 through the date new rates were implemented, 2) $242.5 million of protected excess accumulated deferred income taxes be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and 3) $185.2 million of unprotected excess accumulated deferred income taxes be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider includes carrying charges and is in effect over a period of 12 months for larger customers and over a period of four years for other customers.

<u>System Energy</u>

In a filing made with the FERC in March 2018, System Energy proposed revisions to the Unit Power Sales Agreement to reflect the effects of the Tax Act. In the filing System Energy proposed to return identified quantities of unprotected excess accumulated deferred income taxes to its customers by the end of 2018. In May 2018 the FERC accepted System Energy's proposed tax revisions with an effective date of June 1, 2018, subject to refund and the outcome of settlement and hearing procedures. Settlement discussions were terminated in April 2019, and a hearing was held in March 2020. The retail regulators of the Utility operating companies that are parties to the Unit Power Sales Agreement challenged the treatment and amount of excess accumulated deferred income tax liabilities associated with uncertain tax positions related to nuclear decommissioning. In July 2020 the presiding ALJ in the proceeding issued an initial decision finding that there is an additional $147 million in unprotected excess accumulated deferred income taxes related to System Energy's uncertain decommissioning tax deduction. The initial decision determined that System Energy should have included the $147 million in its March 2018 filing. System Energy had not included credits related to the effect of the Tax Act on the uncertain decommissioning tax position because it was uncertain whether the IRS would allow the deduction. The initial decision rejected both System Energy's alternative argument that any crediting should occur over a ten-year period and the retail regulators' argument that any crediting should occur over a two-year period. Instead, the initial decision concluded that System Energy should credit the additional unprotected excess accumulated deferred income taxes in a single lump sum revenue requirement reduction following a FERC order addressing the initial decision.

The ALJ initial decision is an interim step in the FERC litigation process. In September 2020, System Energy filed a brief on exceptions with the FERC, re-urging its positions and requesting the reversal of the ALJ's initial decision. In December 2020, the LPSC, APSC, MPSC, City Council, and FERC trial staff filed briefs opposing exceptions. The FERC will review the case and issue an order in the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in whole or in part. Credits, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

As discussed below in "**Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue**," in September 2020 the IRS issued a Notice of Proposed Adjustment (NOPA) and Entergy executed it. In September 2020, System Energy filed a motion to lodge the NOPA into the record in the FERC proceeding. In October 2020 the LPSC, APSC, MPSC, City Council, and FERC trial staff filed oppositions to System Energy's motion. As a result of the NOPA, System Energy filed, in October 2020, a new Federal Power Act section 205 filing at the FERC to credit the excess accumulated deferred income taxes resulting from the decommissioning uncertain tax position. System Energy proposes to credit the entire amount of the excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position by issuing a one-time credit of $17.8 million. In November 2020, the LPSC, APSC, MPSC, and City Council filed a protest to the filing, and System Energy responded.

In November 2020 the IRS issued the Revenue Agent's Report (RAR) for the 2014-2015 tax years and in December 2020 Entergy executed it. In December 2020, System Energy filed a motion to lodge the RAR into the record in the FERC proceeding addressing the Tax Cuts and Jobs Act. In January 2021 the LPSC, APSC, MPSC, and City Council filed a joint answer opposing System Energy's motion, and the FERC trial staff also filed an answer opposing System Energy's motion.

As a result of the RAR, in December 2020, System Energy also filed an amendment to its Federal Power Act section 205 filing to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. The amendment proposed the inclusion of the RAR as support for the filing. In December 2020, the LPSC, APSC, and City Council filed a protest in response to the amendment, reiterating objections to the filing to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filing subject to refund, setting it for hearing, and holding the hearing in abeyance.

In November 2020, System Energy filed a motion to vacate the ALJ's decision, arguing that it had been overtaken by changed circumstances because of the IRS's determination resulting from the NOPA and RAR. In January 2021 the LPSC, APSC, MPSC, and City Council filed a joint answer opposing System Energy's motion, and the FERC trial staff also filed an answer opposing System Energy's motion. Additional responsive pleadings were filed in February and March 2021. There is no formal deadline for FERC to rule on the motion.

Fuel and purchased power cost recovery

The Utility operating companies are allowed to recover fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is generally recorded as "Deferred fuel costs" on the Utility operating companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2021 and 2020 that Entergy expects to recover (or return to customers) through fuel mechanisms, subject to subsequent regulatory review.

	2021	2020
	(In Millions)	
Entergy Arkansas (a)	$177.6	$15.2
Entergy Louisiana (b)	$213.5	$170.4
Entergy Mississippi	$121.9	($14.7)
Entergy New Orleans (b)	($3.5)	$6.2
Entergy Texas	$48.3	($85.4)

(a) Includes $68.8 million in 2021 and $68.2 million in 2020 of fuel and purchased power costs whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.

(b) Includes $168.1 million in both years for Entergy Louisiana and $4.1 million in both years for Entergy New Orleans of fuel, purchased power, and capacity costs, which do not currently earn a return on investment and whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.

Entergy Arkansas

Energy Cost Recovery Rider

Entergy Arkansas's retail rates include an energy cost recovery rider to recover fuel and purchased energy costs in monthly customer bills. The rider utilizes the prior calendar-year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over- or under-recovery, including carrying charges, of the energy costs for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs.

In January 2014, Entergy Arkansas filed a motion with the APSC relating to its upcoming energy cost rate redetermination filing that was made in March 2014. In that motion, Entergy Arkansas requested that the APSC authorize Entergy Arkansas to exclude from the redetermination of its 2014 energy cost rate $65.9 million of incremental fuel and replacement energy costs incurred in 2013 as a result of the ANO stator incident. Entergy Arkansas requested that the APSC authorize Entergy Arkansas to retain that amount in its deferred fuel balance, with recovery to be reviewed in a later period after more information was available regarding various claims associated with the ANO stator incident. In February 2014 the APSC approved Entergy Arkansas's request to retain that amount in its deferred fuel balance. In July 2017, Entergy Arkansas filed for a change in rates pursuant to its formula rate plan rider. In that proceeding, the APSC approved a settlement agreement agreed upon by the parties, including a provision that requires Entergy Arkansas to initiate a regulatory proceeding for the purpose of recovering funds currently withheld from rates and related to the stator incident, including the $65.9 million of deferred fuel and purchased energy costs previously noted, subject to certain timelines and conditions set forth in the settlement agreement. In October 2021 the APSC approved Entergy Arkansas's second request to extend the deadline for initiating a regulatory proceeding for the purpose of recovering funds related to the stator incident for twelve additional months, or until December 1, 2022. See the "**ANO Damage, Outage, and NRC Reviews**" section in Note 8 to the financial statements for further discussion of the ANO stator incident.

In March 2017, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from $0.01164 per kWh to $0.01547 per kWh. The APSC staff filed testimony in March 2017 recommending that the redetermined rate be implemented with the first billing cycle of April 2017 under the normal operation of the tariff. Accordingly, the redetermined rate went into effect on March 31, 2017 pursuant to the tariff. In July 2017 the Arkansas Attorney General requested additional information to support certain of the costs included in Entergy Arkansas's 2017 energy cost rate redetermination.

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from $0.01547 per kWh to $0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Cuts and Jobs Act. Entergy Arkansas replied to the Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Cuts and Jobs Act are appropriately considered in the APSC's separate proceeding regarding potential implications of the tax law. The APSC general staff filed a reply to the Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. The redetermined rate became effective with the first billing cycle of April 2018. Subsequently in April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation at that time of the issues suggested by the Attorney General in the proceeding. Following a period of discovery, the Attorney General filed a supplemental response in October 2018 raising new issues with Entergy Arkansas's March 2018 rate redetermination and asserting that $45.7 million of the increase should be collected subject to refund pending further investigation. Entergy Arkansas filed to dismiss the Attorney General's supplemental response, the APSC general staff filed a motion to strike the Attorney General's filing, and the Attorney General filed a supplemental response disputing Entergy Arkansas and the APSC staff's filing. Applicable APSC rules and processes authorize its general staff to initiate periodic audits of Entergy Arkansas's energy cost recovery rider. In late-2018 the APSC general staff notified Entergy Arkansas it has initiated an audit of the 2017 fuel costs. The time in which the audit will be complete is uncertain at this time.

In March 2019, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01882 per kWh to \$0.01462 per kWh and became effective with the first billing cycle in April 2019. In March 2019 the Arkansas Attorney General filed a response to Entergy Arkansas's annual adjustment and included with its filing a motion for investigation of alleged overcharges to customers in connection with the FERC's October 2018 order in the opportunity sales proceeding. Entergy Arkansas filed its response to the Attorney General's motion in April 2019 in which Entergy Arkansas stated its intent to initiate a proceeding to address recovery issues related to the October 2018 FERC order. In May 2019, Entergy Arkansas initiated the opportunity sales recovery proceeding, discussed below, and requested that the APSC establish that proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC October 2018 order and related FERC orders in the opportunity sales proceeding. In June 2019 the APSC granted Entergy Arkansas's request and also denied the Attorney General's motion in the energy cost recovery proceeding seeking an investigation into Entergy Arkansas's annual energy cost recovery rider adjustment and referred the evaluation of such matters to the opportunity sales recovery proceeding.

In March 2020, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01462 per kWh to \$0.01052 per kWh. The redetermined rate became effective with the first billing cycle in April 2020 through the normal operation of the tariff.

In March 2021, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected a decrease from \$0.01052 per kWh to \$0.00959 per kWh. The redetermined rate calculation also included an adjustment to account for a portion of the increased fuel costs resulting from the February 2021 winter storms. The redetermined rate became effective with the first billing cycle in April 2021 through the normal operation of the tariff.

<u>Entergy Louisiana</u>

Entergy Louisiana recovers electric fuel and purchased power costs for the billing month based upon the level of such costs incurred two months prior to the billing month. Entergy Louisiana's purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

In July 2014 the LPSC authorized its staff to initiate an audit of the fuel adjustment clause filings by Entergy Gulf States Louisiana, whose business was combined with Entergy Louisiana in 2015. The audit includes a review of the reasonableness of charges flowed through Entergy Gulf States Louisiana's fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately \$900,000, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require no refund to customers.

In July 2014 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed by Entergy Louisiana through its fuel adjustment clause for the period from 2010 through 2013. In January 2019 the LPSC staff issued its audit report recommending that Entergy Louisiana refund approximately \$7.3 million, plus interest, to customers based upon the imputation of a claim of vendor fault in servicing its nuclear plant. Entergy Louisiana recorded a provision in the first quarter 2019 for the potential outcome of the audit. In August 2019, Entergy Louisiana filed direct testimony challenging the basis for the LPSC staff's recommended disallowance and providing an alternative calculation of replacement power costs should it be determined that a disallowance is appropriate. Entergy Louisiana's calculation would require a refund to customers of approximately $4.3 million, plus interest, as compared to the LPSC staff's recommendation of $7.3 million, plus interest. Responsive testimony was filed by the LPSC staff and intervenors in September 2019; all parties either agreed with or did not oppose Entergy Louisiana's alternative calculation of replacement power costs.

In November 2019 the pending LPSC proceedings for the 2010-2013 Entergy Louisiana and Entergy Gulf States Louisiana audits were consolidated to facilitate a settlement of both fuel audits. In December 2019 an unopposed settlement was reached that requires a refund to legacy Entergy Louisiana customers of approximately $2.3 million, including interest, and no refund to legacy Entergy Gulf States Louisiana customers. The LPSC approved the settlement in January 2020. A one-time refund was made in February 2020.

In March 2020 the LPSC staff provided notice of an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's fuel adjustment clause for the period from 2016 through 2019. In September 2021 the LPSC submitted its audit report and found that all costs recovered through the fuel adjustment clause were reasonable and eligible for recovery through the fuel adjustment clause. Intervenors are conducting discovery regarding the LPSC staff's report.

In February 2021, Entergy Louisiana incurred extraordinary fuel costs associated with the February 2021 winter storms. To mitigate the effect of these costs on customer bills, in March 2021 Entergy Louisiana requested and the LPSC approved the deferral and recovery of $166 million in incremental fuel costs over five months beginning in April 2021. The incremental fuel costs remain subject to review for reasonableness and eligibility for recovery through the fuel adjustment clause mechanism. The final amount of incremental fuel costs is subject to change through the resettlement process. At its April 2021 meeting, the LPSC authorized its staff to review the prudence of the February 2021 fuel costs incurred by all LPSC-jurisdictional utilities. At its June 2021 meeting, the LPSC approved the hiring of consultants to assist its staff in this review. Discovery is ongoing.

In March 2021 the LPSC staff provided notice of an audit of Entergy Louisiana's purchased gas adjustment clause filings covering the period January 2018 through December 2020. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's purchased gas adjustment clause for that period. Discovery is ongoing, and no audit report has been filed.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider that is adjusted annually to reflect accumulated over- or under-recoveries. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

In November 2018, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an under-recovery of approximately $57 million as of September 30, 2018. In January 2019 the MPSC approved the proposed energy cost factor effective for February 2019 bills.

In November 2019, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation included $39.6 million of prior over-recovery flowing back to customers beginning February 2020. Entergy Mississippi's balance in its deferred fuel account did not decrease as expected after implementation of the new factor. In an effort to assist customers during the COVID-19 pandemic, in May 2020, Entergy Mississippi requested an interim adjustment to the energy cost recovery rider to credit approximately $50 million from the over-recovered balance in the deferred fuel account to customers over four consecutive billing months. The MPSC approved this interim adjustment in May 2020 effective for June through September 2020 bills.

In November 2020, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an over-recovery of approximately $24.4 million as of September 30, 2020. In January 2021 the MPSC approved the proposed energy cost factor effective for February 2021 bills.

In November 2021, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an under-recovery of approximately $80.6 million as of September 30, 2021. In December 2021, at the request of the MPSC, Entergy Mississippi submitted a proposal to mitigate the impact of rising fuel costs on customer bills during 2022. Entergy Mississippi proposed that the deferred fuel balance as of December 31, 2021, which was $121.9 million, be amortized over three years, and that the MPSC authorize Entergy Mississippi to apply its weighted-average cost of capital as the carrying cost for the unamortized fuel balance. In January 2022 the MPSC approved the amortization of $100 million of the deferred fuel balance over two years and authorized Entergy Mississippi to apply its weighted-average cost of capital as the carrying cost for the unamortized fuel balance. The MPSC approved the proposed energy cost factor effective for February 2022 bills.

Entergy New Orleans

Entergy New Orleans's electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges.

Entergy New Orleans's gas rate schedules include a purchased gas adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges.

Entergy Texas

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, not recovered in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT. A fuel reconciliation is required to be filed at least once every three years and outside of a base rate case filing.

In September 2019, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period from April 2016 through March 2019. During the reconciliation period, Entergy Texas incurred approximately $1.6 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an under-recovery balance of approximately $25.8 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning April 2019. In March 2020 an intervenor filed testimony proposing that the PUCT disallow: (1) $2 million in replacement power costs associated with generation outages during the reconciliation period; and (2) $24.4 million associated with the operation of the Spindletop natural gas storage facility during the reconciliation period. In April 2020, Entergy Texas filed rebuttal testimony refuting all points raised by the intervenor. In June 2020 the parties filed a stipulation and settlement agreement, which included a $1.2 million disallowance not associated with any particular issue raised by any party. The PUCT approved the settlement in August 2020.

In July 2020, Entergy Texas filed an application with the PUCT to implement an interim fuel refund of $25.5 million, including interest. Entergy Texas proposed that the interim fuel refund be implemented beginning with the first August 2020 billing cycle over a three-month period for smaller customers and in a lump sum amount in the billing month of August 2020 for transmission-level customers. The interim fuel refund was approved in July 2020, and Entergy Texas began refunds in August 2020.

In February 2021, Entergy Texas filed an application to implement a fuel refund for a cumulative over-recovery of approximately $75 million that is primarily attributable to settlements received by Entergy Texas from MISO related to Hurricane Laura. Entergy Texas planned to issue the refund over the period of March through August 2021. On February 22, 2021, Entergy Texas filed a motion to abate its fuel refund proceeding to assess how the February 2021 winter storm impacted Entergy Texas's fuel over-recovery position. In March 2021, Entergy Texas withdrew its application to implement the fuel refund. Entergy Texas is continuing to evaluate its fuel balance and will file a subsequent refund or surcharge application consistent with the requirements of the PUCT's rules.

Retail Rate Proceedings

Filings with the APSC (Entergy Arkansas)

Retail Rates

2019 Formula Rate Plan Filing

In July 2019, Entergy Arkansas filed with the APSC its 2019 formula rate plan filing to set its formula rate for the 2020 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2020 and a netting adjustment for the historical year 2018. The total proposed formula rate plan rider revenue change designed to produce a target rate of return on common equity of 9.75% is $15.3 million, which is based upon a deficiency of approximately $61.9 million for the 2020 projected year, netted with a credit of approximately $46.6 million in the 2018 historical year netting adjustment. During 2018 Entergy Arkansas experienced higher-than expected sales volume, and actual costs were lower than forecasted. These changes, coupled with a reduced income tax rate resulting from the Tax Cuts and Jobs Act, resulted in the credit for the historical year netting adjustment. In the fourth quarter 2018, Entergy Arkansas recorded a provision of $35.1 million that reflected the estimate of the historical year netting adjustment that was expected to be included in the 2019 filing. In 2019, Entergy Arkansas recorded additional provisions totaling $11.5 million to reflect the updated estimate of the historical year netting adjustment included in the 2019 filing. In October 2019 other parties in the proceeding filed their errors and objections requesting certain adjustments to Entergy Arkansas's filing that would reduce or eliminate Entergy Arkansas's proposed revenue change. Entergy Arkansas filed its response addressing the requested adjustments in October 2019. In its response, Entergy Arkansas accepted certain of the adjustments recommended by the General Staff of the APSC that would reduce the proposed formula rate plan rider revenue change to $14 million. Entergy Arkansas disputed the remaining adjustments proposed by the parties. In October 2019, Entergy Arkansas filed a unanimous settlement agreement with the other parties in the proceeding seeking APSC approval of a revised total formula rate plan rider revenue change of $10.1 million. In its July 2019 formula rate plan filing, Entergy Arkansas proposed to recover an $11.2 million regulatory asset, amortized over five years, associated with specific costs related to the potential construction of scrubbers at the White Bluff plant. Although Entergy Arkansas does not concede that the regulatory asset lacks merit, for purposes of reaching a settlement on the total formula rate plan rider amount, Entergy Arkansas agreed not to include the White Bluff scrubber regulatory asset cost in the 2019 formula rate plan filing or future filings. Entergy Arkansas recorded a write-off in 2019 of the $11.2 million White Bluff scrubber regulatory asset. In December 2019 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2020.

2020 Formula Rate Plan Filing

In July 2020, Entergy Arkansas filed with the APSC its 2020 formula rate plan filing to set its formula rate for the 2021 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year

2021, as amended through subsequent filings in the proceeding, and a netting adjustment for the historical year 2019. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2021 projected year is 8.22% resulting in a revenue deficiency of $64.3 million. The earned rate of return on common equity for the 2019 historical year was 9.07% resulting in a $23.9 million netting adjustment. The total proposed revenue change for the 2021 projected year and 2019 historical year netting adjustment was $88.2 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase was limited to $74.3 million. As part of the formula rate plan tariff the calculation for the revenue constraint was updated based on actual revenues which had the effect of reducing the initially-proposed $74.3 million revenue requirement increase to $72.6 million. In October 2020, Entergy Arkansas filed with the APSC a unanimous settlement agreement reached with the other parties that resolved all but one issue. As a result of the settlement agreement, Entergy Arkansas's requested revenue increase was $68.4 million, including a $44.5 million increase for the projected 2021 year and a $23.9 million netting adjustment. The remaining issue litigated concerned the methodology used to calculate the netting adjustment within the formula rate plan. In December 2020 the APSC issued an order rejecting the netting adjustment method used by Entergy Arkansas. Applying the approach ordered by the APSC changed the netting adjustment for the 2019 historical year from a $23.9 million deficiency to $43.5 million excess. Overall, the decision reduced Entergy Arkansas's revenue adjustment for 2021 to $1 million. In December 2020, Entergy Arkansas filed a petition for rehearing of the APSC's decision in the 2020 formula rate plan proceeding regarding the 2019 netting adjustment, and in January 2021 the APSC granted further consideration of Entergy Arkansas's petition. Based on the progress of the proceeding at that point, in December 2020, Entergy Arkansas recorded a regulatory liability of $43.5 million to reflect the netting adjustment for 2019, as included in the APSC's December 2020 order, which would be returned to customers in 2021. Entergy Arkansas also requested an extension of the formula rate plan rider for a second five-year term. In March 2021 the Arkansas Governor signed HB1662 into law (Act 404). Act 404 clarified aspects of the original formula rate plan legislation enacted in 2015, including with respect to the extension of a formula rate plan, the methodology for the netting adjustment, and debt and equity levels; it also reaffirmed the customer protections of the original formula rate plan legislation, including the cap on annual formula rate plan rate changes. Pursuant to Act 404, Entergy Arkansas's formula rate plan rider was extended for a second five-year term. Entergy Arkansas filed a compliance tariff in its formula rate plan docket in April 2021 to effectuate the netting provisions of Act 404, which reflected a net change in required formula rate plan rider revenue of $39.8 million, effective with the first billing cycle of May 2021. In April 2021 the APSC issued an order approving the compliance tariff and recognizing the formula rate plan extension. Also in April 2021, Entergy Arkansas filed for approval of modifications to the formula rate plan tariff incorporating the provisions in Act 404, and the APSC approved the tariff modifications in April 2021. Given the APSC general staff's support for the expedited approval of these filings by the APSC, Entergy Arkansas supported an amendment to Act 404 to achieve a reduced return on equity from 9.75% to 9.65% to apply for years applicable to the extension term; that amendment was signed by the Arkansas Governor in April 2021 and is now Act 894. Based on the APSC's order issued in April 2021, in the first quarter 2021, Entergy Arkansas reversed the remaining regulatory liability for the netting adjustment for 2019. In June 2021, Entergy Arkansas filed another compliance tariff in its formula rate plan proceeding to effectuate the additional provisions of Act 894, and the APSC approved the second compliance tariff filing in July 2021.

2021 Formula Rate Plan Filing

In July 2021, Entergy Arkansas filed with the APSC its 2021 formula rate plan filing to set its formula rate for the 2022 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2022 and a netting adjustment for the historical year 2020. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2022 projected year is 7.65% resulting in a revenue deficiency of $89.2 million. The earned rate of return on common equity for the 2020 historical year was 7.92% resulting in a $19.4 million netting adjustment. The total proposed revenue change for the 2022 projected year and 2020 historical year netting adjustment is $108.7 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase is limited to $72.4 million. In October

2021, Entergy Arkansas filed with the APSC a settlement agreement reached with other parties resolving all issues in the proceeding. As a result of the settlement agreement, the total proposed revenue change is $82.2 million, including a $62.8 million increase for the projected 2022 year and a $19.4 million netting adjustment. Because Entergy Arkansas's revenue requirement exceeded the constraint, the resulting increase is limited to $72.1 million. In December 2021 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2022.

COVID-19 Orders

In April 2020, in light of the COVID-19 pandemic, the APSC issued an order requiring utilities, to the extent they had not already done so, to suspend service disconnections during the remaining pendency of the Arkansas Governor's emergency declaration or until the APSC rescinds the directive. The order also authorized utilities to establish a regulatory asset to record costs resulting from the suspension of service disconnections, directed that in future proceedings the APSC will consider whether the request for recovery of these regulatory assets is reasonable and necessary, and required utilities to track and report the costs and any savings directly attributable to suspension of disconnects. In May 2020 the APSC approved Entergy Arkansas expanding deferred payment agreements to assist customers during the COVID-19 pandemic. Quarterly reporting began in August 2020 and the APSC ordered additional reporting in October 2020 regarding utilities' transitional plans for ending the moratorium on service disconnects. In March 2021 the APSC issued an order confirming the lifting of the moratorium on service disconnects effective in May 2021. In August 2021 the APSC general staff filed a report recommending that utilities with a formula rate plan discontinue capturing any additional direct costs and savings as a regulatory asset and seek cost recovery through the formula rate plan. The APSC general staff further recommended that uncollectible amounts should be determined as of the end of its write-off period, approximately December 2021, and recovered in the next formula rate plan filing over one year. In November 2021 the APSC found the APSC general staff's recommendation to be premature and asked utilities to report on the continued need for a regulatory asset. Entergy Arkansas reported a continued need for a regulatory asset due to a variety of factors including the unusually long terms of the customer delayed payment agreements. As of December 31, 2021, Entergy Arkansas had a regulatory asset of $32.6 million for costs associated with the COVID-19 pandemic.

Filings with the LPSC (Entergy Louisiana)

Retail Rates - Electric

2017 Formula Rate Plan Filing

In June 2018, Entergy Louisiana filed its formula rate plan evaluation report for its 2017 calendar year operations. The 2017 test year evaluation report produced an earned return on equity of 8.16%, due in large part to revenue-neutral realignments to other recovery mechanisms. Without these realignments, the evaluation report produces an earned return on equity of 9.88% and a resulting base rider formula rate plan revenue increase of $4.8 million. Excluding the Tax Cuts and Jobs Act credits provided for by the tax reform adjustment mechanisms, total formula rate plan revenues were further increased by a total of $98 million as a result of the evaluation report due to adjustments to the additional capacity and MISO cost recovery mechanisms of the formula rate plan, and implementation of the transmission recovery mechanism. In August 2018, Entergy Louisiana filed a supplemental formula rate plan evaluation report to reflect changes from the 2016 test year formula rate plan proceedings, a decrease to the transmission recovery mechanism to reflect lower actual capital additions, and a decrease to evaluation period expenses to reflect the terms of a new power sales agreement. Based on the August 2018 update, Entergy Louisiana recognized a total decrease in formula rate plan revenue of approximately $17.6 million. Results of the updated 2017 evaluation report filing were implemented with the September 2018 billing month subject to refund and review by the LPSC staff and intervenors. In accordance with the terms of the formula rate plan, in September 2018 the LPSC staff and intervenors submitted their responses to Entergy Louisiana's original formula rate plan evaluation report and supplemental compliance updates. The LPSC staff asserted objections/reservations regarding (1) Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Cuts and Jobs Act and the treatment of accumulated deferred income taxes related to reductions of rate base; (2) Entergy Louisiana's reservation regarding treatment of a regulatory asset related to certain special orders by the LPSC; and (3) test year expenses billed from Entergy Services to Entergy Louisiana. Intervenors also objected to Entergy Louisiana's treatment of the regulatory asset related to certain special orders by the LPSC. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2017 test year formula rate plan evaluation report. In its letter, the LPSC staff reiterated its original objections/ reservations pertaining to Entergy Louisiana's proposed rate adjustments associated with the return of excess accumulated deferred income taxes pursuant to the Tax Cuts and Jobs Act and the treatment of accumulated deferred income taxes related to reductions of rate base, specifically how the accumulated deferred income taxes associated with uncertain tax positions have been accounted for, and test year expenses billed from Entergy Services to Entergy Louisiana. The LPSC staff further reserved its rights for future proceedings and to dispute future proposed adjustments to the 2017 test year formula rate plan evaluation report. The LPSC staff withdrew all other objections/reservations. A procedural schedule has not yet been established to resolve these issues.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes.

Commercial operation at J. Wayne Leonard Power Station (formerly St. Charles Power Station) commenced in May 2019. In May 2019, Entergy Louisiana filed an update to its 2017 formula rate plan evaluation report to include the estimated first-year revenue requirement of $109.5 million associated with the J. Wayne Leonard Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of June 2019. In June 2020, Entergy Louisiana submitted information to the LPSC to review the prudence of Entergy Louisiana's management of the project. In August 2020 discovery commenced and a procedural schedule was established with a hearing in July 2021. In February 2021 the LPSC staff filed testimony that substantially all the costs to construct J. Wayne Leonard Power Station were prudently incurred and eligible for recovery from customers. The LPSC staff further recommended that the LPSC consider monitoring the remaining $3.1 million that was estimated to be incurred for completion of the project in the event the final costs exceed the estimated amounts. In July 2021 the LPSC approved a settlement between the LPSC staff and Entergy Louisiana finding that substantially all the costs to construct J. Wayne Leonard Power Station were prudently incurred and eligible for recovery from customers.

2018 Formula Rate Plan Filing

In May 2019, Entergy Louisiana filed its formula rate plan evaluation report for its 2018 calendar year operations. The 2018 test year evaluation report produced an earned return on common equity of 10.61% leading to a base rider formula rate plan revenue decrease of $8.9 million. While base rider formula rate plan revenue will decrease as a result of this filing, overall formula rate plan revenues will increase by approximately $118.7 million. This outcome is primarily driven by a reduction to the credits previously flowed through the tax reform adjustment mechanism and an increase in the transmission recovery mechanism, partially offset by reductions in the additional capacity mechanism revenue requirements and extraordinary cost items. The filing is subject to review by the LPSC. Resulting rates were implemented in September 2019, subject to refund.

Entergy Louisiana also included in its filing a presentation of an initial proposal to combine the legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana residential rates, which combination, if approved, would be accomplished on a revenue-neutral basis intended not to affect the rates of other customer classes. Entergy Louisiana contemplates that any combination of residential rates resulting from this request would be implemented with the results of the 2019 test year formula rate plan filing.

Several parties intervened in the proceeding and the LPSC staff filed its report of objections/reservations in accordance with the applicable provisions of the formula rate plan. In its report the LPSC staff re-urged reservations with respect to the outstanding issues from the 2017 test year formula rate plan filing and disputed the inclusion of certain affiliate costs for test years 2017 and 2018. The LPSC staff objected to Entergy Louisiana's proposal to combine residential rates but proposed the setting of a status conference to establish a procedural schedule to more fully address the issue. The LPSC staff also reserved its right to object to the treatment of the sale of Willow Glen reflected in the evaluation report and to the August 2019 compliance update, which was made primarily to update the capital additions reflected in the formula rate plan's transmission recovery mechanism, based on limited time to review it. Additionally, since the completion of certain transmission projects, the LPSC staff issued supplemental data requests addressing the prudence of Entergy Louisiana's expenditures in connection with those projects. Entergy Louisiana responded to all such requests. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2018 test year formula rate plan evaluation report. In its letter, the LPSC staff reiterated its original objection/reservation pertaining to test year expenses billed from Entergy Services to Entergy Louisiana and outstanding issues from the 2017 test year formula rate plan evaluation report. The LPSC staff withdrew all other objections/reservations.

Commercial operation at Lake Charles Power Station commenced in March 2020. In March 2020, Entergy Louisiana filed an update to its 2018 formula rate plan evaluation report to include the estimated first-year revenue requirement of $108 million associated with the Lake Charles Power Station. The resulting interim adjustment to rates became effective with the first billing cycle of April 2020.

In an effort to narrow the remaining issues in formula rate plan test years 2017 and 2018, Entergy Louisiana provided notice to the parties in October 2020 that it was withdrawing its request to combine residential rates. Entergy Louisiana noted that the withdrawal is without prejudice to Entergy Louisiana's right to seek to combine residential rates in a future proceeding.

2019 Formula Rate Plan Filing

In May 2020, Entergy Louisiana filed with the LPSC its formula rate plan evaluation report for its 2019 calendar year operations. The 2019 test year evaluation report produced an earned return on common equity of 9.66%. As such, no change to base rider formula rate plan revenue is required. Although base rider formula rate plan revenue did not change as a result of this filing, overall formula rate plan revenues increased by approximately $103 million. This outcome is driven by the removal of prior year credits associated with the sale of the Willow Glen Power Station and an increase in the transmission recovery mechanism. Also contributing to the overall change was an increase in legacy formula rate plan revenue requirements driven by legacy Entergy Louisiana capacity cost true-ups and higher annualized legacy Entergy Gulf States Louisiana revenues due to higher billing determinants, offset by reductions in MISO cost recovery mechanism and tax reform adjustment mechanism revenue requirements. In August 2020 the LPSC staff submitted a list of items for which it needs additional information to confirm the accuracy and compliance of the 2019 test year evaluation report. The LPSC staff objected to a proposed revenue neutral adjustment regarding a certain rider as being beyond the scope of permitted formula rate plan adjustments. Rates reflected in the May 2020 filing, with the exception of a revenue neutral rider adjustment, and as updated in an August 2020 filing, were implemented in September 2020, subject to refund. Entergy Louisiana is in the process of providing additional information and details on the May 2020 filing as requested by the LPSC staff. In August 2021 the LPSC staff issued a letter updating its objections/reservations for the 2019 test year formula rate plan filing. In its letter, the LPSC staff disputes Entergy Louisiana's exclusion of approximately $251 thousand of interest income allocated from Entergy Operations and Entergy Services to Entergy Louisiana to the extent that there are other adjustments that would move Entergy Louisiana out of the formula rate plan deadband. The LPSC staff reserved the right to further contest the issue in future proceedings. The LPSC staff further reserved outstanding issues from the 2017 and 2018 formula rate plan evaluation reports and withdrew all other remaining objections/reservations.

In November 2020, Entergy Louisiana accepted ownership of the Washington Parish Energy Center and filed an update to its 2019 formula rate plan evaluation report to include the estimated first-year revenue requirement of $35 million associated with the Washington Parish Energy Center. The resulting interim adjustment to rates became effective with the first billing cycle of December 2020. In January 2021, Entergy Louisiana filed an update to its 2019 formula rate plan evaluation report to include the implementation of a scheduled step-up in its nuclear decommissioning revenue requirement and a true-up for under-collections of nuclear decommissioning expenses. The total rate adjustment would increase formula rate plan revenues by approximately $1.2 million. The resulting interim adjustment to rates became effective with the first billing cycle of February 2021.

Request for Extension and Modification of Formula Rate Plan

In May 2020, Entergy Louisiana filed with the LPSC its application for authority to extend its formula rate plan. In its application, Entergy Louisiana sought to maintain a 9.8% return on equity, with a bandwidth of 60 basis points above and below the midpoint, with a first-year midpoint reset. The parties reached a settlement in April 2021 regarding Entergy Louisiana's proposed FRP extension. In May 2021 the LPSC approved the uncontested settlement. Key terms of the settlement include: a three year term (test years 2020, 2021, and 2022) covering a rate-effective period of September 2021 through August 2024; a 9.50% return on equity, with a smaller, 50 basis point deadband above and below (9.0%-10.0%); elimination of sharing if earnings are outside the deadband; a $63 million rate increase for test year 2020 (exclusive of riders); continuation of existing riders (transmission, additional capacity, etc.); addition of a distribution recovery mechanism permitting $225 million per year of distribution investment above a baseline level to be recovered dollar for dollar; modification of the tax mechanism to allow timely rate changes in the event the federal corporate income tax rate is changed from 21%; a cumulative rate increase limit of $70 million (exclusive of riders) for test years 2021 and 2022; and deferral of up to $7 million per year in 2021 and 2022 of expenditures on vegetation management for outside of right of way hazard trees.

2020 Formula Rate Plan Filing

In June 2021, Entergy Louisiana filed its formula rate plan evaluation report for its 2020 calendar year operations. The 2020 test year evaluation report produced an earned return on common equity of 8.45%, with a base formula rate plan revenue increase of $63 million. Certain reductions in formula rate plan revenue driven by lower sales volumes, reductions in capacity cost and net MISO cost, and higher credits resulting from the Tax Cuts and Jobs Act offset the base formula rate plan revenue increase, leading to a net increase in formula rate plan revenue of $50.7 million. The report also included multiple new adjustments to account for, among other things, the calculation of distribution recovery mechanism revenues. The effects of the changes to total formula rate plan revenue are different for each legacy company, primarily due to differences in the legacy companies' capacity cost changes, including the effect of true-ups. Legacy Entergy Louisiana formula rate plan revenues will increase by $27 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by $23.7 million. Subject to refund and LPSC review, the resulting changes became effective for bills rendered during the first billing cycle of September 2021. Discovery commenced in the proceeding. In August 2021, Entergy Louisiana submitted an update to its evaluation report to account for various changes. Relative to the June 2021 filing, the total formula rate plan revenue increased by $14.2 million to an updated total of $64.9 million. Legacy Entergy Louisiana formula rate plan revenues will increase by $32.8 million and legacy Entergy Gulf States Louisiana formula rate plan revenues will increase by $32.1 million. The results of the 2020 test year evaluation report bandwidth calculation were unchanged as there was no change in the earned return on common equity of 8.45%. In September 2021 the LPSC staff filed a letter with a general statement of objections/reservations because it had not completed its review, and indicated it would update the letter once its review was complete. Should the parties be unable to resolve any objections, those issues will be set for hearing, with recovery of the associated costs subject to refund.

Investigation of Costs Billed by Entergy Services

In November 2018 the LPSC issued a notice of proceeding initiating an investigation into costs incurred by Entergy Services that are included in the retail rates of Entergy Louisiana. As stated in the notice of proceeding, the LPSC observed an increase in capital construction-related costs incurred by Entergy Services. Discovery was issued and included efforts to seek highly detailed information on a broad range of matters unrelated to the scope of the audit. There has been no further activity in the investigation since May 2019.

COVID-19 Orders

In April 2020 the LPSC issued an order authorizing utilities to record as a regulatory asset expenses incurred from the suspension of disconnections and collection of late fees imposed by LPSC orders associated with the COVID-19 pandemic. In addition, utilities may seek future recovery, subject to LPSC review and approval, of losses and expenses incurred due to compliance with the LPSC's COVID-19 orders. The suspension of late fees and disconnects for non-pay was extended until the first billing cycle after July 16, 2020. In January 2021, Entergy Louisiana resumed disconnections for customers in all customer classes with past-due balances that had not made payment arrangements. Utilities seeking to recover the regulatory asset must formally petition the LPSC to do so, identifying the direct and indirect costs for which recovery is sought. Any such request is subject to LPSC review and approval. As of December 31, 2021, Entergy Louisiana had a regulatory asset of $56.3 million for costs associated with the COVID-19 pandemic.

Filings with the MPSC (Entergy Mississippi)

Retail Rates

Formula Rate Plan Revisions

In October 2018, Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism in the formula rate plan, the interim capacity rate adjustment mechanism, to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the non-fuel annual ownership costs of the Choctaw Generating Station, as well as to allow similar cost recovery treatment for other future capacity acquisitions, such as the Sunflower Solar Facility, that are approved by the MPSC. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism to recover the $59 million first-year annual revenue requirement associated with the non-fuel ownership costs of the Choctaw Generating Station, which Entergy Mississippi began billing in January 2020. The MPSC must approve recovery through the interim capacity rate adjustment for each new resource. In addition, the MPSC approved revisions to the formula rate plan which allows Entergy Mississippi to begin billing rate adjustments effective April 1 of the filing year on a temporary basis subject to refund or credit to customers, subject to final MPSC order. The MPSC also authorized Entergy Mississippi to remove vegetation management costs from the formula rate plan and recover these costs through the establishment of a vegetation management rider. Effective with the April 2020 billing cycle, Entergy Mississippi implemented a rider to recover $22 million in vegetation management costs.

2019 Formula Rate Plan Filing

In March 2019, Entergy Mississippi submitted its formula rate plan 2019 test year filing and 2018 look-back filing showing Entergy Mississippi's earned return for the historical 2018 calendar year to be above the formula rate plan bandwidth and projected earned return for the 2019 calendar year to be below the formula rate plan bandwidth. The 2019 test year filing shows a $36.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.94% return on rate base, within the formula rate plan bandwidth. The 2018 look-back filing compares actual 2018 results to the approved benchmark return on rate base and shows a $10.1 million interim decrease in formula rate plan revenues is necessary. In the fourth quarter 2018, Entergy Mississippi recorded a provision of $9.3 million that reflected the estimate of the difference between the 2018 expected earned rate of return on rate base and an established performance-adjusted benchmark rate of return under the formula rate plan performance-adjusted bandwidth mechanism. In the first quarter 2019, Entergy Mississippi recorded a $0.8 million increase in the provision to reflect the amount shown in the look-back filing. In June 2019, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2019 test year filing showed that a $32.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.93% return on rate base, within the formula rate plan bandwidth. Additionally, pursuant to the joint stipulation, Entergy Mississippi's 2018 look-back filing reflected an earned return on rate base of 7.81% in calendar year 2018 which is above the look-back benchmark return on rate base of 7.13%, resulting in an $11 million decrease in formula rate plan revenues on an interim basis through May 2020. In the second quarter 2019, Entergy Mississippi recorded an additional $0.9 million increase in the provision to reflect the $11 million shown in the look-back filing. In June 2019 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2019.

2020 Formula Rate Plan Filing

In March 2020, Entergy Mississippi submitted its formula rate plan 2020 test year filing and 2019 look-back filing showing Entergy Mississippi's earned return for the historical 2019 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2020 calendar year to be below the formula rate plan bandwidth. The 2020 test year filing shows a $24.6 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.51% return on rate base, within the formula rate plan bandwidth. The 2019 look-back filing compares actual 2019 results to the approved benchmark return on rate base and reflects the need for a $7.3 million interim increase in formula rate plan revenues. In accordance with the MPSC-approved revisions to the formula rate plan, Entergy Mississippi implemented a $24.3 million interim rate increase, reflecting a cap equal to 2% of 2019 retail revenues, effective with the April 2020 billing cycle, subject to refund. In June 2020, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed that the 2020 test year filing showed that a $23.8 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.51% return on rate base, within the formula rate plan bandwidth. Pursuant to the joint stipulation, Entergy Mississippi's 2019 look-back filing reflected an earned return on rate base of 6.75% in calendar year 2019, which is within the look-back bandwidth. As a result, there is no change in formula rate plan revenues in the 2019 look-back filing. In June 2020 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2020. In the June 2020 order the MPSC directed Entergy Mississippi to submit revisions to its formula rate plan to realign recovery of costs from its energy efficiency cost recovery rider to its formula rate plan. In November 2020 the MPSC approved Entergy Mississippi's revisions to its formula rate plan providing for the realignment of energy efficiency costs to its formula rate plan, the deferral of energy efficiency expenditures into a regulatory asset, and the elimination of its energy efficiency cost recovery rider effective with the January 2022 billing cycle.

2021 Formula Rate Plan Filing

In March 2021, Entergy Mississippi submitted its formula rate plan 2021 test year filing and 2020 look-back filing showing Entergy Mississippi's earned return for the historical 2020 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2021 calendar year to be below the formula rate plan bandwidth. The 2021 test year filing shows a $95.4 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 6.69% return on rate base, within the formula rate plan bandwidth. The change in formula rate plan revenues, however, is capped at 4% of retail revenues, which equates to a revenue change of $44.3 million. The 2021 evaluation report also includes $3.9 million in demand side management costs for which the MPSC approved realignment of recovery from the energy efficiency rider to the formula rate plan. These costs are not subject to the 4% cap and result in a total change in formula rate plan revenues of $48.2 million. The 2020 look-back filing compares actual 2020 results to the approved benchmark return on rate base and reflects the need for a $16.8 million interim increase in formula rate plan revenues. In addition, the 2020 look-back filing includes an interim capacity adjustment true-up for the Choctaw Generating Station, which increases the look-back interim rate adjustment by $1.7 million. These interim rate adjustments total $18.5 million. In accordance with the provisions of the formula rate plan, Entergy Mississippi implemented a $22.1 million interim rate increase, reflecting a cap equal to 2% of 2020 retail revenues, effective with the April 2021 billing cycle, subject to refund, pending a final MPSC order. The $3.9 million of demand side management costs and the Choctaw Generating Station true-up of $1.7 million, which are not subject to the 2% cap of 2020 retail revenues, were included in the April 2021 rate adjustments.

In June 2021, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation that confirmed the 2021 test year filing that resulted in a total rate increase of $48.2 million. Pursuant to the joint stipulation, Entergy Mississippi's 2020 look-back filing reflected an earned return on rate base of 6.12% in calendar year 2020, which is below the look-back bandwidth, resulting in a $17.5 million increase in formula rate plan revenues on an interim basis through June 2022. This includes $1.7 million related to the Choctaw Generating Station and $3.7 million of COVID-19 non-bad debt expenses. See "COVID-19 Orders" below for additional discussion of provisions of the joint stipulation related to COVID-19 expenses. In June 2021 the MPSC approved the joint stipulation with rates effective for the first billing cycle of July 2021. In June 2021, Entergy Mississippi recorded regulatory credits of $19.9 million to reflect the effects of the joint stipulation.

2022 Formula Rate Plan Filing

Entergy Mississippi's formula rate plan includes a look-back evaluation report filing in March 2022 that will compare actual 2021 results to the performance-adjusted allowed return on rate base. In fourth quarter 2021, Entergy Mississippi recorded a regulatory asset of $19 million in connection with the look-back feature of the formula rate plan to reflect that the 2021 earned return was below the formula bandwidth.

COVID-19 Orders

In March 2020 the MPSC issued an order suspending disconnections for a period of sixty days. The MPSC extended the order on disconnections through May 26, 2020. In April 2020 the MPSC issued an order authorizing utilities to defer incremental costs and expenses associated with COVID-19 compliance and to seek future recovery through rates of the prudently incurred incremental costs and expenses. In December 2020, Entergy Mississippi resumed disconnections for commercial, industrial, and governmental customers with past-due balances that have not made payment arrangements. In January 2021, Entergy Mississippi resumed disconnecting service for residential customers with past-due balances that had not made payment arrangements. Pursuant to the June 2021 MPSC order approving Entergy Mississippi's 2021 formula rate plan filing, Entergy Mississippi stopped deferring COVID-19 non-bad debt expenses effective December 31, 2020 and included those expenses in the look-back filing for the 2021 formula rate plan test year. In the order, the MPSC also adopted Entergy Mississippi's quantification and methodology for calculating COVID-19 incremental bad debt expenses and authorized Entergy Mississippi to continue deferring these bad debt expenses through December 2021. As of December 31, 2021, Entergy Mississippi had a regulatory asset of $15 million for costs associated with the COVID-19 pandemic.

Filings with the City Council (Entergy New Orleans)

Retail Rates

2018 Base Rate Case

In September 2018, Entergy New Orleans filed an electric and gas base rate case with the City Council. The filing requested a 10.5% return on equity for electric operations with opportunity to earn a 10.75% return on equity through a performance adder provision of the electric formula rate plan in subsequent years under a formula rate plan and requested a 10.75% return on equity for gas operations. The filing's major provisions included: (1) a new electric rate structure, which realigns the revenue requirement associated with capacity and long-term service agreement expense from certain existing riders to base revenue, provides for the recovery of the cost of advanced metering infrastructure, and partially blends rates for Entergy New Orleans's customers residing in Algiers with customers residing in the remainder of Orleans Parish through a three-year phase-in; (2) contemporaneous cost recovery riders for investments in energy efficiency/demand response, incremental changes in capacity/long-term service agreement costs, grid modernization investment, and gas infrastructure replacement investment; and (3) formula rate plans for both electric and gas operations.

In October 2019 the City Council's Utility Committee approved a resolution for a change in electric and gas rates for consideration by the full City Council that included a 9.35% return on common equity, an equity ratio of the lesser of 50% or Entergy New Orleans's actual equity ratio, and a total reduction in revenues that Entergy New Orleans initially estimated to be approximately $39 million ($36 million electric; $3 million gas). At its November 7, 2019 meeting, the full City Council approved the resolution that had previously been approved by the City Council's Utility Committee. Based on the approved resolution, in the fourth quarter 2019 Entergy New Orleans recorded an accrual of $10 million that reflects the estimate of the revenue billed in 2019 to be refunded to customers in 2020 based on an August 2019 effective date for the rate decrease. Entergy New Orleans also recorded a total of $12 million in regulatory assets for rate case costs and information technology costs associated with integrating Algiers customers with Entergy New Orleans's legacy system and records. Entergy New Orleans will also be allowed to recover $10 million of retired general plant costs over a 20-year period.

The resolution directed Entergy New Orleans to submit a compliance filing within 30 days of the date of the resolution to facilitate the eventual implementation of rates, including all necessary calculations and conforming rate schedules and riders. The electric formula rate plan rider includes, among other things, (1) a provision for forward-looking adjustments to include known and measurable changes realized up to 12 months after the evaluation period; (2) a decoupling mechanism; and (3) recognition that Entergy New Orleans is authorized to make an in-service adjustment to the formula rate plan to include the non-fuel cost of the New Orleans Power Station in rates, unless the two pending appeals in the New Orleans Power Station proceeding have not concluded. Under this circumstance, Entergy New Orleans shall be permitted to defer the New Orleans Power Station non-fuel costs, including the cost of capital, until Entergy New Orleans commences non-fuel cost recovery. After taking into account the requirements for submission of the compliance filing, the total annual revenue requirement reduction required by the resolution was refined to approximately $45 million ($42 million electric, including $29 million in rider reductions; $3 million gas). In January 2020 the City Council's advisors found that the rates calculated by Entergy New Orleans and reflected in the December 2019 compliance filing should be implemented, except with respect to the City Council-approved energy efficiency cost recovery rider, which rider calculation should take into account events to be determined by the City Council in the future. On February 17, 2020, Entergy New Orleans filed with the City Council an agreement in principle between Entergy New Orleans and the City Council's advisors. On February 20, 2020, the City Council voted to approve the proposed agreement in principle and issued a resolution modifying the required treatment of certain accumulated deferred income taxes. As a result of the agreement in principle, the total annual revenue requirement reduction will be approximately $45 million ($42 million electric, including $29 million in rider reductions; and $3 million gas). Entergy New Orleans fully implemented the new rates in April 2020.

Commercial operation of the New Orleans Power Station commenced in May 2020. In accordance with the City Council resolution issued in the 2018 base rate case proceeding, Entergy New Orleans had been deferring the New Orleans Power Station non-fuel costs pending the conclusion of the appellate proceedings. In October 2020 the Louisiana Supreme Court denied all writ applications relating to the New Orleans Power Station. With those denials, Entergy New Orleans began recovering New Orleans Power Station costs in rates in November 2020. Entergy New Orleans is recovering the costs over a five-year period that began in November 2020. In December 2020 the Alliance for Affordable Energy and Sierra Club filed a joint motion with the City Council to institute a prudence review to investigate the costs of the New Orleans Power Station. On January 28, 2021, the City Council passed a resolution giving parties 30 days to respond to the motion. In March 2021, Entergy New Orleans filed a response to that motion stating that a prudence review is unnecessary given the New Orleans Power Station was constructed on budget and ahead of schedule. As of December 31, 2021 the regulatory asset for the deferral of New Orleans Power Station non-fuel costs was $4 million.

2020 Formula Rate Plan Filing

Entergy New Orleans's first annual filing under the three-year formula rate plan approved by the City Council in November 2019 was originally due to be filed in April 2020. The authorized return on equity under the approved three-year formula rate plan is 9.35% for both electric and gas operations. The City Council approved several extensions of the deadline to allow additional time to assess the effects of the COVID-19 pandemic on the New Orleans community, Entergy New Orleans customers, and Entergy New Orleans itself. In October 2020 the City Council approved an agreement in principle filed by Entergy New Orleans that results in Entergy New Orleans foregoing its 2020 formula rate plan filing and shifting the three-year formula rate plan to filings in 2021, 2022, and 2023. Key provisions of the agreement in principle include: changing the lower of actual equity ratio or 50% equity ratio approved in the rate case to a hypothetical capital structure of 51% equity and 49% debt for the duration of the three-year formula rate plan; changing the 2% depreciation rate for the New Orleans Power Station approved in the rate case to 3%; retention of over-recovery of $2.2 million in rider revenues; recovery of $1.4 million of certain rate case expenses outside of the earnings band; recovery of the New Orleans Solar Station costs upon commercial operation; and Entergy New Orleans's dismissal of its 2018 rate case appeal.

2021 Formula Rate Plan Filing

In July 2021, Entergy New Orleans submitted to the City Council its formula rate plan 2020 test year filing. The 2020 test year evaluation report produced an earned return on equity of 6.26% compared to the authorized return on equity of 9.35%. Entergy New Orleans sought approval of a $64 million rate increase based on the formula set by the City Council in the 2018 rate case. The formula resulted in an increase in authorized electric revenues of $40 million and an increase in authorized gas revenues of $18.8 million. Entergy New Orleans also sought to commence collecting $5.2 million in electric revenues and $0.3 million in gas revenues that were previously approved by the City Council for collection through the formula rate plan. The filing was subject to review by the City Council and other parties over a 75-day review period, followed by a 25-day period to resolve any disputes among the parties. In October 2021 the City Council's advisors filed a 75-day report recommending a reduction of $10 million for electric revenues and a reduction of $4.5 million for gas revenues, along with one-time credits funded by certain electric regulatory liabilities currently held by Entergy New Orleans for customers. On October 26, 2021, Entergy New Orleans provided notice to the City Council that it intends to implement rates effective with the first billing cycle of November 2021, with such rates reflecting an amount agreed-upon by Entergy New Orleans including adjustments filed in the City Council's 75-day report, per the approved process for formula rate plan implementation. The total formula rate plan increase implemented was $49.5 million, with an increase of $34.9 million in electric revenues and $14.6 million in gas revenues. Also, credits of $17.4 million funded by certain regulatory liabilities currently held by Entergy New Orleans for customers will be issued over a five-month period from November 2021 through March 2022. Resulting rates went into effect with the first billing cycle of November 2021 pursuant to the formula rate plan tariff.

COVID-19 Orders

In March 2020, Entergy New Orleans voluntarily suspended customer disconnections for non-payment of utility bills through May 2020. Subsequently, the City Council ordered that the moratorium be extended to August 1, 2020. In May 2020 the City Council issued an accounting order authorizing Entergy New Orleans to establish a regulatory asset for incremental COVID-19-related expenses. In January 2021, Entergy New Orleans resumed disconnecting service to commercial and small business customers with past-due balances that had not made payment arrangements. In February 2021 the City Council adopted a resolution suspending residential customer disconnections for non-payment of utility bills and suspending the assessment and accumulation of late fees on residential customers with past-due balances through May 15, 2021, which was not extended by the City Council. As of December 31, 2021, Entergy New Orleans had a regulatory asset of $17.4 million for costs associated with the COVID-19 pandemic.

In June 2020 the City Council established the City Council Cares Program and directed Entergy New Orleans to use the approximately $7 million refund received from the Entergy Arkansas opportunity sales FERC proceeding and approximately $15 million of non-securitized storm reserves to fund this program, which was intended to provide temporary bill relief to customers who become unemployed during the COVID-19 pandemic. The program was effective July 1, 2020, and offered qualifying residential customers bill credits of $100 per month for up to four months, for a maximum of $400 in residential customer bill credits. Credits of $4.3 million were applied to customer bills under the City Council Cares Program.

Filings with the PUCT and Texas Cities (Entergy Texas)

Retail Rates

2018 Base Rate Case

In May 2018, Entergy Texas filed a base rate case with the PUCT seeking an increase in base rates and rider rates of approximately $166 million, of which $48 million was associated with moving costs then being collected through riders into base rates such that the total incremental revenue requirement increase was approximately $118 million. The base rate case was based on a 12-month test year ending December 31, 2017. In addition, Entergy Texas included capital additions placed into service for the period of April 1, 2013 through December 31, 2017, as well as a post-test year adjustment to include capital additions placed in service by June 30, 2018.

In October 2018 the parties filed an unopposed settlement resolving all issues in the proceeding and a motion for interim rates effective for usage on and after October 17, 2018. The unopposed settlement reflected the following terms: a base rate increase of $53.2 million (net of costs realigned from riders and including updated depreciation rates), a $25 million refund to reflect the lower federal income tax rate applicable to Entergy Texas from January 25, 2018 through the date new rates were implemented, $6 million of capitalized skylining tree hazard costs will not be recovered from customers, $242.5 million of protected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through base rates under the average rate assumption method over the lives of the associated assets, and $185.2 million of unprotected excess accumulated deferred income taxes, which includes a tax gross-up, will be returned to customers through a rider. The unprotected excess accumulated deferred income taxes rider will include carrying charges and will be in effect over a period of 12 months for large customers and over a period of four years for other customers. The settlement also provided for the deferral of $24.5 million of costs associated with the remaining book value of the Neches and Sabine 2 plants, previously taken out of service, to be recovered over a ten-year period and the deferral of $20.5 million of costs associated with Hurricane Harvey to be recovered over a 12-year period, each beginning in October 2018. The settlement provided final resolution of all issues in the matter, including those related to the Tax Cuts and Jobs Act. In October 2018 the ALJ granted the unopposed motion for interim rates to be effective for service rendered on or after October 17, 2018. In December 2018 the PUCT issued an order approving the unopposed settlement.

Distribution Cost Recovery Factor (DCRF) Rider

In March 2019, Entergy Texas filed with the PUCT a request to set a new DCRF rider. The new DCRF rider was designed to collect approximately $3.2 million annually from Entergy Texas's retail customers based on its capital invested in distribution between January 1, 2018 and December 31, 2018. In September 2019 the PUCT issued an order approving rates, which had been effective on an interim basis since June 2019, at the level proposed in Entergy Texas's application.

In March 2020, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately $23.6 million annually, or $20.4 million in incremental annual DCRF revenue beyond Entergy Texas's then-effective DCRF rider, based on its capital invested in distribution between January 1, 2019 and December 31, 2019. In May and June 2020 intervenors filed testimony recommending reductions in Entergy Texas's annual revenue requirement of approximately $0.3 million and $4.1 million. The parties briefed the contested issues in this matter and a proposal for decision was issued in September 2020 recommending a $4.1 million revenue reduction related to non-advanced metering system meters included in the DCRF calculation. The parties filed exceptions to the proposal for decision and replies to those exceptions in September 2020. In October 2020 the PUCT issued a final order approving a $16.3 million incremental annual DCRF revenue increase.

In October 2020, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately $26.3 million annually, or $6.8 million in incremental annual revenues beyond Entergy Texas's then-effective DCRF rider based on its capital invested in distribution between January 1, 2020 and August 31, 2020. In February 2021 the ALJ with the State Office of Administrative Hearings approved Entergy Texas's agreed motion for interim rates, which went into effect in March 2021. In March 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding. In May 2021 the PUCT issued an order approving the settlement.

In August 2021, Entergy Texas filed with the PUCT a request to amend its DCRF rider. The proposed rider is designed to collect from Entergy Texas's retail customers approximately $40.2 million annually, or $13.9 million in incremental annual revenues beyond Entergy Texas's currently effective DCRF rider based on its capital invested in distribution between September 1, 2020 and June 30, 2021. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in December 2021. In December 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested DCRF revenue requirement and resolving all issues in the proceeding, including a motion for interim rates to take effect for usage on and after January 24, 2022. Also, in December 2021, the ALJ with the State Office of Administrative Hearings issued an order granting the motion for interim rates, which went into effect in January 2022, admitting evidence, and remanding the proceeding to the PUCT to consider the settlement.

Transmission Cost Recovery Factor (TCRF) Rider

In December 2018, Entergy Texas filed with the PUCT a request to set a new TCRF rider. The new TCRF rider was designed to collect approximately $2.7 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and September 30, 2018. In April 2019 parties filed testimony proposing a load growth adjustment, which would fully offset Entergy Texas's proposed TCRF revenue requirement. In July 2019 the PUCT granted Entergy Texas's application as filed to begin recovery of the requested $2.7 million annual revenue requirement, rejecting opposing parties' proposed adjustment; however, the PUCT found that the question of prudence of the actual investment costs should be determined in Entergy Texas's next rate case similar to the procedure used for the costs recovered through the DCRF rider. In October 2019 the PUCT issued an order on a motion for rehearing, clarifying and affirming its prior order granting Entergy Texas's application as filed. Also in October 2019 a second motion for rehearing was filed, and Entergy Texas filed a response in opposition to the motion. The second motion for rehearing was overruled by operation of law. In December 2019, Texas Industrial Energy Consumers filed an appeal to the PUCT order in district court alleging that the PUCT erred in declining to apply a load growth adjustment.

In August 2019, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended TCRF rider was designed to collect approximately $19.4 million annually from Entergy Texas's retail customers based on its capital invested in transmission between January 1, 2018 and June 30, 2019, which is $16.7 million in incremental annual revenue above the $2.7 million approved in the prior pending TCRF proceeding. In January 2020 the PUCT issued an order approving an unopposed settlement providing for recovery of the requested revenue requirement. Entergy Texas implemented the amended rider beginning with bills covering usage on and after January 23, 2020.

In October 2020, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The amended rider was designed to collect from Entergy Texas's retail customers approximately $51 million annually, or $31.6 million in incremental annual revenues beyond Entergy Texas's then-effective TCRF rider based on its capital invested in transmission between July 1, 2019 and August 31, 2020. In March 2021 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2021 and resolving all issues in the proceeding. In March 2021 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting. In June 2021 the PUCT issued an order approving the settlement.

In October 2021, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed rider is designed to collect from Entergy Texas's retail customers approximately $66.1 million annually, or $15.1 million in incremental annual revenues beyond Energy Texas's currently effective TCRF rider based on its capital invested in transmission between September 1, 2020 and July 31, 2021 and changes in approved transmission charges. In January 2022 the PUCT referred the proceeding to the State Office of Administrative Hearings. In February 2022 the parties filed an unopposed settlement recommending that Entergy Texas be allowed to collect its full requested TCRF revenue requirement with interim rates effective March 2022. In February 2022 the ALJ granted the motion for interim rates, admitted evidence, and remanded the case to the PUCT for consideration of a final order at a future open meeting.

Generation Cost Recovery Rider

In October 2020, Entergy Texas filed an application to establish a generation cost recovery rider with an initial annual revenue requirement of approximately $91 million to begin recovering a return of and on its generation capital investment in the Montgomery County Power Station through August 31, 2020. In December 2020, Entergy Texas filed an unopposed settlement supporting a generation cost recovery rider with an annual revenue requirement of approximately $86 million. The settlement revenue requirement was based on a depreciation rate intended to fully depreciate Montgomery County Power Station over 38 years and the removal of certain costs from Entergy Texas's request. Under the settlement, Entergy Texas retained the right to propose a different depreciation rate and seek recovery of a majority of the costs removed from its request in its next base rate proceeding. On January 14, 2021, the PUCT approved the generation cost recovery rider settlement rates on an interim basis and abated the proceeding. In March 2021, Entergy Texas filed to update its generation cost recovery rider to include investment in Montgomery County Power Station after August 31, 2020. In April 2021 the ALJ issued an order unabating the proceeding and in May 2021 the ALJ issued an order finding Entergy Texas's application and notice of the application to be sufficient. In May 2021, Entergy Texas filed an amendment to the application to reflect the PUCT's approval of the sale of a 7.56% partial interest in the Montgomery County Power Station to East Texas Electric Cooperative, Inc., which closed in June 2021. In June 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. In July 2021 the ALJ with the State Office of Administrative Hearings adopted a procedural schedule setting a hearing on the merits for September 2021. In July 2021 the parties filed a motion to abate the procedural schedule noting they had reached an agreement in principle and to allow the parties time to finalize a settlement agreement, which motion was granted by the ALJ. In October 2021, Entergy Texas filed on behalf of the parties an unopposed settlement agreement that would adjust its generation cost recovery rider to recover an annual revenue requirement of approximately $88.3 million related to Entergy Texas's investment in the Montgomery County Power Station through January 1, 2021, with Entergy Texas able to seek recovery of the remainder of its investment in its next base rate case. Also in October 2021 the ALJ granted a motion to admit evidence and remand the proceeding to the PUCT. In January 2022 the PUCT issued an order approving the unopposed settlement.

In December 2020, Entergy Texas also filed an application to amend its generation cost recovery rider to reflect its acquisition of the Hardin County Peaking Facility, which closed in June 2021. Because Hardin was to be acquired in the future, the initial generation cost recovery rider rates proposed in the application represented no change from the generation cost recovery rider rates established in Entergy Texas' previous generation cost recovery rider proceeding. In July 2021 the PUCT issued an order approving the application. In August 2021, Entergy Texas filed an update application to recover its actual investment in the acquisition of the Hardin County Peaking Facility. In September 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A procedural schedule was established with a hearing scheduled in April 2022. In January 2022, Entergy Texas filed an update to its application to align the requested revenue requirement with the terms of the generation cost recovery rider settlement approved by the PUCT in January 2022. See Note 14 to the financial statements for further discussion of the Hardin County Peaking Facility purchase.

COVID-19 Orders

In March 2020 the PUCT authorized electric utilities to record as a regulatory asset expenses resulting from the effects of the COVID-19 pandemic. In future proceedings the PUCT will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary, the appropriate period of recovery, and any amount of carrying costs thereon. In March 2020 the PUCT ordered a moratorium on disconnections for nonpayment for all customer classes, but, in April 2020, revised the disconnect moratorium to apply only to residential customers. The PUCT allowed the moratorium to expire on June 13, 2020, but on July 17, 2020, the PUCT re-established the disconnect moratorium for residential customers until August 31, 2020. In January 2021, Entergy Texas resumed disconnections for customers with past-due balances that have not made payment arrangements. As of December 31, 2021, Entergy Texas had a regulatory asset of $11.7 million for costs associated with the COVID-19 pandemic.

Entergy Arkansas Opportunity Sales Proceeding

In June 2009 the LPSC filed a complaint requesting that the FERC determine that certain of Entergy Arkansas's sales of electric energy to third parties: (a) violated the provisions of the System Agreement that allocated the energy generated by Entergy System resources; (b) imprudently denied the Entergy System and its ultimate consumers the benefits of low-cost Entergy System generating capacity; and (c) violated the provision of the System Agreement that prohibited sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC's complaint challenged sales made beginning in 2002 and requested refunds. In July 2009 the Utility operating companies filed a response to the complaint arguing among other things that the System Agreement contemplates that the Utility operating companies may make sales to third parties for their own account, subject to the requirement that those sales be included in the load (or load shape) for the applicable Utility operating company. The FERC subsequently ordered a hearing in the proceeding.

After a hearing, the ALJ issued an initial decision in December 2010. The ALJ found that the System Agreement allowed for Entergy Arkansas to make the sales to third parties but concluded that the sales should be accounted for in the same manner as joint account sales. The ALJ concluded that "shareholders" should make refunds of the damages to the Utility operating companies, along with interest. Entergy disagreed with several aspects of the ALJ's initial decision and in January 2011 filed with the FERC exceptions to the decision.

The FERC issued a decision in June 2012 and held that, while the System Agreement is ambiguous, it does provide authority for individual Utility operating companies to make opportunity sales for their own account and Entergy Arkansas made and priced these sales in good faith. The FERC found, however, that the System Agreement does not provide authority for an individual Utility operating company to allocate the energy associated with such opportunity sales as part of its load but provides a different allocation authority. The FERC further found that the after-the-fact accounting methodology used to allocate the energy used to supply the sales was inconsistent with the System Agreement. The FERC in its decision established further hearing procedures to quantify the effect of repricing the opportunity sales in accordance with the FERC's June 2012 decision. The hearing was held in May 2013 and the ALJ issued an initial decision in August 2013. The LPSC, the APSC, the City Council, and FERC staff filed briefs on exceptions and/or briefs opposing exceptions. Entergy filed a brief on exceptions requesting that the FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

In April 2016 the FERC issued orders addressing requests for rehearing filed in July 2012 and the ALJ's August 2013 initial decision. The first order denied Entergy's request for rehearing and affirmed the FERC's earlier rulings that Entergy's original methodology for allocating energy costs to the opportunity sales was incorrect and, as a result, Entergy Arkansas must make payments to the other Utility operating companies to put them in the same position that they would have been in absent the incorrect allocation. The FERC clarified that interest should be included with the payments. The second order affirmed in part, and reversed in part, the rulings in the ALJ's August 2013 initial decision regarding the methodology that should be used to calculate the payments Entergy Arkansas is to make to the other Utility operating companies. The FERC affirmed the ALJ's ruling that a full re-run of intra-system bills should be performed but required that methodology be modified so that the sales have the same priority for purposes of energy allocation as joint account sales. The FERC reversed the ALJ's decision that any payments by Entergy Arkansas should be reduced by 20%. The FERC also reversed the ALJ's decision that adjustments to other System Agreement service schedules and excess bandwidth payments should not be taken into account when calculating the payments to be made by Entergy Arkansas. The FERC held that such adjustments and excess bandwidth payments should be taken into account but ordered further proceedings before an ALJ to address whether a cap on any reduction due to bandwidth payments was necessary and to implement the other adjustments to the calculation methodology.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order arguing that payments made by Entergy Arkansas should be reduced as a result of the timing of the LPSC's approval of certain contracts. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. In September 2017 the FERC issued an order denying the request for rehearing on the issue of whether any payments by Entergy Arkansas to the other Utility operating companies should be reduced due to the timing of the LPSC's approval of Entergy Arkansas's wholesale baseload contract with Entergy Louisiana. In November 2017 the FERC issued an order denying all of the remaining requests for rehearing of the April 2016 order. In November 2017, Entergy Services filed a petition for review in the D.C. Circuit of the FERC's orders in the first two phases of the opportunity sales case. In December 2017 the D.C. Circuit granted Entergy Services' request to hold the appeal in abeyance pending final resolution of the related proceeding before the FERC. In January 2018 the APSC and the LPSC filed separate petitions for review in the D.C. Circuit, and the D.C. Circuit consolidated the appeals with Entergy Services' appeal.

The hearing required by the FERC's April 2016 order was held in May 2017. In July 2017 the ALJ issued an initial decision addressing whether a cap on any reduction due to bandwidth payments was necessary and whether to implement the other adjustments to the calculation methodology. In August 2017 the Utility operating companies, the LPSC, the APSC, and FERC staff filed individual briefs on exceptions challenging various aspects of the initial decision. In September 2017 the Utility operating companies, the LPSC, the APSC, the MPSC, the City Council, and FERC staff filed separate briefs opposing exceptions taken by various parties.

Based on testimony previously submitted in the case and its assessment of the April 2016 FERC orders, in the first quarter 2016, Entergy Arkansas recorded a liability of $87 million, which included interest, for its estimated increased costs and payment to the other Utility operating companies, and a deferred fuel regulatory asset of $75 million. Following its assessment of the course of the proceedings, including the FERC's denial of rehearing in November 2017 described above, in the fourth quarter 2017, Entergy Arkansas recorded an additional liability of $35 million and a regulatory asset of $31 million.

In October 2018 the FERC issued an order addressing the ALJ's July 2017 initial decision. The FERC reversed the ALJ's decision to cap the reduction in Entergy Arkansas's payment to account for the increased bandwidth payments that Entergy Arkansas made to the other operating companies. The FERC also reversed the ALJ's decision that Grand Gulf sales from January through September 2000 should be included in the calculation of Entergy Arkansas's payment. The FERC affirmed on other grounds the ALJ's rejection of the LPSC's claim that certain joint account sales should be accounted for as part of the calculation of Entergy Arkansas's payment. In November 2018 the LPSC requested rehearing of the FERC's October 2018 decision. In December 2019 the FERC denied the LPSC's request for rehearing. In January 2020 the LPSC appealed the December 2019 decision to the D.C. Circuit.

In December 2018, Entergy made a compliance filing in response to the FERC's October 2018 order. The compliance filing provided a final calculation of Entergy Arkansas's payments to the other Utility operating companies, including interest. No protests were filed in response to the December 2018 compliance filing. The December 2018 compliance filing is pending FERC action. Refunds and interest in the following amounts were paid by Entergy Arkansas to the other operating companies in December 2018:

	Total refunds including interest Payment/(Receipt)		
	(In Millions)		
	Principal	Interest	Total
Entergy Arkansas	$68	$67	$135
Entergy Louisiana	($30)	($29)	($59)
Entergy Mississippi	($18)	($18)	($36)
Entergy New Orleans	($3)	($4)	($7)
Entergy Texas	($17)	($16)	($33)

Entergy Arkansas previously recognized a regulatory asset with a balance of $116 million as of December 31, 2018 for a portion of the payments due as a result of this proceeding.

As described above, the FERC's opportunity sales orders have been appealed to the D.C. Circuit. In February 2020 all of the appeals were consolidated and in April 2020 the D.C. Circuit established a briefing schedule. Briefing was completed in September 2020 and oral argument was heard in December 2020. In July 2021 the D.C. Circuit issued a decision denying all of the petitions for review filed in response to the FERC's opportunity sales orders.

In February 2019 the LPSC filed a new complaint relating to two issues that were raised in the opportunity sales proceeding, but that, in its October 2018 order, the FERC held were outside the scope of the proceeding. In March 2019, Entergy Services filed an answer and motion to dismiss the new complaint. In November 2019 the FERC issued an order denying the LPSC's complaint. The order concluded that the settlement agreement approved by the FERC in December 2015 terminating the System Agreement barred the LPSC's new complaint. In December 2019 the LPSC requested rehearing of the FERC's November 2019 order, and in July 2020 the FERC issued an order dismissing the LPSC's request for rehearing. In September 2020 the LPSC appealed to the D.C. Circuit the FERC's orders dismissing the new opportunity sales complaint. In November 2020 the D.C. Circuit issued an order establishing that briefing will occur in January 2021 through April 2021. Oral argument was held in September 2021. In December 2021 the D.C. Circuit denied the LPSC's Petition for Review of the new opportunity sales complaint. The opportunity sales cases are complete at FERC and at the D.C. Circuit and no additional refund amounts are owed by Entergy Arkansas.

In May 2019, Entergy Arkansas filed an application and supporting testimony with the APSC requesting approval of a special rider tariff to recover the costs of these payments from its retail customers over a 24-month period. The application requested that the APSC approve the rider to take effect within 30 days or, if suspended by the APSC as allowed by commission rule, approve the rider to take effect in the first billing cycle of the first month occurring 30 days after issuance of the APSC's order approving the rider. In June 2019 the APSC suspended Entergy Arkansas's tariff and granted Entergy Arkansas's motion asking the APSC to establish the proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC's October 2018 order and related FERC orders in the opportunity sales proceeding. In January 2020 the APSC adopted a procedural schedule with a hearing in April 2020. In January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed a joint motion seeking to dismiss Entergy Arkansas's application alleging that the APSC, in a prior proceeding, ruled on the issues addressed in the application and determined that Entergy Arkansas's requested relief violates the filed rate doctrine and the prohibition against retroactive ratemaking. Entergy Arkansas responded to the joint motion in February 2020 rebutting these arguments, including demonstrating that the claims in this proceeding differ substantially from those the APSC addressed previously and that the payment resulting from a FERC tariff violation for which Entergy Arkansas seeks retail cost recovery in this proceeding differs materially from the refunds resulting from a FERC tariff amendment that the APSC previously rejected on filed rate doctrine and the retroactive ratemaking grounds. In addition, in January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed testimony opposing the recovery by Entergy Arkansas of the opportunity sales payment but also claiming that certain components of the payment should be segregated and refunded to customers. In March 2020, Entergy Arkansas filed rebuttal testimony.

In July 2020 the APSC issued a decision finding that Entergy Arkansas's application is not in the public interest. The order also directed Entergy Arkansas to refund to its retail customers within 30 days of the order the FERC-determined over-collection of $13.7 million, plus interest, associated with a recalculated bandwidth remedy. In addition to these primary findings, the order also denied the Attorney General's request for Entergy Arkansas to prepare a compliance filing detailing all of the retail impacts from the opportunity sales and denied a request by the Arkansas Electric Energy Consumers to recalculate all costs using the revised responsibility ratio. Entergy Arkansas filed a motion for temporary stay of the 30-day requirement to allow Entergy Arkansas a reasonable opportunity to seek rehearing of the APSC order, but in July 2020 the APSC denied Entergy Arkansas's request for a stay and directed Entergy Arkansas to refund to its retail customers the component of the total FERC-determined opportunity sales payment that was associated with increased bandwidth remedy payments of $13.7 million, plus interest. The refunds were issued in the August 2020 billing cycle. While the APSC denied Entergy Arkansas's stay request, Entergy Arkansas believes its actions were prudent and, therefore, the costs, including the $13.7 million, plus interest, are recoverable. In July 2020, Entergy Arkansas requested rehearing of the APSC order, which rehearing was denied by the APSC in August 2020. In September 2020, Entergy Arkansas filed a complaint in the U.S. District Court for the Eastern District of Arkansas challenging the APSC's order denying Entergy Arkansas's request to recover the costs of these payments. In October 2020 the APSC filed a motion to dismiss Entergy Arkansas's complaint, to which Entergy Arkansas responded. Also in December 2020, Entergy Arkansas and the APSC held a pre-trial conference, and filed a report with the court in January 2021. The court held a hearing in February 2021 regarding issues addressed in the pre-trial conference report, and in June 2021 the court stayed all discovery until it rules on pending motions, after which the court will issue an amended schedule if necessary.

Complaints Against System Energy

System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% ownership/leasehold interest in Grand Gulf. System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. System Energy and the Unit Power Sales Agreement are currently the subject of several litigation proceedings at the FERC, including challenges with respect to System Energy's authorized return on equity and capital structure, renewal of its sale-leaseback arrangement, treatment of uncertain tax positions, a broader investigation of rates under the Unit Power Sales Agreement, and a prudence complaint challenging the extended power uprate completed at Grand Gulf in 2012 and the operation and management of Grand Gulf, particularly in the 2016-2020 time period. The claims in these proceedings include claims for refunds and claims for rate adjustments; the aggregate amount of refunds claimed in these proceedings substantially exceeds the net book value of System Energy. Following are discussions of the proceedings.

Return on Equity and Capital Structure Complaints

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%, which was established in a rate proceeding that became final in July 2001.

The APSC and MPSC complaint alleges that the return on equity is unjust and unreasonable because capital market and other considerations indicate that it is excessive. The complaint requests proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017 as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes that a return on equity of 8.37% to 8.67% is just and reasonable. The LPSC and the City Council intervened in the proceeding expressing support for the complaint. In September 2017 the FERC established a refund effective date of January 23, 2017 and directed the parties to engage in settlement proceedings before an ALJ. The parties were unable to settle the return on equity issue and a FERC hearing judge was assigned in July 2018. The 15-month refund period in connection with the APSC/MPSC complaint expired on April 23, 2018.

In April 2018 the LPSC filed a complaint with the FERC against System Energy seeking an additional 15-month refund period. The LPSC complaint requests similar relief from the FERC with respect to System Energy's return on equity and also requests the FERC to investigate System Energy's capital structure. The APSC, MPSC, and City Council intervened in the proceeding, filed an answer expressing support for the complaint, and asked the FERC to consolidate this proceeding with the proceeding initiated by the complaint of the APSC and MPSC in January 2017. System Energy answered the LPSC complaint in May 2018 and also filed a motion to dismiss the complaint. In August 2018 the FERC issued an order dismissing the LPSC's request to investigate System Energy's capital structure and setting for hearing the return on equity complaint, with a refund effective date of April 27, 2018. The 15-month refund period in connection with the LPSC return on equity complaint expired on July 26, 2019.

The portion of the LPSC's complaint dealing with return on equity was subsequently consolidated with the APSC and MPSC complaint for hearing. The parties addressed an order (issued in a separate FERC proceeding involving New England transmission owners) that proposed modifying the FERC's standard methodology for determining return on equity. In September 2018, System Energy filed a request for rehearing and the LPSC filed a request for rehearing or reconsideration of the FERC's August 2018 order. The LPSC's request referenced an amended complaint that it filed on the same day raising the same capital structure claim the FERC had earlier dismissed. The FERC initiated a new proceeding for the amended capital structure complaint, and System Energy submitted a response in October 2018. In January 2019 the FERC set the amended complaint for settlement and hearing proceedings. Settlement proceedings in the capital structure proceeding commenced in February 2019. As noted below, in June 2019 settlement discussions were terminated and the amended capital structure complaint was consolidated with the ongoing return on equity proceeding. The 15-month refund period in connection with the capital structure complaint was from September 24, 2018 to December 23, 2019.

In January 2019 the LPSC and the APSC and MPSC filed direct testimony in the return on equity proceeding. For the refund period January 23, 2017 through April 23, 2018, the LPSC argues for an authorized return on equity for System Energy of 7.81% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.24%. For the refund period April 27, 2018 through July 27, 2019, and for application on a prospective basis, the LPSC argues for an authorized return on equity for System Energy of 7.97% and the APSC and MPSC argue for an authorized return on equity for System Energy of 8.41%. In March 2019, System Energy submitted answering testimony. For the first refund period, System Energy's testimony argues for a return on equity of 10.10% (median) or 10.70% (midpoint). For the second refund period, System Energy's testimony shows that the calculated returns on equity for the first period fall within the range of presumptively just and reasonable returns on equity, and thus the second complaint should be dismissed (and the first period return on equity used going forward). If the FERC nonetheless were to set a new return on equity for the second period (and going forward), System Energy argues the return on equity should be either 10.32% (median) or 10.69% (midpoint).

In May 2019 the FERC trial staff filed its direct and answering testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.89% based on the application of FERC's proposed methodology. The FERC trial staff's direct and answering testimony noted that an authorized return on equity of 9.89% for the first refund period was within the range of presumptively just and reasonable returns on equity for the second refund period, as calculated using a study period ending January 31, 2019 for the second refund period.

In June 2019, System Energy filed testimony responding to the testimony filed by the FERC trial staff. Among other things, System Energy's testimony rebutted arguments raised by the FERC trial staff and provided updated calculations for the second refund period based on the study period ending May 31, 2019. For that refund period, System Energy's testimony shows that strict application of the return on equity methodology proposed by the FERC staff indicates that the second complaint would not be dismissed, and the new return on equity would be set at 9.65% (median) or 9.74% (midpoint). System Energy's testimony argues that these results are insufficient in light of benchmarks such as state returns on equity and treasury bond yields, and instead proposes that the calculated returns on equity for the second period should be either 9.91% (median) or 10.3% (midpoint). System Energy's testimony also argues that, under application of its proposed modified methodology, the 10.10% return on equity calculated for the first refund period would fall within the range of presumptively just and reasonable returns on equity for the second refund period.

Also in June 2019, the FERC's Chief ALJ issued an order terminating settlement discussions in the amended complaint addressing System Energy's capital structure. The ALJ consolidated the amended capital structure complaint with the ongoing return on equity proceeding and set new procedural deadlines for the consolidated hearing.

In August 2019 the LPSC and the APSC and MPSC filed rebuttal testimony in the return on equity proceeding and direct and answering testimony relating to System Energy's capital structure. The LPSC re-argues for an authorized return on equity for System Energy of 7.81% for the first refund period and 7.97% for the second refund period. The APSC and MPSC argue for an authorized return on equity for System Energy of 8.26% for the first refund period and 8.32% for the second refund period. With respect to capital structure, the LPSC proposes that the FERC establish a hypothetical capital structure for System Energy for ratemaking purposes. Specifically, the LPSC proposes that System Energy's common equity ratio be set to Entergy Corporation's equity ratio of 37%

equity and 63% debt. In the alternative, the LPSC argues that the equity ratio should be no higher than 49%, the composite equity ratio of System Energy and the other Entergy operating companies who purchase under the Unit Power Sales Agreement. The APSC and MPSC recommend that 35.98% be set as the common equity ratio for System Energy. As an alternative, the APSC and MPSC propose that System Energy's common equity be set at 46.75% based on the median equity ratio of the proxy group for setting the return on equity.

In September 2019 the FERC trial staff filed its rebuttal testimony in the return on equity proceeding. For the first refund period, the FERC trial staff calculates an authorized return on equity for System Energy of 9.40% based on the application of the FERC's proposed methodology and an updated proxy group. For the second refund period, based on the study period ending May 31, 2019, the FERC trial staff rebuttal testimony argues for a return on equity of 9.63%. In September 2019 the FERC trial staff also filed direct and answering testimony relating to System Energy's capital structure. The FERC trial staff argues that the average capital structure of the proxy group used to develop System Energy's return on equity should be used to establish the capital structure. Using this approach, the FERC trial staff calculates the average capital structure for its proposed proxy group of 46.74% common equity, and 53.26% debt.

In October 2019, System Energy filed answering testimony disputing the FERC trial staff's, the LPSC's, and the APSC's and MPSC's arguments for the use of a hypothetical capital structure and arguing that the use of System Energy's actual capital structure is just and reasonable.

In November 2019, in a proceeding that did not involve System Energy, the FERC issued an order addressing the methodology for determining the return on equity applicable to transmission owners in MISO. Thereafter, the procedural schedule in the System Energy proceeding was amended to allow the participants to file supplemental testimony addressing the order in the MISO transmission owner proceeding (Opinion No. 569).

In February 2020 the LPSC, the MPSC and APSC, and the FERC trial staff filed supplemental testimony addressing Opinion No. 569 and how it would affect the return on equity evaluation for the two complaint periods concerning System Energy. For the first refund period, based on their respective interpretations and applications of the Opinion No. 569 methodology, the LPSC argues for an authorized return on equity for System Energy of 8.44%; the MPSC and APSC argue for an authorized return on equity of 8.41%; and the FERC trial staff argues for an authorized return on equity of 9.22%. For the second refund period and on a prospective basis, based on their respective interpretations and applications of the Opinion No. 569 methodology, the LPSC argues for an authorized return on equity for System Energy of 7.89%; the MPSC and APSC argue that an authorized return on equity of 8.01% may be appropriate; and the FERC trial staff argues for an authorized return on equity of 8.66%.

In April 2020, System Energy filed supplemental answering testimony addressing Opinion No. 569. System Energy argues that the Opinion No. 569 methodology is conceptually and analytically defective for purposes of establishing just and reasonable authorized return on equity determinations and proposes an alternative approach. As its primary recommendation, System Energy continues to support the return on equity determinations in its March 2019 testimony for the first refund period and its June 2019 testimony for the second refund period. Under the Opinion No. 569 methodology, System Energy calculates a "presumptively just and reasonable range" for the authorized return on equity for the first refund period of 8.57% to 9.52%, and for the second refund period of 8.28% to 9.11%. System Energy argues that these ranges are not just and reasonable results. Under its proposed alternative methodology, System Energy calculates an authorized return on equity of 10.26% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively.

In May 2020 the FERC issued an order on rehearing of Opinion No. 569 (Opinion No. 569-A). In June 2020 the procedural schedule in the System Energy proceeding was further revised in order to allow parties to address the Opinion No. 569-A methodology. Pursuant to the revised schedule, in June 2020, the LPSC, MPSC and APSC, and the FERC trial staff filed supplemental testimony addressing Opinion No. 569-A and how it would affect the return on equity evaluation for the two complaint periods concerning System Energy. For the first refund period, based on their respective interpretations and applications of the Opinion No. 569-A methodology, the LPSC argues for an authorized return on equity for System Energy of 7.97%; the MPSC and APSC argue for an authorized return on equity of 9.24%; and the FERC trial staff argues for an authorized return on equity of 9.49%. For the second refund period and on a prospective basis, based on their respective interpretations and applications of the Opinion No. 569-A methodology, the LPSC argues for an authorized return on equity for System Energy of 7.78%; the MPSC and APSC argue that an authorized return on equity of 9.15% may be appropriate if the second complaint is not dismissed; and the FERC trial staff argues for an authorized return on equity of 9.09% if the second complaint is not dismissed.

Pursuant to the revised procedural schedule, in July 2020, System Energy filed supplemental testimony addressing Opinion No. 569-A. System Energy argues that strict application of the Opinion No. 569-A methodology produces results inconsistent with investor requirements and does not provide a sound basis on which to evaluate System Energy's authorized return on equity. As its primary recommendation, System Energy argues for the use of a methodology that incorporates four separate financial models, including the constant growth form of the discounted cash flow model and the empirical capital asset pricing model. Based on application of its recommended methodology, System Energy argues for an authorized return on equity of 10.12% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively. Under the Opinion No. 569-A methodology, System Energy calculates an authorized return on equity of 9.44% for the first refund period, which also falls within the presumptively just and reasonable range calculated for the second refund period and prospectively.

The parties and FERC trial staff filed final rounds of testimony in August 2020. The hearing before a FERC ALJ occurred in late-September through early-October 2020, post-hearing briefing took place in November and December 2020.

In March 2021 the FERC ALJ issued an initial decision. With regard to System Energy's authorized return on equity, the ALJ determined that the existing return on equity of 10.94% is no longer just and reasonable, and that the replacement authorized return on equity, based on application of the Opinion No. 569-A methodology, should be 9.32%. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (January 2017-April 2018) based on the difference between the current return on equity and the replacement authorized return on equity. The ALJ determined that the April 2018 complaint concerning the authorized return on equity should be dismissed, and that no refunds for a second fifteen-month refund period should be due. With regard to System Energy's capital structure, the ALJ determined that System Energy's actual equity ratio is excessive and that the just and reasonable equity ratio is 48.15% equity, based on the average equity ratio of the proxy group used to evaluate the return on equity for the second complaint. The ALJ further determined that System Energy should pay refunds for a fifteen-month refund period (September 2018-December 2019) based on the difference between the actual equity ratio and the 48.15% equity ratio. If the ALJ's initial decision is upheld, the estimated refund for this proceeding is approximately $60 million, which includes interest through December 31, 2021, and the estimated resulting annual rate reduction would be approximately $45 million. The estimated refund will continue to accrue interest until a final FERC decision is issued. Based on the course of the proceeding to date, System Energy has recorded a provision of $37 million, including interest, as of December 31, 2021.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. In April 2021, System Energy filed its brief on exceptions, in which it challenged the initial decision's findings on both the return on equity and capital structure issues. Also in April 2021 the LPSC, APSC, MPSC, City Council, and the FERC trial staff filed briefs on exceptions. Reply briefs opposing exceptions were filed in May 2021 by System Energy, the FERC trial staff, the LPSC, APSC, MPSC, and the City Council. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

Grand Gulf Sale-leaseback Renewal Complaint and Uncertain Tax Position Rate Base Issue

In May 2018 the LPSC filed a complaint against System Energy and Entergy Services related to System Energy's renewal of a sale-leaseback transaction originally entered into in December 1988 for an 11.5% undivided interest in Grand Gulf Unit 1. The complaint alleges that System Energy violated the filed rate and the FERC's ratemaking and accounting requirements when it included in Unit Power Sales Agreement billings the cost of capital additions associated with the sale-leaseback interest, and that System Energy is double-recovering costs by including both the lease payments and the capital additions in Unit Power Sales Agreement billings. The complaint also claims that System Energy was imprudent in entering into the sale-leaseback renewal because the Utility operating companies that purchase Grand Gulf's output from System Energy could have obtained cheaper capacity and energy in the MISO markets. The complaint further alleges that System Energy violated various other reporting and accounting requirements and should have sought prior FERC approval of the lease renewal. The complaint seeks various forms of relief from the FERC. The complaint seeks refunds for capital addition costs for all years in which they were recorded in allegedly non-formula accounts or, alternatively, the disallowance of the return on equity for the capital additions in those years plus interest. The complaint also asks that the FERC disallow and refund the lease costs of the sale-leaseback renewal on grounds of imprudence, investigate System Energy's treatment of a DOE litigation payment, and impose certain forward-looking procedural protections, including audit rights for retail regulators of the Unit Power Sales Agreement formula rates. The APSC, MPSC, and City Council intervened in the proceeding.

In June 2018, System Energy and Entergy Services filed a motion to dismiss and an answer to the LPSC complaint denying that System Energy's treatment of the sale-leaseback renewal and capital additions violated the terms of the filed rate or any other FERC ratemaking, accounting, or legal requirements or otherwise constituted double recovery. The response also argued that the complaint is inconsistent with a FERC-approved settlement to which the LPSC is a party and that explicitly authorizes System Energy to recover its lease payments. Finally, the response argued that both the capital additions and the sale-leaseback renewal were prudent investments and the LPSC complaint fails to justify any disallowance or refunds. The response also offered to submit formula rate protocols for the Unit Power Sales Agreement similar to the procedures used for reviewing transmission rates under the MISO tariff. In September 2018 the FERC issued an order setting the complaint for hearing and settlement proceedings. The FERC established a refund effective date of May 18, 2018.

In February 2019 the presiding ALJ ruled that the hearing ordered by the FERC includes the issue of whether specific subcategories of accumulated deferred income tax should be included in, or excluded from, System Energy's formula rate. In March 2019 the LPSC, MPSC, APSC and City Council filed direct testimony. The LPSC testimony sought refunds that include the renewal lease payments (approximately $17.2 million per year since July 2015), rate base reductions for accumulated deferred income tax associated with uncertain tax positions, and the cost of capital additions associated with the sale-leaseback interest, as well as interest on those amounts.

In June 2019 System Energy filed answering testimony arguing that the FERC should reject all claims for refunds. Among other things, System Energy argued that claims for refunds of the costs of lease renewal payments and capital additions should be rejected because those costs were recovered consistent with the Unit Power Sales Agreement formula rate, System Energy was not over or double recovering any costs, and ratepayers will save costs over the initial and renewal terms of the leases. System Energy argued that claims for refunds associated with liabilities arising from uncertain tax positions should be rejected because the liabilities do not provide cost-free capital, the repayment timing of the liabilities is uncertain, and the outcome of the underlying tax positions is uncertain. System Energy's testimony also challenged the refund calculations supplied by the other parties.

In August 2019 the FERC trial staff filed direct and answering testimony seeking refunds for rate base reductions for liabilities associated with uncertain tax positions. The FERC trial staff also argued that System Energy recovered $32 million more than it should have in depreciation expense for capital additions. In September 2019, System Energy filed cross-answering testimony disputing the FERC trial staff's arguments for refunds, stating that the FERC trial staff's position regarding depreciation rates for capital additions is not unreasonable, but explaining that any change in depreciation expense is only one element of a Unit Power Sales Agreement re-billing calculation. Adjustments to depreciation expense in any re-billing under the Unit Power Sales Agreement formula rate will also involve changes to accumulated depreciation, accumulated deferred income taxes, and other formula elements as needed. In October 2019 the LPSC filed rebuttal testimony increasing the amount of refunds sought for liabilities associated with uncertain tax positions. The LPSC seeks approximately $512 million plus interest, which is approximately $216 million through December 31, 2021. The FERC trial staff also filed rebuttal testimony in which it seeks refunds of a similar amount as the LPSC for the liabilities associated with uncertain tax positions. The LPSC testimony also argued that adjustments to depreciation rates should affect rate base on a prospective basis only.

A hearing was held before a FERC ALJ in November 2019. In April 2020 the ALJ issued the initial decision. Among other things, the ALJ determined that refunds were due on three main issues. First, with regard to the lease renewal payments, the ALJ determined that System Energy is recovering an unjust acquisition premium through the lease renewal payments, and that System Energy's recovery from customers through rates should be limited to the cost of service based on the remaining net book value of the leased assets, which is approximately $70 million. The ALJ found that the remedy for this issue should be the refund of lease payments (approximately $17.2 million per year since July 2015) with interest determined at the FERC quarterly interest rate, which would be offset by the addition of the net book value of the leased assets in the cost of service. The ALJ did not calculate a value for the refund expected as a result of this remedy. In addition, System Energy would no longer recover the lease payments in rates prospectively. Second, with regard to the liabilities associated with uncertain tax positions, the ALJ determined that the liabilities are accumulated deferred income taxes and that System Energy's rate base should have been reduced for those liabilities. If the ALJ's initial decision is upheld, the estimated refund for this issue through December 31, 2021, is approximately $422 million, plus interest, which is approximately $128 million through December 31, 2021. The ALJ also found that System Energy should include liabilities associated with uncertain tax positions as a rate base reduction going forward. Third, with regard to the depreciation expense adjustments, the ALJ found that System Energy should correct for the error in re-billings retroactively and prospectively, but that System Energy should not be permitted to recover interest on any retroactive return on enhanced rate base resulting from such corrections. If the initial decision is affirmed on this issue, System Energy estimates refunds of approximately $19 million, which includes interest through December 31, 2021.

The ALJ initial decision is an interim step in the FERC litigation process, and an ALJ's determinations made in an initial decision are not controlling on the FERC. The ALJ in the initial decision acknowledges that these are issues of first impression before the FERC. In June 2020, System Energy, the LPSC, and the FERC trial staff filed briefs on exceptions, challenging several of the initial decision's findings. System Energy's brief on exceptions challenged the initial decision's limitations on recovery of the lease renewal payments, its proposed rate base refund for the liabilities associated with uncertain tax positions, and its proposal to asymmetrically treat interest on bill corrections for depreciation expense adjustments. The LPSC's and the FERC trial staff's briefs on exceptions each challenged the initial decision's allowance for recovery of the cost of service associated with the lease renewal based on the remaining net book value of the leased assets, its calculation of the remaining net book value of the leased assets, and the amount of the initial decision's proposed rate base refund for the liabilities associated with uncertain tax positions. The LPSC's brief on exceptions also challenged the initial decision's proposal that depreciation expense adjustments include retroactive adjustments to rate base and its finding that section 203 of the Federal Power Act did not apply to the lease renewal. The FERC trial staff's brief on exceptions also challenged the initial decision's finding that the FERC need not institute a formal investigation into System Energy's tariff. In October 2020, System Energy, the LPSC, the MPSC, the APSC, and the City Council filed briefs opposing exceptions. System Energy opposed the exceptions filed by the LPSC and the FERC trial staff. The LPSC, MPSC, APSC, City Council, and the FERC trial staff opposed the exceptions filed by System Energy. Also in October 2020 the MPSC, APSC, and the City Council filed briefs adopting the exceptions of the LPSC and the FERC trial staff. The case is pending before the FERC, which will review the case and issue an order on the proceeding, and the FERC may accept, reject, or modify the ALJ's initial decision in whole or in part. Refunds, if any, that might be required will only become due after the FERC issues its order reviewing the initial decision.

In addition, in September 2020, the IRS issued a Notice of Proposed Adjustment (NOPA) and Entergy executed it. The NOPA memorializes the IRS's decision to adjust the 2015 consolidated federal income tax return of Entergy Corporation and certain of its subsidiaries, including System Energy, with regard to the uncertain decommissioning tax position. Pursuant to the audit resolution documented in the NOPA, the IRS allowed System Energy's inclusion of $102 million of future nuclear decommissioning costs in System Energy's cost of goods sold for the 2015 tax year, roughly 10% of the requested deduction, but disallowed the balance of the position. In September 2020, System Energy filed a motion to lodge the NOPA into the record in the FERC proceeding. In October 2020 the LPSC, the APSC, the MPSC, the City Council, and the FERC trial staff filed oppositions to System Energy's motion. As a result of the NOPA issued by the IRS in September 2020, System Energy filed, in October 2020, a new Federal Power Act section 205 filing at FERC to establish an ongoing rate base credit for the accumulated deferred income taxes resulting from the decommissioning uncertain tax position. On a prospective basis beginning with the October 2020 bill, System Energy proposes to include the accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position as a credit to rate base under the Unit Power Sales Agreement. In November 2020 the LPSC, APSC, MPSC, and City Council filed a protest to the filing, and System Energy responded.

In November 2020 the IRS issued a Revenue Agent's Report (RAR) for the 2014/2015 tax year and in December 2020 Entergy executed it. The RAR contained the same adjustment to the uncertain nuclear decommissioning tax position as that which the IRS had announced in the NOPA. In December 2020, System Energy filed a motion to lodge the RAR into the record in the FERC proceeding addressing the uncertain tax position rate base issue. In January 2021 the LPSC, APSC, MPSC, and City Council filed a protest to the motion.

As a result of the RAR, in December 2020, System Energy filed amendments to its new Federal Power Act section 205 filings to establish an ongoing rate base credit for the accumulated deferred income taxes resulting from the decommissioning uncertain tax position and to credit excess accumulated deferred income taxes arising from the successful portion of the decommissioning uncertain tax position. The amendments both propose the inclusion of the RAR as support for the filings. In December 2020 the LPSC, APSC, and City Council filed a protest in response to the amendments, reiterating their prior objections to the filings. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filings subject to refund, setting them for hearing, and holding the hearing in abeyance.

In December 2020, System Energy filed a new Federal Power Act section 205 filing to provide a one-time, historical credit of $25.2 million for the accumulated deferred income taxes that would have been created by the decommissioning uncertain tax position if the IRS's decision had been known in 2016. In January 2021 the LPSC, APSC, MPSC, and City Council filed a protest to the filing. In February 2021 the FERC issued an order accepting System Energy's Federal Power Act section 205 filing subject to refund, setting it for hearing, and holding the hearing in abeyance. The one-time credit was made during the first quarter 2021.

LPSC Authorization of Additional Complaints

In May 2020 the LPSC authorized its staff to file additional complaints at the FERC related to the rates charged by System Energy for Grand Gulf energy and capacity supplied to Entergy Louisiana under the Unit Power Sales Agreement. The LPSC directive notes that the initial decision issued by the presiding ALJ in the Grand Gulf sale-leaseback complaint proceeding did not address, for procedural reasons, certain rate issues raised by the LPSC and declined to order further investigation of rates charged by System Energy. The LPSC directive authorizes its staff to file complaints at the FERC "necessary to address these rate issues, to request a full investigation into the rates charged by System Energy for Grand Gulf power, and to seek rate refund, rate reduction, and such other remedies as may be necessary and appropriate to protect Louisiana ratepayers." The LPSC directive further stated that the LPSC has seen "information suggesting that the Grand Gulf plant has been significantly underperforming compared to other nuclear plants in the United States, has had several extended and unexplained outages, and has been plagued with serious safety concerns." The LPSC expressed concern that the costs paid by Entergy

Louisiana's retail customers may have been detrimentally impacted, and authorized "the filing of a FERC complaint to address these performance issues and to seek appropriate refund, rate reduction, and other remedies as may be appropriate."

Unit Power Sales Agreement Complaint

The first of the additional complaints was filed by the LPSC, the APSC, the MPSC, and the City Council in September 2020. The complaint raises two sets of rate allegations: violations of the filed rate and a corresponding request for refunds for prior periods; and elements of the Unit Power Sales Agreement are unjust and unreasonable and a corresponding request for refunds for the 15-month refund period and changes to the Unit Power Sales Agreement prospectively. Several of the filed rate allegations overlap with the previous complaints. The filed rate allegations not previously raised are that System Energy: failed to provide a rate base credit to customers for the "time value" of sale-leaseback lease payments collected from customers in advance of the time those payments were due to the owner-lessors; improperly included certain lease refinancing costs in rate base as prepayments; improperly included nuclear decommissioning outage costs in rate base; failed to include categories of accumulated deferred income taxes as a reduction to rate base; charged customers based on a higher equity ratio than would be appropriate due to excessive retained earnings; and did not correctly reflect money pool investments and imprudently invested cash into the money pool. The elements of the Unit Power Sales Agreement that the complaint alleges are unjust and unreasonable include: incentive and executive compensation, lack of an equity re-opener, lobbying, and private airplane travel. The complaint also requests a rate investigation into the Unit Power Sales Agreement and System Energy's billing practices pursuant to section 206 of the Federal Power Act, including any issue relevant to the Unit Power Sales Agreement and its inputs. System Energy filed its answer opposing the complaint in November 2020. In its answer, System Energy argued that all of the claims raised in the complaint should be dismissed and agreed that bill adjustment with respect to two discrete issues were justified. System Energy argued that dismissal is warranted because all claims fall into one or more of the following categories: the claims have been raised and are being litigated in another proceeding; the claims do not present a *prima facie* case and do not satisfy the threshold burden to establish a complaint proceeding; the claims are premised on a theory or request relief that is incompatible with federal law or FERC policy; the claims request relief that is inconsistent with the filed rate; the claims are barred or waived by the legal doctrine of laches; and/or the claims have been fully addressed and do not warrant further litigation. In December 2020, System Energy filed a bill adjustment report indicating that $3.4 million had been credited to customers in connection with the two discrete issues concerning the inclusion of certain accumulated deferred income taxes balances in rates. In January 2021 the complainants filed a response to System Energy's November 2020 answer, and in February 2021, System Energy filed a response to the complainant's response.

In May 2021 the FERC issued an order addressing the complaint, establishing a refund effective date of September 21, 2020, establishing hearing procedures, and holding those procedures in abeyance pending FERC's review of the initial decision in the Grand Gulf sale-leaseback renewal complaint discussed above. System Energy agreed that the hearing should be held in abeyance but sought rehearing of FERC's decision as related to matters set for hearing that were beyond the scope of FERC's jurisdiction or authority. The complainants sought rehearing of FERC's decision to hold the hearing in abeyance and filed a motion to proceed, which motion System Energy subsequently opposed. In June 2021, System Energy's request for rehearing was denied by operation of law, and System Energy filed an appeal of FERC's orders in the Court of Appeals for the Fifth Circuit. The appeal was initially stayed for a period of 90 days, but the stay expired. In November 2021 the Fifth Circuit dismissed the appeal as premature.

In August 2021 the FERC issued an order addressing System Energy's and the complainants' rehearing requests. The FERC dismissed part of the complaint seeking an equity re-opener, maintained the abeyance for issues related to the proceeding addressing the sale-leaseback renewal and uncertain tax positions, lifted the abeyance for issues unrelated to that proceeding, and clarified the scope of the hearing. A procedural schedule was established, with the hearing scheduled for June 2022 and the ALJ's initial decision scheduled for November 2022. Discovery is ongoing.

In November 2021 the LPSC, APSC, and City Council filed direct testimony and requested the FERC to order refunds for prior periods and prospective amendments to the Unit Power Sales Agreement. The LPSC's refund claims include, among other things, allegations that: (1) System Energy should not have included certain sale-leaseback transaction costs in prepayments; (2) System Energy should have credited rate base to reflect the time value of money associated with the advance collection of lease payments; (3) System Energy incorrectly included refueling outage costs that were recorded in account 174 in rate base; and (4) System Energy should have excluded several accumulated deferred income tax balances in account 190 from rate base. The LPSC is also seeking a retroactive adjustment to retained earnings and capital structure in conjunction with the implementation of its proposed refunds. In addition, the LPSC seeks amendments to the Unit Power Sales Agreement going forward to address below-the-line costs, incentive compensation, the working capital allowance, litigation expenses, and the 2019 termination of the capital funds agreement. The APSC argues that: (1) System Energy should have included borrowings from the Entergy System money pool in its determination of short-term debt in its cost of capital; and (2) System Energy should credit customers with System Energy's allocation of earnings on money pool investments. The City Council alleges that System Energy has maintained excess cash on hand in the money pool and that retention of excess cash was imprudent. Based on this allegation, the City Council's witness recommends a refund of approximately $98.8 million for the period 2004-September 2021 or other alternative relief. The City Council further recommends that the FERC impose a hypothetical equity ratio such as 48.15% equity to capital on a prospective basis.

In January 2022, System Energy filed answering testimony arguing that the FERC should not order refunds for prior periods or any prospective amendments to the Unit Power Sales Agreement. In response to the LPSC's refund claims, System Energy argues, among other things, that (1) the inclusion of sale-leaseback transaction costs in prepayments was correct; (2) that the filed rate doctrine bars the request for a retroactive credit to rate base for the time value of money associated with the advance collection of lease payments; (3) that an accounting misclassification for deferred refueling outage costs has been corrected, caused no harm to customers, and requires no refunds; and (4) that its accounting and ratemaking treatment of specified accumulated deferred income tax balances in account 190 has been correct. System Energy further responds that no retroactive adjustment to retained earnings or capital structure should be ordered because there is no general policy requiring such a remedy and there was no showing that the retained earnings element of the capital structure was incorrectly implemented. Further, System Energy presented evidence that all of the costs that are being challenged were long known to the retail regulators and were approved by them for inclusion in retail rates, and the attempt to retroactively challenge these costs, some of which have been included in rates for decades, is unjust and unreasonable. In response to the LPSC's proposed going-forward adjustments, System Energy presents evidence to show that none of the proposed adjustments are needed. On the issue of below-the-line expenses, during discovery procedures System Energy identified a historical allocation error in certain months and agreed to provide a bill credit to customers to correct the error. In response to the APSC's claims, System Energy argues that the Unit Power Sales Agreement does not include System Energy's borrowings from the Entergy System money pool or earnings on deposits to the Entergy System money pool in the determination of the cost of capital; and accordingly, no refunds are appropriate on those issues. In response to the City Council's claims, System Energy argues that it has reasonably managed its cash and that the City Council's theory of cash management is defective because it fails to adequately consider the relevant cash needs of System Energy and it makes faulty presumptions about the operation of the Entergy System money pool. System Energy further points out that the issue of its capital structure is already subject to pending FERC litigation.

Grand Gulf Prudence Complaint

The second of the additional complaints was filed at the FERC in March 2021 by the LPSC, the APSC, and the City Council against System Energy, Entergy Services, Entergy Operations, and Entergy Corporation. The second complaint contains two primary allegations. First, it alleges that, based on the plant's capacity factor and alleged safety performance, System Energy and the other respondents imprudently operated Grand Gulf during the period 2016-2020, and it seeks refunds of at least $360 million in alleged replacement energy costs, in addition to other costs, including those that can only be identified upon further investigation. Second, it alleges that the performance and/or management of the 2012 extended power uprate of Grand Gulf was imprudent, and it seeks refunds of all costs of the 2012 uprate that are determined to result from imprudent planning or management of the project. In addition to the requested refunds, the complaint asks that the FERC modify the Unit Power Sales Agreement to provide for full cost recovery only if certain performance indicators are met and to require pre-authorization of capital improvement projects in excess of $125 million before related costs may be passed through to customers in rates. In April 2021, System Energy and the other respondents filed their motion to dismiss and answer to the complaint. System Energy requested that the FERC dismiss the claims within the complaint. With respect to the claim concerning operations, System Energy argues that the complaint does not meet its legal burden because, among other reasons, it fails to allege any specific imprudent conduct. With respect to the claim concerning the uprate, System Energy argues that the complaint fails because, among other reasons, the complainants' own conduct prevents them from raising a serious doubt as to the prudence of the uprate. System Energy also requests that the FERC dismiss other elements of the complaint, including the proposed modifications to the Unit Power Sales Agreement, because they are not warranted. Additional responsive pleadings were filed by the complainants and System Energy during the period from March through July 2021. The pleadings are pending FERC action.

Storm Cost Recovery Filings with Retail Regulators

Entergy Louisiana

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida

In August 2020 and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of Entergy Louisiana's service area. The storms resulted in widespread outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild.

In October 2020, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta. Subsequently, Entergy Louisiana and the LPSC staff filed a joint motion seeking approval to exclude from the derivation of Entergy Louisiana's capital structure and cost rate of debt for ratemaking purposes, including the allowance for funds used during construction, shorter-term debt up to $1.1 billion issued by Entergy Louisiana to fund costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta costs on an interim basis. In November 2020 the LPSC issued an order approving the joint motion, and Entergy Louisiana issued $1.1 billion of 0.62% Series mortgage bonds due November 2023. Also in November 2020, Entergy Louisiana withdrew $257 million from its funded storm reserves.

In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages. As discussed above in "**Fuel and purchased power recovery**," Entergy Louisiana recovered the incremental fuel costs associated with Winter Storm Uri over a five-month period from April 2021 through August 2021.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms are currently estimated to be approximately $2.06 billion, including approximately $1.68 billion in capital costs and approximately $380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana is seeking an LPSC determination that $2.11 billion was prudently incurred and, therefore, is eligible for recovery from customers. Additionally, Entergy Louisiana is requesting that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of $290 million is appropriate. In July 2021, Entergy Louisiana supplemented the application with a request regarding the financing and recovery of the recoverable storm restoration costs. Specifically, Entergy Louisiana requested approval to securitize its restoration costs pursuant to Louisiana Act 55 financing, as supplemented by Act 293 of the Louisiana Legislature's Regular Session of 2021. As previously discussed, in August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. In September 2021, Entergy Louisiana supplemented the application with a request to establish and securitize a $1 billion restricted storm escrow account for Hurricane Ida related restoration costs, subject to a subsequent prudence review. In total, Entergy Louisiana requested authorization for the issuance of system restoration bonds in one or more series in an aggregate principal amount of $3.18 billion, which includes the costs of re-establishing and funding a storm damage escrow account, carrying costs and unamortized debt costs on interim financing, and issuance costs. After filing of testimony by LPSC staff and intervenors, which generally supported or did not oppose Entergy Louisiana's requests, the parties negotiated and executed an uncontested stipulated settlement which was filed with the LPSC in February 2022. The settlement agreement contains the following key terms: $2.1 billion of restoration costs from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri were prudently incurred and are eligible for recovery; carrying costs of $51 million are recoverable; a $290 million cash storm reserve should be re-established; a $1 billion reserve should be established to partially pay for Hurricane Ida restoration costs; and Entergy Louisiana is authorized to finance $3.186 billion utilizing the securitization process authorized by Act 55, as supplemented by Act 293. The LPSC voted to approve the settlement at its February 2022 meeting.

Hurricane Isaac

In August 2012, Hurricane Isaac caused extensive damage to Entergy Louisiana's service area. In June 2014 the LPSC authorized Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs. Entergy Louisiana committed to pass on to customers a minimum of $30.8 million of customer benefits through annual customer credits of approximately $6.2 million for five years. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation (LURC) and the Louisiana State Bond Commission.

In August 2014 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued $314.85 million in bonds under Louisiana Act 55. From the $309 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $16 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $293 million directly to Entergy Louisiana. Entergy Louisiana used the $293 million received from the LURC to acquire 2,935,152.69 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1.75 billion.

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

In the first quarter 2020, Entergy and the IRS agreed upon and settled on the treatment of funds received by Entergy Louisiana in conjunction with the Act 55 financing of Hurricane Isaac storm costs, which resulted in a net reduction of income tax expense of approximately $32 million. As a result of the settlement, the position was partially sustained and Entergy Louisiana recorded a reduction of income tax expense of approximately $58 million primarily due to the reversal of liabilities for uncertain tax positions in excess of the agreed-upon settlement. Entergy recorded an increase to income tax expense of $26 million primarily resulting from the reduction of the deferred tax asset, associated with utilization of the net operating loss as a result of the settlement. This adjustment recorded by Entergy also accounted for the tax rate change of the Tax Cuts and Jobs Act. As a result of the IRS settlement, Entergy Louisiana recorded a $29 million ($21 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to customers pursuant to the LPSC Hurricane Isaac Act 55 financing order.

Hurricane Gustav and Hurricane Ike

In September 2008, Hurricane Gustav and Hurricane Ike caused catastrophic damage to Entergy Louisiana's service territory. In December 2009, Entergy Louisiana entered into a stipulation agreement with the LPSC staff regarding its storm costs. In March and April 2010, Entergy Louisiana and other parties to the proceeding filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal to utilize Act 55 financing, which included a commitment to pass on to customers a minimum of $43.3 million of customer benefits through a prospective annual rate reduction of $8.7 million for five years. In April 2010 the LPSC approved the settlement and subsequently issued financing orders and a ratemaking order intended to facilitate the implementation of the Act 55 financings. In June 2010 the Louisiana State Bond Commission approved the Act 55 financing. The settlement agreement allowed for an adjustment to the credits if there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Louisiana Act 55 financing savings obligation regulatory liability related to Hurricane Gustav and Hurricane Ike was reduced by $2.7 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

In July 2010 the LCDA issued two series of bonds totaling $713.0 million under Act 55. From the $702.7 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $290 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $412.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana used $412.7 million to acquire 4,126,940.15 Class B preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 9% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2010, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1 billion.

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

Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to Entergy Louisiana's service territory. In March 2008, Entergy Louisiana and the LURC filed at the LPSC an application requesting that the LPSC grant a financing order authorizing the financing of Entergy Louisiana storm costs, storm reserves, and issuance costs pursuant to Louisiana Act 55. Entergy Louisiana also filed an application requesting LPSC approval for ancillary issues including the mechanism to flow charges and savings to customers via a storm cost offset rider. In April 2008 the Louisiana Public Facilities Authority (LPFA), which is the issuer of the bonds pursuant to the Act 55 financing, approved requests for the Act 55 financing. Also in April 2008, Entergy Louisiana and the LPSC staff filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal under the Act 55 financing, which included a commitment to pass on to customers a minimum of $40 million of customer benefits through a prospective annual rate reduction of $8 million for five years. The LPSC subsequently approved the settlement and issued two financing orders and one ratemaking order intended to facilitate implementation of the Act 55 financing. In May 2008 the Louisiana State Bond Commission granted final approval of the Act 55 financing. The settlement agreement allowed for an adjustment to the credits if there was a change in the applicable federal or state income tax rate. As a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, and the lowering of the federal corporate income tax rate from 35% to 21%, the Louisiana Act 55 financing savings obligation regulatory liability related to Hurricanes Katrina and Rita was reduced by $22.3 million, with a corresponding increase to Other regulatory credits on the income statement. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

In July 2008 the LPFA issued $687.7 million in bonds under the aforementioned Act 55. From the $679 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited $152 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $527 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested $545 million, including $17.8 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 5,449,861.85 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 10% annual distribution rate. In August 2008 the LPFA issued $278.4 million in bonds under the aforementioned Act 55. From the $274.7 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited $87 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $187.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested $189.4 million, including $1.7 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 1,893,918.39 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 10% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2008 and have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1 billion.

The bonds were repaid in 2018. Entergy and Entergy Louisiana did not report the bonds issued by the LPFA on their balance sheets because the bonds are the obligation of the LPFA, and there was no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collected a system restoration charge on behalf of the LURC and remitted the collections to the bond indenture trustee. Entergy and Entergy Louisiana did not report the collections as revenue because Entergy Louisiana was merely acting as the billing and collection agent for the state.

Entergy Mississippi

Entergy Mississippi has approval from the MPSC to collect a storm damage provision of $1.75 million per month. If Entergy Mississippi's accumulated storm damage provision balance exceeds $15 million, the collection of the storm damage provision ceases until such time that the accumulated storm damage provision becomes less than $10 million. Entergy Mississippi's storm damage provision balance has been less than $10 million since May 2019, and Entergy Mississippi has been billing the monthly storm damage provision since July 2019.

Entergy New Orleans

Hurricane Zeta

In October 2020, Hurricane Zeta caused significant damage to Entergy New Orleans's service area. The storm resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the power outages. In March 2021, Entergy New Orleans withdrew $44 million from its funded storm reserves. In May 2021, Entergy New Orleans filed an application with the City Council requesting approval and certification that its system restoration costs associated with Hurricane Zeta of approximately $36 million, including approximately $28 million in capital costs and approximately $8 million in non-capital costs, were reasonable and necessary to enable Entergy New Orleans to restore electric service to its customers and Entergy New Orleans's electric utility infrastructure.

Entergy Texas

Hurricane Laura, Hurricane Delta, and Winter Storm Uri

In August 2020 and October 2020, Hurricane Laura and Hurricane Delta caused extensive damage to Entergy Texas's service area. In February 2021, Winter Storm Uri also caused damage to Entergy Texas's service area. The storms resulted in widespread power outages, significant damage primarily to distribution and transmission infrastructure, and the loss of sales during the power outages. In April 2021, Entergy Texas filed an application with the PUCT requesting a determination that approximately $250 million of system restoration costs associated with Hurricane Laura, Hurricane Delta, and Winter Storm Uri, including approximately $200 million in capital costs and approximately $50 million in non-capital costs, were reasonable and necessary to enable Entergy Texas to restore electric service to its customers and Entergy Texas's electric utility infrastructure. The filing also included the projected balance of approximately $13 million of a regulatory asset containing previously approved system restoration costs related to Hurricane Harvey. In September 2021 the parties filed an unopposed settlement agreement, pursuant to which Entergy Texas removed from the amount to be securitized approximately $4.3 million that will instead be charged to its storm reserve, $5 million related to no particular issue, of which Entergy Texas would be permitted to seek recovery in a future proceeding, and approximately $300 thousand related to attestation costs. In December 2021 the PUCT issued an order approving the unopposed settlement and determining system restoration costs of $243 million related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri and the $13 million projected remaining balance of the Hurricane Harvey system restoration costs were eligible for securitization. The order also determines that Entergy Texas can recover carrying costs on the system restoration costs related to Hurricane Laura, Hurricane Delta, and Winter Storm Uri.

In July 2021, Entergy Texas filed with the PUCT an application for a financing order to approve the securitization of the system restoration costs that are the subject of the April 2021 application. In November 2021 the parties filed an unopposed settlement agreement supporting the issuance of a financing order consistent with Entergy Texas's application and with minor adjustments to certain upfront and ongoing costs to be incurred to facilitate the issuance and serving of system restoration bonds. In January 2022 the PUCT issued a financing order consistent with the unopposed settlement.

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

Income taxes for 2021, 2020, and 2019 for Entergy Corporation and Subsidiaries consist of the following:

	2021	2020	2019
		(In Thousands)	
Current:			
Federal	($5,003)	$5,807	($14,416)
State	(8,995)	57,939	6,535
Total	(13,998)	63,746	(7,881)
Deferred and non-current - net	205,891	(190,635)	(155,956)
Investment tax credit adjustments - net	(519)	5,383	(5,988)
Income taxes	$191,374	($121,506)	($169,825)

Income taxes for 2021, 2020, and 2019 for Entergy's Registrant Subsidiaries consist of the following:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Current:						
Federal	($20,285)	($24,053)	($5,868)	($6,724)	($189)	$29,416
State	529	2,459	(11,506)	(413)	1,261	(10,258)
Total	(19,756)	(21,594)	(17,374)	(7,137)	1,072	19,158
Deferred and non-current - net	96,180	146,786	60,861	12,870	25,087	(25,229)
Investment tax credit adjustments - net	(1,229)	(4,783)	1,836	203	(633)	4,094
Income taxes	$75,195	$120,409	$45,323	$5,936	$25,526	($1,977)

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Current:						
Federal	($44,627)	$62,728	($14,580)	$293	($5,603)	$372,206
State	(2,563)	4,457	(1,316)	(303)	2,658	55,551
Total	(47,190)	67,185	(15,896)	(10)	(2,945)	427,757
Deferred and non-current - net	96,195	(444,647)	43,640	(18,153)	6,619	(405,928)
Investment tax credit adjustments - net	(1,228)	(4,862)	(554)	13,956	(632)	(1,286)
Income taxes	$47,777	($382,324)	$27,190	($4,207)	$3,042	$20,543

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Current:						
Federal	($14,549)	($20,173)	($8,939)	($5,822)	$16,035	$16,256
State	(714)	(735)	5,823	1,856	663	(2,831)
Total	(15,263)	(20,908)	(3,116)	(3,966)	16,698	13,425
Deferred and non-current - net	(30,278)	147,453	34,579	4,248	(69,963)	422
Investment tax credit adjustments - net	(1,228)	(4,922)	(597)	(96)	(631)	1,502
Income taxes	($46,769)	$121,623	$30,866	$186	($53,896)	$15,349

Total income taxes for Entergy Corporation and Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before income taxes. The reasons for the differences for the years 2021, 2020, and 2019 are:

	2021	2020	2019
		(In Thousands)	
Net income attributable to Entergy Corporation	$1,118,492	$1,388,334	$1,241,226
Preferred dividend requirements of subsidiaries	227	18,319	17,018
Consolidated net income	1,118,719	1,406,653	1,258,244
Income taxes	191,374	(121,506)	(169,825)
Income before income taxes	$1,310,093	$1,285,147	$1,088,419
Computed at statutory rate (21%)	$275,120	$269,881	$228,568
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	79,273	60,087	61,791
Regulatory differences - utility plant items	(57,556)	(53,229)	(45,336)
Equity component of AFUDC	(14,799)	(25,080)	(30,444)
Amortization of investment tax credits	(7,695)	(8,386)	(8,093)
Flow-through / permanent differences	(5,585)	11,099	(2,059)
Amortization of excess ADIT (a)	(66,478)	(59,629)	(205,614)
Arkansas and Louisiana Rate Changes (b)	(27,108)	—	—
IRS audit adjustment (d)	—	(301,041)	—
Entergy Wholesale Commodities restructuring (c)	—	(9,223)	(173,725)
Stock compensation (e)	—	(25,591)	—
Charitable contribution (c)	—	—	(19,101)
Net operating loss recognition	—	—	(41,427)
Provision for uncertain tax positions	16,533	15,208	7,332
Valuation allowance	(2,600)	—	59,345
Other - net	2,269	4,398	(1,062)
Total income taxes as reported	$191,374	($121,506)	($169,825)
Effective Income Tax Rate	14.6%	(9.5%)	(15.6%)

(a) See "**Other Tax Matters - Tax Cuts and Jobs Act**" below for discussion of the amortization of excess accumulated deferred income taxes (ADIT) in 2019, 2020, and 2021 and the tax legislation enactment in 2017.

(b) See "**Arkansas and Louisiana Corporate Income Tax Rate Changes**" below for details.

(c) See **"Other Tax Matters - Entergy Wholesale Commodities Restructuring"** below for discussion of the Entergy Wholesale Commodities restructuring in 2019, the ownership of Palisades restructuring in 2020, and the charitable contribution in 2019.

(d) See "**Income Tax Audits - 2014-2015 IRS Audit"** below for discussion of the resolution of the audit in 2020.

(e) See "**Other Tax Matters - Stock Compensation"** below for discussion of excess tax deductions.

Total income taxes for the Registrant Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2021, 2020, and 2019 are:

2021	**Entergy Arkansas**	**Entergy Louisiana**	**Entergy Mississippi**	**Entergy New Orleans**	**Entergy Texas**	**System Energy**
			(In Thousands)			
Net income	$298,484	$653,984	$166,834	$31,798	$228,824	$106,814
Income taxes	75,195	120,409	45,323	5,936	25,526	(1,977)
Pretax income	$373,679	$774,393	$212,157	$37,734	$254,350	$104,837
Computed at statutory rate (21%)	$78,473	$162,623	$44,553	$7,924	$53,413	$22,016
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	19,633	41,030	9,305	2,579	1,553	5,385
Regulatory differences - utility plant items	(16,078)	(14,123)	(8,133)	(4,332)	(2,115)	(12,776)
Equity component of AFUDC	(3,207)	(6,016)	(1,701)	(498)	(2,077)	(1,300)
Amortization of investment tax credits	(1,201)	(4,729)	64	(56)	(617)	(1,155)
Flow-through / permanent differences	(814)	(2,655)	124	1,559	(475)	(1,235)
Amortization of excess ADIT (a)	(5,845)	(24,323)	—	(1,028)	(21,929)	(13,354)
Arkansas and Louisiana Rate Changes (b)	398	(6,126)	395	(1,569)	216	115
Non-taxable dividend income	—	(26,801)	—	—	—	—
Provision for uncertain tax positions	353	300	465	1,200	(2,716)	200
Valuation Allowance	2,766	—	—	—	—	—
Other - net	717	1,229	251	157	273	127
Total income taxes as reported	$75,195	$120,409	$45,323	$5,936	$25,526	($1,977)
Effective Income Tax Rate	20.1%	15.5%	21.4%	15.7%	10.0%	(1.9%)

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Net income	$245,232	$1,082,352	$140,583	$49,338	$215,073	$99,131
Income taxes	47,777	(382,324)	27,190	(4,207)	3,042	20,543
Pretax income	$293,009	$700,028	$167,773	$45,131	$218,115	$119,674
Computed at statutory rate (21%)	$61,532	$147,006	$35,232	$9,478	$45,804	$25,132
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	16,256	38,182	6,917	2,606	1,460	5,524
Regulatory differences - utility plant items	(8,034)	(23,819)	(7,441)	(3,442)	(7,673)	(2,821)
Equity component of AFUDC	(3,154)	(8,012)	(1,412)	(1,331)	(9,255)	(1,916)
Amortization of investment tax credits	(1,201)	(4,811)	(540)	(61)	(617)	(1,155)
Flow-through / permanent differences	(2,219)	1,404	(102)	498	766	(421)
Amortization of excess ADIT (a)	(6,011)	(26,293)	18	(4,564)	(22,780)	—
Stock compensation (d)	(4,952)	(9,004)	(2,763)	(1,526)	(2,842)	(1,300)
IRS audit adjustment (c)	(6,351)	(471,702)	(3,768)	(6,819)	(2,091)	(2,925)
Non-taxable dividend income	—	(26,795)	—	—	—	—
Provision for uncertain tax positions	1,200	300	800	800	—	300
Other - net	711	1,220	249	154	270	125
Total income taxes as reported	$47,777	($382,324)	$27,190	($4,207)	$3,042	$20,543
Effective Income Tax Rate	16.3%	(54.6%)	16.2%	(9.3%)	1.4%	17.2%

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Net income	$262,964	$691,537	$119,925	$52,629	$159,397	$99,120
Income taxes	(46,769)	121,623	30,866	186	(53,896)	15,349
Pretax income	$216,195	$813,160	$150,791	$52,815	$105,501	$114,469
Computed at statutory rate (21%)	$45,401	$170,764	$31,666	$11,091	$22,155	$24,039
Increases (reductions) in tax resulting from:						
State income taxes net of federal income tax effect	15,954	42,854	5,563	3,443	360	5,134
Regulatory differences - utility plant items	(10,627)	(19,421)	(5,556)	(1,532)	(1,987)	(6,213)
Equity component of AFUDC	(3,255)	(15,545)	(1,755)	(2,088)	(5,973)	(1,829)
Amortization of investment tax credits	(1,201)	(4,871)	(160)	(88)	(617)	(1,155)
Flow-through / permanent differences	696	439	160	(741)	560	(500)
Amortization of excess ADIT (a)	(90,921)	(28,531)	203	(11,724)	(69,091)	(5,550)
Non-taxable dividend income	—	(26,795)	—	—	—	—
Provision for uncertain tax positions	(3,517)	1,519	500	1,672	430	1,300
Other - net	701	1,210	245	153	267	123
Total income taxes as reported	($46,769)	$121,623	$30,866	$186	($53,896)	$15,349
Effective Income Tax Rate	(21.6%)	15.0%	20.5%	0.4%	(51.1%)	13.4%

(a) See "**Other Tax Matters** - **Tax Cuts and Jobs Act**" below for discussion of the amortization of excess accumulated deferred income taxes (ADIT) in 2019, 2020 and 2021 and the tax legislation enactment in 2017.

(b) See "**Arkansas and Louisiana Corporate Income Tax Rate Changes**" below for details.

(c) See "**Income Tax Audits** - **2014-2015 IRS Audit**" below for discussion of the resolution of the audit in 2020.

(d) See "**Other Tax Matters** - **Stock Compensation**" below for discussion of excess tax deductions.

Significant components of accumulated deferred income taxes and taxes accrued for Entergy Corporation and Subsidiaries as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Deferred tax liabilities:		
Plant basis differences - net	($6,136,563)	($4,795,422)
Regulatory assets	(930,244)	(429,996)
Nuclear decommissioning trusts/receivables	(656,185)	(1,188,235)
Pension, net regulatory asset	(322,788)	(327,445)
Combined unitary state taxes	(7,255)	(7,723)
Unbilled/deferred revenues	—	(9,152)
Accumulated storm damage provision	(207,243)	—
Deferred fuel	(85,310)	(7,667)
Other	(341,450)	(549,355)
Total	(8,687,038)	(7,314,995)
Deferred tax assets:		
Nuclear decommissioning liabilities	278,136	968,464
Regulatory liabilities	1,318,381	791,927
Pension and other post-employment benefits	208,128	278,486
Sale and leaseback	102,474	102,477
Compensation	79,798	89,279
Accumulated deferred investment tax credit	57,986	57,379
Provision for allowances and contingencies	82,286	71,598
Power purchase agreements	55,259	352,019
Unbilled/deferred revenues	26,683	—
Net operating loss carryforwards	2,868,424	1,580,109
Capital losses and miscellaneous tax credits	11,111	21,291
Valuation allowance	(325,239)	(328,581)
Other	200,032	230,291
Total	4,963,459	4,214,739
Non-current accrued taxes (including unrecognized tax benefits)	(929,032)	(1,185,227)
Accumulated deferred income taxes and taxes accrued	($4,652,611)	($4,285,483)

Entergy's estimated tax attributes carryovers and their expiration dates as of December 31, 2021 are as follows:

Carryover Description	Carryover Amount	Year(s) of expiration
Federal net operating losses before 1/1/2018	$6.2 billion	2023-2027
Federal net operating losses - 1/1/2018 forward	$21.1 billion	N/A
State net operating losses	$7.4 billion	2022-2041
State net operating losses with no expiration	$16.7 billion	N/A
Federal and state charitable contributions	$460.8 million	2022-2026
Miscellaneous federal and state credits	$73.1 million	2022-2041

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers, tax credit carryovers, and other tax attributes reflected on income tax returns. Entergy evaluates the available positive and negative evidence to estimate whether sufficient future taxable income of the appropriate character will be generated to realize the benefits of existing deferred tax assets. When the evaluation indicates that Entergy will not be able to realize the existing benefits, a valuation allowance is recorded to reduce deferred tax assets to the realizable amount.

Because it is more likely than not that the benefits from certain state net operating losses and other deferred tax assets will not be utilized, valuation allowances totaling $325 million as of December 31, 2021 and $329 million as of December 31, 2020 have been provided on the deferred tax assets related to federal and state jurisdictions in which Entergy does not currently expect to be able to utilize certain separate company tax return attributes, preventing realization of such deferred tax assets. As a result of incurring costs related to Hurricane Ida restoration, certain Utility operating companies are entitled to an accelerated tax deduction which generated a taxable loss in various taxing jurisdictions. This accelerated deduction has impaired the realizability of a limited term carryover tax attribute. Accordingly, the impairment contributed to the activity reflected for the valuation allowance disclosed above.

Significant components of accumulated deferred income taxes and taxes accrued for the Registrant Subsidiaries as of December 31, 2021 and 2020 are as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Deferred tax liabilities:						
Plant basis differences - net	($1,158,523)	($3,429,473)	($681,968)	($192,660)	($654,252)	($433,874)
Regulatory assets	(226,687)	(530,274)	(34,799)	(30,694)	(45,470)	(61,205)
Nuclear decommissioning trusts/ receivables	(175,882)	(186,382)	—	—	—	(153,610)
Pension, net regulatory asset	(92,881)	(93,681)	(22,253)	(11,429)	(19,914)	(18,033)
Deferred fuel	(27,497)	(13,686)	(30,409)	(1,600)	(10,139)	(49)
Accumulated storm damage provision	—	(193,967)	—	—	(13,276)	—
Other	(77,820)	(138,299)	(29,108)	(33,071)	(2,526)	(5,622)
Total	(1,759,290)	(4,585,762)	(798,537)	(269,454)	(745,577)	(672,393)
Deferred tax assets:						
Regulatory liabilities	310,256	634,184	59,418	36,057	55,022	224,036
Nuclear decommissioning liabilities	123,568	(909)	1	(433)	94	9,432
Pension and other post-employment benefits	(26,577)	73,006	(7,793)	(16,090)	(18,793)	(1,925)
Sale and leaseback	—	—	—	—	—	102,474
Accumulated deferred investment tax credit	7,518	30,666	2,723	4,391	1,958	10,729
Provision for allowances and contingencies	24,829	21,768	10,236	5,559	7,730	—
Power purchase agreements	—	—	1,140	—	(1,202)	—
Unbilled/deferred revenues	3,331	9,919	2,306	971	10,196	—
Compensation	3,347	5,288	2,181	1,036	1,618	447
Net operating loss carryforwards	275,054	1,228,547	166,008	105,549	81	—
Capital losses and miscellaneous tax credits	—	5,141	1,258	10,977	883	1,958
Other	19,397	5,968	2,891	7,788	863	2
Total	740,723	2,013,578	240,369	155,805	58,450	347,153
Non-current accrued taxes (including unrecognized tax benefits)	(397,634)	138,330	(161,929)	(251,735)	(5,369)	(57,691)
Accumulated deferred income taxes and taxes accrued	($1,416,201)	($2,433,854)	($720,097)	($365,384)	($692,496)	($382,931)

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Deferred tax liabilities:						
Plant basis differences - net	($1,117,948)	($2,481,976)	($623,796)	($83,457)	($620,669)	($407,125)
Regulatory assets	(188,284)	(95,135)	(22,381)	(20,276)	(47,684)	(56,496)
Nuclear decommissioning trusts/receivables	(156,123)	(148,040)	—	—	—	(131,985)
Pension, net funding	(93,486)	(95,854)	(24,922)	(11,564)	(19,481)	(20,330)
Deferred fuel	—	(4,210)	(1,706)	(1,393)	—	(314)
Other	(54,753)	(76,735)	(27,565)	(26,334)	(141)	(12,521)
Total	(1,610,594)	(2,901,950)	(700,370)	(143,024)	(687,975)	(628,771)
Deferred tax assets:						
Regulatory liabilities	273,774	218,278	56,022	31,248	47,991	163,534
Nuclear decommissioning liabilities	123,319	7,767	—	(419)	121	29,916
Pension and other post-employment benefits	(24,747)	72,724	(6,763)	(13,997)	(17,132)	(1,344)
Sale and leaseback	—	—	—	—	—	102,477
Accumulated deferred investment tax credit	7,971	31,155	2,261	4,197	2,088	9,706
Provision for allowances and contingencies	22,179	7,071	16,799	24,529	(4,094)	—
Power purchase agreements	9,662	3,381	1,140	(5,324)	(30,932)	—
Unbilled/deferred revenues	4,242	(23,382)	2,989	877	5,909	—
Compensation	2,264	3,240	1,670	761	1,308	48
Net operating loss carryforwards	119,555	363,806	54,262	26,564	53,052	—
Capital losses and miscellaneous tax credits	—	9,309	—	12,317	—	7,014
Other	16,036	6,958	3,507	8,128	2,232	2
Total	554,255	700,307	131,887	88,881	60,543	311,353
Non-current accrued taxes (including unrecognized tax benefits)	(229,784)	63,121	(78,191)	(284,571)	(11,990)	(42,417)
Accumulated deferred income taxes and taxes accrued	($1,286,123)	($2,138,522)	($646,674)	($338,714)	($639,422)	($359,835)

The Registrant Subsidiaries' estimated tax attributes carryovers and their expiration dates as of December 31, 2021 are as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
Federal net operating losses before 1/1/2018	$— billion	$1.7 billion	$— billion	$0.9 billion	$— billion	$— billion
Year(s) of expiration	N/A	2035-2037	N/A	2037	N/A	N/A
Federal net operating losses - 1/1/2018 forward	$4.5 billion	$4.5 billion	$2.1 billion	$0.7 billion	$2.6 billion	$— billion
Year(s) of expiration	N/A	N/A	N/A	N/A	N/A	N/A
State net operating losses	$4.8 billion	$7.2 billion	$2.3 billion	$1.7 billion	$— million	$— million
Year(s) of expiration	2023-2026	N/A	2038-2041	N/A	N/A	N/A
Misc. federal credits	$4.7 million	$12.3 million	$1.8 million	$15.3 million	$3.1 million	$1.5 million
Year(s) of expiration	2038-2041	2035-2041	2038-2041	2037-2041	2036-2041	2036-2041
State credits	$— million	$— million	$1.3 million	$—million	$2.9 million	$9 million
Year(s) of expiration	N/A	N/A	2022-2025	N/A	2027	2022-2025

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

Unrecognized tax benefits

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

	2021	2020	2019
		(In Thousands)	
Gross balance at January 1	$5,699,339	$7,383,154	$7,181,482
Additions based on tax positions related to the current year	101,623	669,207	731,276
Additions for tax positions of prior years	33,419	98,591	151,628
Reductions for tax positions of prior years	(74,413)	(935,735)	(681,232)
Settlements	—	(1,515,878)	—
Gross balance at December 31	5,759,968	5,699,339	7,383,154
Offsets to gross unrecognized tax benefits:			
Loss and tax credit carryovers	(4,987,799)	(4,710,214)	(5,831,587)
Cash paid to taxing authorities	(60,000)	(10,000)	(10,000)
Unrecognized tax benefits net of unused tax attributes, refund claims and payments (a)	$712,169	$979,125	$1,541,567

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

The balances of unrecognized tax benefits include $2,256 million, $2,208 million, and $2,421 million as of December 31, 2021, 2020, and 2019, respectively, which, if recognized, would lower the effective income tax rates. Because of the effect of deferred tax accounting, the remaining balances of unrecognized tax benefits of $3,504 million, $3,491 million, and $4,962 million as of December 31, 2021, 2020, and 2019, respectively, if disallowed, would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Entergy accrues interest expense, if any, related to unrecognized tax benefits in income tax expense. Entergy's December 31, 2021, 2020, and 2019 accrued balance for the possible payment of interest is approximately $52 million, $44 million, and $48 million, respectively. Interest (net-of-tax) of $8 million, ($4) million, and $4 million was recorded in 2021, 2020, and 2019, respectively.

A reconciliation of the Registrant Subsidiaries' beginning and ending amount of unrecognized tax benefits for 2021, 2020, and 2019 is as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Gross balance at January 1, 2021	$1,364,635	$640,295	$549,717	$639,546	$521,932	$21,652
Additions based on tax positions related to the current year	30,419	13,437	684	1,050	32,616	1,753
Additions for tax positions of prior years	15,013	9,304	1,504	6	2,315	1,897
Reductions for tax positions of prior years	(1,573)	(58,408)	(2,336)	(1,105)	(4,568)	(1,946)
Gross balance at December 31, 2021	1,408,494	604,628	549,569	639,497	552,295	23,356
Offsets to gross unrecognized tax benefits:						
Loss and tax credit carryovers	(992,643)	(604,628)	(388,728)	(484,899)	(540,694)	(8,576)
Unrecognized tax benefits net of unused tax attributes and payments	$415,851	$—	$160,841	$154,598	$11,601	$14,780

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Gross balance at January 1, 2020	$1,341,242	$2,381,653	$566,287	$716,773	$21,406	$473,331
Additions based on tax positions related to the current year (a)	9,403	35,681	5,619	2,430	504,362	4,013
Additions for tax positions of prior years	13,400	10,508	1,156	294	799	4,606
Reductions for tax positions of prior years	(11,346)	(679,601)	(24,173)	(80,267)	(5,559)	(41,466)
Settlements	11,936	(1,107,946)	828	316	924	(418,832)
Gross balance at December 31, 2020	1,364,635	640,295	549,717	639,546	521,932	21,652
Offsets to gross unrecognized tax benefits:						
Loss and tax credit carryovers	(1,112,628)	(640,295)	(465,679)	(451,922)	(507,720)	(7,413)
Unrecognized tax benefits net of unused tax attributes and payments	$252,007	$—	$84,038	$187,624	$14,212	$14,239

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Gross balance at January 1, 2019	$1,298,662	$2,400,171	$508,765	$686,687	$17,802	$467,487
Additions based on tax positions related to the current year	84,335	28,705	68,594	40,676	2,312	5,496
Additions for tax positions of prior years	20,399	25,090	1,651	489	1,299	2,186
Reductions for tax positions of prior years	(62,154)	(72,313)	(12,723)	(11,079)	(7)	(1,838)
Gross balance at December 31, 2019	1,341,242	2,381,653	566,287	716,773	21,406	473,331
Offsets to gross unrecognized tax benefits:						
Loss and tax credit carryovers	(1,134,187)	(1,573,257)	(506,976)	(445,430)	(3,944)	(8,392)
Unrecognized tax benefits net of unused tax attributes and payments	$207,055	$808,396	$59,311	$271,343	$17,462	$464,939

(a) The primary additions for Entergy Texas in 2020 are related to the mark-to-market treatment discussed in "**Other Tax Matters** - **Tax Accounting Methods**" below.

The Registrant Subsidiaries' balances of unrecognized tax benefits included amounts which, if recognized, would have reduced income tax expense as follows:

	December 31,		
	2021	2020	2019
		(In Millions)	
Entergy Arkansas	$262.1	$259.3	$203.3
Entergy Louisiana	$66.3	$63.8	$556.3
Entergy Mississippi	$51.7	$50.7	$1.9
Entergy New Orleans	$228.6	$203.5	$242.7
Entergy Texas	$2.6	$6.1	$5.7
System Energy	$1.7	$0.5	$—

Accrued balances for the possible payment of interest related to unrecognized tax benefits are as follows:

	December 31,		
	2021	2020	2019
		(In Millions)	
Entergy Arkansas	$2.7	$2.3	$3.1
Entergy Louisiana	$3.7	$3.4	$14.2
Entergy Mississippi	$2.4	$1.9	$1.7
Entergy New Orleans	$5.2	$3.9	$4.7
Entergy Texas	$1.1	$0.9	$1.1
System Energy	$12.1	$11.9	$14.5

The Registrant Subsidiaries record interest and penalties related to unrecognized tax benefits in income tax expense. No penalties were recorded in 2021, 2020, and 2019. Interest (net-of-tax) was recorded as follows:

	2021	2020	2019
		(In Millions)	
Entergy Arkansas	$0.4	($0.8)	$1.4
Entergy Louisiana	$0.3	($10.8)	($3.7)
Entergy Mississippi	$0.5	$0.2	$0.5
Entergy New Orleans	$1.3	($0.8)	$2.0
Entergy Texas	$0.2	($0.2)	$0.2
System Energy	$0.2	($2.6)	$1.3

Income Tax Audits

Entergy and its subsidiaries file U.S. federal and various state income tax returns. IRS examinations are complete for years before 2016. All state taxing authorities' examinations are complete for years before 2014. Entergy regularly defends its positions and works with the IRS to resolve audits. The resolution of audit issues could result in significant changes to the amounts of unrecognized tax benefits in the next twelve months.

2014-2015 IRS Audit

The IRS completed its examination of the 2014 and 2015 tax years and issued its 2014-2015 RAR in November 2020. Entergy agreed to all proposed adjustments contained in the RAR. Entergy and the Registrant Subsidiaries recorded the effects of the adjustments associated with the audit in 2020.

In October 2015 two of Entergy's Louisiana utilities, Entergy Gulf States Louisiana and Entergy Louisiana, combined their businesses into a legal entity which is identified as Entergy Louisiana herein. The structure of the business combination required Entergy to recognize a gain for income tax purposes which resulted in an increase in the tax basis of the assets for Entergy Louisiana. This resulted in recognition in 2015 of a $334 million permanent difference and income tax benefit, net of the uncertain tax position recorded on the transaction.

Primarily related to resolution of the business combination issues, completion of the 2014-2015 IRS audit in 2020 resulted in a $230 million reduction to deferred income tax expense for Entergy. This reduction to deferred income tax expense includes: Entergy Louisiana reversing its provision for uncertain tax position with respect to the business combination, which resulted in a reduction to deferred income tax expense of $383 million; Entergy Corporation recording an increase to deferred tax expense of $61 million and Entergy Wholesale Commodities recording an increase to deferred tax expense of $105 million from the re-measurement of deferred tax assets associated with the resolved uncertain tax position; and miscellaneous other individually insignificant benefits totaling $13 million.

The completion of the 2014-2015 tax audit also resulted in a $31 million reduction to income tax expense associated with Entergy Louisiana's method of accounting related to the adoption of tangible property regulations. As a result of the settlement of the tangible property regulation tax position, Entergy Louisiana was required to record a $33 million ($24 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to customers pursuant to a prior regulatory settlement.

Finally, upon completion of the 2014-2015 tax audit, Entergy New Orleans recorded a reduction to income tax expense of $8 million associated with claims for mark-to-market deductions.

In the first quarter 2020, Entergy and the IRS agreed on the treatment of funds received by Entergy Louisiana in conjunction with the Act 55 financing of Hurricane Isaac storm costs, which resulted in a net reduction of income tax expense of approximately $32 million. As a result of the settlement, the position was partially sustained, and Entergy Louisiana recorded a reduction of income tax expense of approximately $58 million primarily due to the reversal of a provision for uncertain tax positions in excess of the agreed-upon settlement. As a result of the IRS settlement, Entergy Louisiana recorded a $29 million ($21 million net-of-tax) regulatory charge and a corresponding regulatory liability to reflect its obligation to customers pursuant to the LPSC Hurricane Isaac Act 55 financing order.

Additional effects of the completion of the 2014-2015 IRS tax audit are discussed below within Tax Accounting Methods.

Other Tax Matters

Tax Cuts and Jobs Act (TCJA)

The most significant effect of the TCJA for Entergy and the Registrant Subsidiaries was the change in the federal corporate income tax rate from 35% to 21%, effective January 1, 2018.

TCJA also limited the deduction for net business interest expense to 30 percent of adjusted taxable income, which is similar to earnings before interest, taxes, depreciation, and amortization. The limitation does not apply to interest expense that is properly allocable to a trade or business classified as a regulated public utility. This was further modified by a temporary provision of the CARES Act resulting in an increase of the adjusted taxable income limitation from 30% to 50% for tax years that begin in 2019 or 2020.

The IRS issued final regulations which are effective for Entergy beginning with the 2021 tax year. The regulations provide that if 90% of a tax group's consolidated assets consist of regulated utility property, the entire consolidated tax group will be treated as a regulated public utility and all of the consolidated group's interest expense will be currently tax deductible. Entergy expects that this provision will continue to apply to Entergy's business operations making the application of this limitation to Entergy less likely. The provision has not resulted in Entergy having to report any significant business interest expense limitations on its tax returns.

With respect to the federal corporate income tax rate change from 35% to 21% in 2017, Entergy and the Registrant Subsidiaries recorded a regulatory liability associated with the decrease in the net accumulated deferred income tax liability, which is often referred to as "excess ADIT," a significant portion of which has been paid to customers in 2019, 2020 and 2021 in the form of lower rates. Entergy's December 31, 2021 and December 31, 2020 balance sheets reflect a regulatory liability of $1.3 billion and $1.6 billion, respectively, as a result of the re-measurement of deferred tax assets and liabilities from the income tax rate change, amortization of excess ADIT, and payments to customers during 2019, 2020 and 2021. Entergy's regulatory liability for income taxes includes a gross-up at the applicable tax rate because of the effect that excess ADIT has on the ratemaking formula. The regulatory liability for income taxes includes the effect of a) the reduction of the net deferred tax liability resulting in excess ADIT, and b) the tax gross-up of excess ADIT. The Registrant Subsidiaries' December 31, 2021 and December 31, 2020 balance sheets reflect net regulatory liabilities for income taxes as follows:

	2021	2020
	(In Millions)	
Entergy Arkansas	$432	$467
Entergy Louisiana	$338	$479
Entergy Mississippi	$212	$224
Entergy New Orleans	$42	$59
Entergy Texas	$171	$205
System Energy	$113	$152

Excess ADIT is generally classified into two categories: 1) the portion that is subject to the normalization requirements of the TCJA, i.e., "protected", and 2) the portion that is not subject to such normalization provisions, referred to as "unprotected". The TCJA provides that the normalization method of accounting for income taxes is required for excess ADIT associated with public utility property. The TCJA provides for the use of the average rate assumption method (ARAM) for the determination of the timing of the return of excess ADIT associated with such property. Under ARAM, the excess ADIT is reduced over the remaining life of the asset. Remaining asset lives vary for each Registrant Subsidiary, but the average life of public utility property is typically 30 years or longer. Entergy will amortize the protected portion of the excess ADIT in conformity with the normalization requirements. The Registrant Subsidiaries' net regulatory liability for income taxes as of December 31, 2021 and December 31, 2020, includes protected excess ADIT as follows:

	2021	2020
	(In Millions)	
Entergy Arkansas	$463	$490
Entergy Louisiana	$669	$721
Entergy Mississippi	$237	$248
Entergy New Orleans	$56	$61
Entergy Texas	$208	$215
System Energy	$148	$173

Payment of the unprotected excess accumulated deferred income taxes results in a reduction in the regulatory liability for income taxes and a corresponding reduction in income tax expense. This has a significant effect on the effective tax rate for the period as compared to the statutory tax rate. The Registrant Subsidiaries' net regulatory liability for income taxes as of December 31, 2021 and December 31, 2020, includes unprotected excess ADIT as follows:

	2021	2020
	(In Millions)	
Entergy Arkansas	$12	$11
Entergy Louisiana	$148	$223
Entergy New Orleans	$—	$3
Entergy Texas	$26	$54
System Energy	$—	$16

The return of unprotected excess accumulated deferred income taxes reduced Entergy's and the Registrant Subsidiaries' regulatory liability for income taxes as follows for 2021 and 2020:

	2021	2020
	(In Millions)	
Entergy	$88	$74
Entergy Arkansas	$8	$8
Entergy Louisiana	$33	$31
Entergy New Orleans	$1	$6
Entergy Texas	$28	$29
System Energy	$18	$—

In addition to the protected and unprotected excess ADIT amounts, the net regulatory liability for income taxes includes other regulatory assets and liabilities for income taxes associated with AFUDC, which is described in Note 1 to the financial statements.

Included in the effect of the computation of the changes in deferred tax assets and liabilities is the recognition threshold and measurement of uncertain tax positions resulting in unrecognized tax benefits. The final economic outcome of such unrecognized tax benefits is generally the result of a negotiated settlement with the IRS that often differs from the amount that is recorded as realizable under GAAP. The intrinsic uncertainty with respect to all such tax positions means that the difference between current estimates of such amounts likely to be realized and actual amounts realized upon settlement may have an effect on income tax expense and the regulatory liability for income taxes in future periods.

Entergy anticipates that the effect of TCJA may continue to have ramifications that require adjustments in the future as certain events occur. These events include: 1) IRS audit adjustments to or amendments of federal and state income tax returns that include modifications to the computation of taxable income resulting from TCJA; and 2) additional guidance, interpretations, or rulings by the U.S. Department of the Treasury or the IRS. The potential exists for these types of events to result in future tax expense adjustments because of the difference in the federal corporate income tax rate between past and future periods and the effect of the tax rate change on ratemaking. In turn, these events also could potentially affect the regulatory liability for income taxes.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impacts of the COVID-19 pandemic, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020. The CARES Act provisions that result in the most significant opportunities for tax relief to Entergy and the Registrant Subsidiaries are (i) permitting a five-year carryback of 2018-2020 NOLs, (ii) removing the 80 percent limitation on NOLs carried to tax years beginning before 2021, (iii) increasing the limitation on interest expense deductibility for 2019 and 2020, (iv) accelerating available refunds for minimum tax credit carryforwards, modifying limitations on charitable contributions during 2020, and (v) delaying the payment of employer payroll taxes. Entergy deferred approximately $64 million of 2020 payroll tax payments, payable in equal installments over two years. The initial installment of $32 million was paid in December 2021. The second installment will be paid in December 2022.

Entergy Wholesale Commodities Restructuring

In the fourth quarter 2019, two separate events occurred resulting in a reduction of tax expense of $174 million. In November 2019 an Entergy Wholesale Commodities subsidiary recognized a reduction in income tax expense of $18 million in connection with the accounting method on power contracts associated with the Palisades nuclear power station. Additionally, Entergy's ownership of Indian Point 2 and Indian Point 3 was restructured. The restructuring required Entergy to recognize Indian Point 2 and Indian Point 3 nuclear decommissioning liabilities for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by $156 million. The accrual of the nuclear decommissioning liabilities also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in the tax basis of the assets. Recognition of the gain and the increase in the tax basis of the assets represents a tax accounting temporary difference.

Immediately prior to the restructuring, through its ownership of Indian Point 2 and Indian Point 3, Entergy donated property to Stony Brook University and recognized an associated tax deduction resulting in a decrease to tax expense of $19 million.

In the fourth quarter 2020, Entergy's ownership of Palisades was restructured. The restructuring required Entergy to recognize Palisades' nuclear decommissioning liability for income tax purposes resulting in a tax accounting permanent difference that reduced income tax expense, net of unrecognized tax benefits, by $9.2 million. The accrual of the nuclear decommissioning liability also required Entergy to recognize a gain for income tax purposes, a portion of which resulted in an increase in the tax basis of the assets. Recognition of the gain and the increase in the tax basis of the assets represents a tax accounting temporary difference.