

## **Tax Accounting Methods**

In the fourth quarter 2015, System Energy and Entergy Louisiana adopted a new method of accounting for income tax return purposes in which their nuclear decommissioning costs will be treated as production costs of electricity includable in cost of goods sold. The new method resulted in a reduction of taxable income of \$1.2 billion for System Energy and \$2.2 billion for Energy Louisiana.

In conjunction with the 2014-2015 IRS audit discussed above, the IRS issued proposed adjustments concerning the nuclear decommissioning tax position allowing System Energy to include \$102 million of its decommissioning liability in cost of goods sold, and Entergy Louisiana to include \$221 million of its decommissioning liability in cost of goods sold. Entergy, System Energy, and Entergy Louisiana agreed to the proposed adjustments included in the RAR.

As a result of System Energy being allowed to include part of its decommissioning liability in cost of goods sold, System Energy and Entergy recorded a deferred tax liability of \$26 million. System Energy also recorded federal and state taxes payable of \$402 million. However, on a consolidated basis, Entergy utilized tax loss carryovers to offset the federal taxable income adjustment and did not record federal taxes payable as a result of the outcome of this uncertain tax position.

As a result of Entergy Louisiana being allowed to include part of its decommissioning liability in cost of goods sold, Entergy Louisiana and Entergy recorded a deferred tax liability of \$60 million. Both Entergy Louisiana and Entergy utilized tax loss carryovers to offset the taxable income adjustment and accordingly did not record taxes payable as a result of the outcome of this uncertain tax position.

The partial disallowance of this uncertain tax position to include the decommissioning liability in cost of goods sold resulted in a \$1.5 billion decrease in the balance of unrecognized tax benefits related to federal and state taxes for Entergy. Additionally, both System Energy and Entergy Louisiana recorded a reduction to their balances of unrecognized tax benefits for federal and state taxes of \$461 million and \$1.1 billion, respectively.

Entergy Arkansas adopted the same method of accounting for its nuclear decommissioning costs which resulted in a \$1.8 billion reduction in taxable income on its 2018 tax return.

In 2016, Entergy Louisiana elected mark-to-market income tax treatment for various wholesale electric power purchase and sale agreements, including Entergy Louisiana's contract to purchase electricity from the Vidalia hydroelectric facility and from System Energy under the Unit Power Sales Agreement. The election resulted in a \$2.2 billion deductible temporary difference. In 2017, Entergy New Orleans also elected mark-to-market income tax treatment for wholesale electric contracts which resulted in a \$1.1 billion deductible temporary difference. In 2018, Entergy Arkansas and Entergy Mississippi accrued deductible temporary differences related to mark-to-market tax accounting for wholesale electric contracts of \$2.1 billion and \$1.9 billion, respectively. Additionally, in 2020, Entergy Texas elected mark-to-market income tax treatment for wholesale electric power purchase and sale agreements which resulted in a \$2.5 billion deductible temporary difference.

## **Arkansas and Louisiana Corporate Income Tax Rate Changes**

In April 2019 and December 2021 the State of Arkansas enacted corporate income tax law changes that phased in rate reductions from the former rate of 6.5% to 6.2% in 2021, 5.9% in 2022, and 5.7% in 2023. As a result of the 2019 rate reduction, Entergy Arkansas computed a regulatory liability for income taxes as of December 31, 2020 of approximately \$21 million, which includes a tax gross-up related to the treatment of income taxes in the retail and wholesale ratemaking formulas and has been included in the appropriate rate mechanisms. Entergy Arkansas recorded an incremental regulatory liability of \$11 million associated with the rate reduction enacted in December 2021. The Arkansas tax law enactment also phases in an increase to the net operating loss carryover period from five to ten years.

Pursuant to legislation enacted in 2021 and approved by Louisiana citizens by amendment to the state constitution, beginning January 1, 2022, federal income taxes paid will no longer be deductible for state income tax purposes, and the top Louisiana corporate income tax rate will be reduced from 8% to 7.5%. As a result of this change in Louisiana tax law, the Louisiana applicable tax rate increased by 0.85%. Accordingly, deferred tax assets and liabilities were adjusted to reflect the new applicable federal and state rates. Legislation enacted in 2021 also provides that Louisiana net operating losses generally have an indefinite carryover period.

Entergy recorded a net increase to its deferred tax asset of \$27 million. Entergy Louisiana and Entergy New Orleans recorded net increases to their deferred tax liabilities before consideration of the tax gross-up of \$77 million and \$8 million, respectively, which were offset by regulatory assets for income taxes. Therefore, these increases had no effect on tax expense. However, the increase of deferred tax assets associated with certain assets reduced tax expense for Entergy Louisiana and Entergy New Orleans by \$6 million and \$2 million, respectively.

### **Consolidated Income Tax Return of Entergy Corporation**

In September 2019, Entergy Utility Holding Company, LLC and its regulated, wholly-owned subsidiaries including Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, became eligible to and joined the Entergy Corporation consolidated federal income tax group. As a result of these four Utility operating companies re-joining the Entergy Corporation consolidated tax return group, Entergy was able to recognize a \$41 million deferred tax asset associated with a previously unrecognized net operating loss carryover.

In September 2019, Entergy Texas issued \$35 million of 5.375% Series A preferred stock with a liquidation value of \$25 per share resulting in the disaffiliation and de-consolidation of Entergy Texas from the consolidated federal income tax return of Entergy Corporation. These changes will not affect the accrual or allocation of income taxes for the Registrant Subsidiaries. See Note 6 to the financial statements for discussion of the preferred stock issuance.

### **Vermont Yankee**

The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter 2019; accordingly, Entergy accrued a net tax expense of \$29 million on the disposition of Vermont Yankee. See Note 14 to the financial statements for discussion of the Vermont Yankee transaction.

### **Stock Compensation**

In accordance with stock compensation accounting rules, Entergy and the Registrant Subsidiaries recognized excess tax deductions as a reduction of income tax expense in the first quarter 2020. Due to the vesting and exercise of certain Entergy stock-based awards, Entergy recorded a permanent tax reduction of approximately \$24.7 million, including \$4.8 million for Entergy Arkansas, \$8.6 million for Entergy Louisiana, \$2.7 million for Entergy Mississippi, \$1.5 million for Entergy New Orleans, \$2.7 million for Entergy Texas, and \$1.3 million for System Energy.



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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in June 2026. The facility includes fronting commitments for the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the year ended December 31, 2021 was 1.60% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2021.

<b>Capacity</b>	<b>Borrowings</b>	<b>Letters of Credit</b>	<b>Capacity Available</b>
(In Millions)			
\$3,500	\$165	\$6	\$3,329

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

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of December 31, 2021, Entergy Corporation had \$1.201 billion of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2021 was 0.28%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2021 as follows:

<b>Company</b>	<b>Expiration Date</b>	<b>Amount of Facility</b>	<b>Interest Rate (a)</b>	<b>Amount Drawn as of December 31, 2021</b>	<b>Letters of Credit Outstanding as of December 31, 2021</b>
Entergy Arkansas	April 2022	\$25 million (b)	2.75%	—	—
Entergy Arkansas	June 2026	\$150 million (c)	1.23%	—	—
Entergy Louisiana	June 2026	\$350 million (c)	1.32%	\$125 million	—
Entergy Mississippi	April 2022	\$10 million (d)	1.60%	—	—
Entergy Mississippi	April 2022	\$35 million (d)	1.60%	—	—
Entergy Mississippi	April 2022	\$37.5 million (d)	1.60%	—	—
Entergy New Orleans	June 2024	\$25 million (c)	1.73%	—	—
Entergy Texas	June 2026	\$150 million (c)	1.60%	—	\$1.3 million

- (a) The interest rate is the estimated interest rate as of December 31, 2021 that would have been applied to outstanding borrowings under the facility.
- (b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
- (c) The credit facility includes fronting commitments for the issuance of letters of credit against a portion of the borrowing capacity of the facility as follows: \$5 million for Entergy Arkansas; \$15 million for Entergy Louisiana; \$10 million for Entergy New Orleans; and \$30 million for Entergy Texas.
- (d) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

The commitment fees on the credit facilities range from 0.075% to 0.375% of the undrawn commitment amount for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas, and of the entire facility amount for Entergy New Orleans. Each of the credit facilities requires the Registrant Subsidiary borrower to maintain a debt ratio, as defined, of 65% or less of its total capitalization. Each Registrant Subsidiary is in compliance with this covenant.

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into an uncommitted standby letter of credit facility as a means to post collateral to support its obligations to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2021:

<b>Company</b>	<b>Amount of Uncommitted Facility</b>	<b>Letter of Credit Fee</b>	<b>Letters of Credit Issued as of December 31, 2021 (a) (b)</b>
Entergy Arkansas	\$25 million	0.78%	\$8.5 million
Entergy Louisiana	\$125 million	0.78%	\$15.0 million
Entergy Mississippi	\$65 million	0.78%	\$9.3 million
Entergy New Orleans	\$15 million	1.00%	\$1.0 million
Entergy Texas	\$80 million	0.875%	\$79.6 million

- (a) As of December 31, 2021, letters of credit posted with MISO covered financial transmission right exposure of \$0.2 million for Entergy Mississippi and \$0.1 million for Entergy Texas. See Note 15 to the financial statements for discussion of financial transmission rights.
- (b) As of December 31, 2021, in addition to the \$9.3 million MISO letter of credit, Entergy Mississippi has \$1 million of non-MISO letters of credit outstanding under this facility.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized short-term borrowing limits for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are effective through October 2023. In addition to borrowings from commercial banks, these companies may also borrow from the Entergy System money pool and from other internal short-term borrowing arrangements. The money pool and the other internal borrowing arrangements are inter-company borrowing arrangements designed to reduce the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short-term borrowings combined may not exceed the FERC-authorized limits. The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of December 31, 2021 (aggregating both internal and external short-term borrowings) for the Registrant Subsidiaries:

	<b>Authorized</b>	<b>Borrowings</b>
	(In Millions)	
Entergy Arkansas	\$250	\$140
Entergy Louisiana	\$450	\$—
Entergy Mississippi	\$175	\$—
Entergy New Orleans	\$150	\$—
Entergy Texas	\$200	\$80
System Energy	\$200	\$—

#### **Vermont Yankee Credit Facility (Entergy Corporation)**

In January 2019, Entergy Nuclear Vermont Yankee was transferred to NorthStar and its credit facility was assumed by Entergy Assets Management Operations, LLC (formerly Vermont Yankee Asset Retirement, LLC), Entergy Nuclear Vermont Yankee's parent company that remains an Entergy subsidiary after the transfer. The

credit facility has a borrowing capacity of \$139 million and expires in December 2022. The commitment fee is currently 0.20% of the undrawn commitment amount. As of December 31, 2021, \$139 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the year ended December 31, 2021 was 1.67% on the drawn portion of the facility. See Note 14 to the financial statements for discussion of the transfer of Entergy Nuclear Vermont Yankee to NorthStar.

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

See Note 17 to the financial statements for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). To finance the acquisition and ownership of nuclear fuel, the nuclear fuel company VIEs have credit facilities and three of the four VIEs also issue commercial paper, details of which follow as of December 31, 2021:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of December 31, 2021
(Dollars in Millions)				
Entergy Arkansas VIE	June 2024	\$80	1.17%	\$4.8
Entergy Louisiana River Bend VIE	June 2024	\$105	1.15%	\$42.7
Entergy Louisiana Waterford VIE	June 2024	\$105	1.16%	\$39.6
System Energy VIE	June 2024	\$120	1.16%	\$36.1

- (a) Includes letter of credit fees and bank fronting fees on commercial paper issuances by the nuclear fuel company variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy. The nuclear fuel company variable interest entity for Entergy Louisiana River Bend does not issue commercial paper, but borrows directly on its bank credit facility.

The commitment fees on the credit facilities are 0.100% of the undrawn commitment amount for the Entergy Arkansas, Entergy Louisiana, and System Energy VIEs. Each credit facility requires the respective lessee of nuclear fuel (Entergy Arkansas, Entergy Louisiana, or Entergy Corporation as guarantor for System Energy) to maintain a consolidated debt ratio, as defined, of 70% or less of its total capitalization. Each lessee is in compliance with this covenant.

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of December 31, 2021 as follows:

Company	Description	Amount
Entergy Arkansas VIE	3.17% Series M due December 2023	\$40 million
Entergy Arkansas VIE	1.84% Series N due July 2026	\$90 million
Entergy Louisiana River Bend VIE	2.51% Series V due June 2027	\$70 million
Entergy Louisiana Waterford VIE	3.22% Series I due December 2023	\$20 million
System Energy VIE	2.05% Series K due September 2027	\$90 million

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

Entergy Arkansas, Entergy Louisiana, and System Energy each has obtained financing authorization from the FERC that extend through October 2023 for issuances by their nuclear fuel company variable interest entities.

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

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2021 and 2020 consisted of:

Type of Debt and Maturity	Weighted Average Interest Rate December 31, 2021	Interest Rate Ranges at December 31,		Outstanding at December 31,	
		2021	2020	2021	2020
(In Thousands)					
Mortgage Bonds					
2021-2025	2.70%	0.62% - 5.59%	0.62% - 5.59%	\$5,228,000	\$4,978,000
2026-2030	3.13%	1.50%- 4.44%	1.6% - 4.44%	3,965,000	3,835,000
2031-2041	3.31%	1.75% - 4.52%	1.75% - 4.52%	3,612,000	2,252,000
2044-2066	4.06%	2.65% - 5.5%	2.65% - 5.5%	6,980,000	6,380,000
Governmental Bonds (a)					
2022-2044	2.43%	2.0% - 2.5%	2.375% - 3.5%	332,680	377,680
Securitization Bonds					
2022-2027	3.31%	2.67% - 4.38%	2.04% - 5.93%	85,234	177,522
Variable Interest Entities Notes Payable (Note 4)					
2021-2027	2.21%	1.84% - 3.22%	2.05% - 3.92%	310,000	450,000
Entergy Corporation Notes					
due July 2022	n/a	4.00%	4.00%	650,000	650,000
due September 2025	n/a	0.9%	0.9%	800,000	800,000
due September 2026	n/a	2.95%	2.95%	750,000	750,000
due June 2028	n/a	1.9%	—	650,000	—
due June 2030	n/a	2.80%	2.80%	600,000	600,000
due June 2031	n/a	2.40%	—	650,000	—
due June 2050	n/a	3.75%	3.75%	600,000	600,000
Entergy New Orleans Unsecured Term Loan due May 2022	n/a	—	3.00%	—	70,000
Entergy New Orleans Unsecured Term Loan due May 2023	n/a	2.50%	—	70,000	—
5 Year Credit Facility (Note 4)	n/a	1.60%	2.35%	165,000	165,000
Entergy Louisiana Credit Facility (Note 4)	n/a	1.32%	—	125,000	—
Vermont Yankee Credit Facility (Note 4)	n/a	1.67%	2.46%	139,000	139,000
Entergy Arkansas VIE Credit Facility (Note 4)	n/a	1.17%	1.94%	4,800	12,200
Entergy Louisiana River Bend VIE Credit Facility (Note 4)	n/a	1.15%	1.95%	42,700	18,900
Entergy Louisiana Waterford VIE Credit Facility (Note 4)	n/a	1.16%	1.72%	39,600	39,300
System Energy VIE Credit Facility (Note 4)	n/a	1.16%	1.63%	36,100	—
Long-term DOE Obligation (b)	—	—	—	192,115	192,018
Grand Gulf Sale-Leaseback Obligation	n/a	—	—	34,321	34,336
Unamortized Premium and Discount - Net				(8,273)	3,665
Unamortized Debt Issuance Costs				(177,904)	(160,420)
Other				5,528	5,575
Total Long-Term Debt				25,880,901	22,369,776
Less Amount Due Within One Year				1,039,329	1,164,015
Long-Term Debt Excluding Amount Due Within One Year				\$24,841,572	\$21,205,761
Fair Value of Long-Term Debt				\$27,061,171	\$24,813,818

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

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2021, for the next five years are as follows:

	<u>Amount</u>
	(In Thousands)
2022	\$1,040,631
2023	\$2,460,563
2024	\$2,299,475
2025	\$1,379,140
2026	\$2,595,720

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through October 2023. Entergy New Orleans has obtained long-term financing authorization from the City Council that extends through December 2023. Entergy Arkansas has also obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2022.

Long-term debt for the Registrant Subsidiaries as of December 31, 2021 and 2020 consisted of:

	2021	2020
	(In Thousands)	
<b>Entergy Arkansas</b>		
<b>Mortgage Bonds:</b>		
3.75% Series due February 2021	\$—	\$350,000
3.05% Series due June 2023	250,000	250,000
3.7% Series due June 2024	375,000	375,000
3.5% Series due April 2026	600,000	600,000
4.00% Series due June 2028	350,000	350,000
4.95% Series due December 2044	250,000	250,000
4.20% Series due April 2049	350,000	350,000
2.65% Series due June 2051	675,000	675,000
3.35% Series due June 2052	400,000	—
4.875% Series due September 2066	410,000	410,000
Total mortgage bonds	3,660,000	3,610,000
<b>Governmental Bonds (a):</b>		
2.375% Series due January 2021, Independence County (c)	—	45,000
Total governmental bonds	—	45,000
<b>Variable Interest Entity Notes Payable and Credit Facility (Note 4):</b>		
3.65% Series L due July 2021	—	90,000
3.17% Series M due December 2023	40,000	40,000
1.84% Series N due July 2026	90,000	—
Credit Facility due June 2024, weighted avg rate 1.17%	4,800	12,200
Total variable interest entity notes payable and credit facility	134,800	142,200
<b>Other:</b>		
Long-term DOE Obligation (b)	192,115	192,018
Unamortized Premium and Discount – Net	2,776	6,938
Unamortized Debt Issuance Costs	(32,803)	(30,638)
Other	1,974	1,989
<b>Total Long-Term Debt</b>	3,958,862	3,967,507
Less Amount Due Within One Year	—	485,000
Long-Term Debt Excluding Amount Due Within One Year	\$3,958,862	\$3,482,507
Fair Value of Long-Term Debt	\$4,176,577	\$4,355,632



	2021	2020
	(In Thousands)	
<b>Entergy Louisiana</b>		
<b>Mortgage Bonds:</b>		
4.80% Series due May 2021	\$—	\$200,000
3.3% Series due December 2022	200,000	200,000
4.05% Series due September 2023	325,000	325,000
0.62% Series due November 2023	1,100,000	1,100,000
5.59% Series due October 2024	300,000	300,000
0.95% Series due October 2024	1,000,000	—
5.40% Series due November 2024	400,000	400,000
3.78% Series due April 2025	110,000	110,000
3.78% Series due April 2025	190,000	190,000
4.44% Series due January 2026	250,000	250,000
2.40% Series due October 2026	400,000	400,000
3.12% Series due September 2027	450,000	450,000
3.25% Series due April 2028	425,000	425,000
1.60% Series due December 2030	300,000	300,000
3.05% Series due June 2031	325,000	325,000
2.35% Series due June 2032	500,000	—
4.0% Series due March 2033	750,000	750,000
3.10% Series due June 2041	500,000	—
5.0% Series due July 2044	170,000	170,000
4.95% Series due January 2045	450,000	450,000
4.20% Series due September 2048	900,000	900,000
4.20% Series due April 2050	525,000	525,000
2.90% Series due March 2051	650,000	650,000
4.875% Series due September 2066	270,000	270,000
Total mortgage bonds	10,490,000	8,690,000
<b>Governmental Bonds (a):</b>		
3.375% Series due September 2028, Louisiana Public Facilities Authority (c)	—	83,680
3.50% Series due June 2030, Louisiana Public Facilities Authority (c)	—	115,000
2.00% Series due June 2030, Louisiana Local Government Environmental Facilities and Community Development Authority (c)	16,200	—
2.50% Series due April 2036, Louisiana Local Government Environmental Facilities and Community Development Authority (c)	182,480	—
Total governmental bonds	198,680	198,680
<b>Variable Interest Entity Notes Payable and Credit Facilities (Note 4):</b>		
3.92% Series H due February 2021	—	40,000
3.22% Series I due December 2023	20,000	20,000
2.51% Series V due June 2027	70,000	70,000
Credit Facility due June 2024, weighted avg rate 1.15%	42,700	18,900
Credit Facility due June 2024, weighted avg rate 1.16%	39,600	39,300
Total variable interest entity notes payable and credit facilities	172,300	188,200
<b>Securitization Bonds:</b>		
2.04% Series Senior Secured due September 2023	—	10,980
Total securitization bonds	—	10,980
<b>Other:</b>		
Credit Facility due June 2026, weighted avg rate 1.32%	125,000	—
Unamortized Premium and Discount - Net	(7,523)	(2,863)
Unamortized Debt Issuance Costs	(67,665)	(61,132)
Other	3,554	3,586
<b>Total Long-Term Debt</b>	10,914,346	9,027,451
Less Amount Due Within One Year	200,000	240,000
Long-Term Debt Excluding Amount Due Within One Year	\$10,714,346	\$8,787,451
Fair Value of Long-Term Debt	\$11,492,650	\$10,258,294

	2021	2020
	(In Thousands)	
<b>Entergy Mississippi</b>		
<b>Mortgage Bonds:</b>		
3.10% Series due July 2023	\$250,000	\$250,000
3.75% Series due July 2024	100,000	100,000
3.25% Series due December 2027	150,000	150,000
2.85% Series due June 2028	375,000	375,000
2.55% Series due December 2033	200,000	—
4.52% Series due December 2038	55,000	55,000
3.85% Series due June 2049	435,000	435,000
3.50% Series due June 2051	370,000	170,000
4.90% Series due October 2066	260,000	260,000
Total mortgage bonds	2,195,000	1,795,000
<b>Other:</b>		
Unamortized Premium and Discount – Net	5,853	3,685
Unamortized Debt Issuance Costs	(20,864)	(18,108)
<b>Total Long-Term Debt</b>	2,179,989	1,780,577
Less Amount Due Within One Year	—	—
Long-Term Debt Excluding Amount Due Within One Year	\$2,179,989	\$1,780,577
Fair Value of Long-Term Debt	\$2,346,230	\$2,021,432

	2021	2020
	(In Thousands)	
<b>Entergy New Orleans</b>		
<b>Mortgage Bonds:</b>		
3.9% Series due July 2023	\$100,000	\$100,000
3.0% Series due March 2025	78,000	78,000
4.0% Series due June 2026	85,000	85,000
4.19% Series due November 2031	90,000	—
4.51% Series due September 2033	60,000	60,000
4.51% Series due November 2036	70,000	—
3.75% Series due March 2040	62,000	62,000
5.0% Series due December 2052	30,000	30,000
5.50% Series due April 2066	110,000	110,000
Total mortgage bonds	685,000	525,000
<b>Securitization Bonds:</b>		
2.67% Series Senior Secured due June 2027	30,977	42,850
Total securitization bonds	30,977	42,850
<b>Other:</b>		
3.0% Unsecured Term Loan due May 2022	—	70,000
2.5% Unsecured Term Loan due May 2023	70,000	—
Payable to associated company due November 2035	10,911	12,529
Unamortized Premium and Discount – Net	(58)	(91)
Unamortized Debt Issuance Costs	(8,665)	(8,055)
<b>Total Long-Term Debt</b>	788,165	642,233
Less Amount Due Within One Year	1,326	1,618
Long-Term Debt Excluding Amount Due Within One Year	\$786,839	\$640,615
Fair Value of Long-Term Debt	\$765,538	\$620,634

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
<b>Entergy Texas</b>		
<b>Mortgage Bonds:</b>		
2.55% Series due June 2021	\$—	\$125,000
4.10% Series due September 2021	—	75,000
1.50% Series due September 2026	130,000	—
3.45% Series due December 2027	150,000	150,000
4.0% Series due March 2029	300,000	300,000
1.75% Series due March 2031	600,000	600,000
4.5% Series due March 2039	400,000	400,000
5.15% Series due June 2045	250,000	250,000
3.55% Series due September 2049	475,000	475,000
Total mortgage bonds	<u>2,305,000</u>	<u>2,375,000</u>
<b>Securitization Bonds:</b>		
5.93% Series Senior Secured, Series A due June 2022	—	17,478
4.38% Series Senior Secured, Series A due November 2023	54,257	106,214
Total securitization bonds	<u>54,257</u>	<u>123,692</u>
<b>Other:</b>		
Unamortized Premium and Discount - Net	13,556	14,064
Unamortized Debt Issuance Costs	(18,665)	(19,048)
<b>Total Long-Term Debt</b>	<u>2,354,148</u>	<u>2,493,708</u>
Less Amount Due Within One Year	—	200,000
Long-Term Debt Excluding Amount Due Within One Year	<u>\$2,354,148</u>	<u>\$2,293,708</u>
Fair Value of Long-Term Debt	<u>\$2,483,995</u>	<u>\$2,765,193</u>

	2021	2020
	(In Thousands)	
<b>System Energy</b>		
<b>Mortgage Bonds:</b>		
4.1% Series due April 2023	\$250,000	\$250,000
2.14% Series due December 2025	200,000	200,000
Total mortgage bonds	450,000	450,000
<b>Governmental Bonds (a):</b>		
2.5% Series due April 2022, Mississippi Business Finance Corp.	50,305	134,000
2.375% Series due June 2044, Mississippi Business Finance Corp. (c)	83,695	—
Total governmental bonds	134,000	134,000
<b>Variable Interest Entity Notes Payable and Credit Facility (Note 4):</b>		
3.42% Series J due April 2021	—	100,000
2.05% Series K due September 2027	90,000	90,000
Credit Facility due June 2024, weighted avg rate 1.16%	36,100	—
Total variable interest entity notes payable and credit facility	126,100	190,000
<b>Other:</b>		
Grand Gulf Sale-Leaseback Obligation	34,321	34,336
Unamortized Premium and Discount – Net	(108)	(165)
Unamortized Debt Issuance Costs	(3,017)	(2,897)
<b>Total Long-Term Debt</b>	741,296	805,274
Less Amount Due Within One Year	50,329	100,015
Long-Term Debt Excluding Amount Due Within One Year	\$690,967	\$705,259
Fair Value of Long-Term Debt	\$743,040	\$840,540

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

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2021, for the next five years are as follows:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
2022	\$—	\$200,000	\$—	\$1,326	\$—	\$50,305
2023	\$290,000	\$1,445,000	\$250,000	\$171,306	\$54,257	\$250,000
2024	\$379,800	\$1,782,300	\$100,000	\$1,275	\$—	\$36,100
2025	\$—	\$300,000	\$—	\$79,140	\$—	\$200,000
2026	\$690,000	\$775,000	\$—	\$85,720	\$130,000	\$—

## Entergy Louisiana Debt Issuance

In December 2021, Entergy Louisiana entered into a term loan credit agreement providing a \$1.2 billion unsecured term loan due June 2023. The term loan bears interest at a variable interest rate based on an adjusted term Secured Overnight Financing Rate plus the applicable margin. Entergy Louisiana received the funds in January 2022 and used the proceeds for general corporate purposes, including storm restoration costs related to Hurricane Ida.

## Securitization Bonds

### Entergy Arkansas Securitization Bonds

In June 2010 the APSC issued a financing order authorizing the issuance of bonds to recover Entergy Arkansas's January 2009 ice storm damage restoration costs, including carrying costs of \$11.5 million and \$4.6 million of up-front financing costs. In August 2010, Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, issued \$124.1 million of storm cost recovery bonds, with a coupon of 2.30%. Although the principal amount was not due until August 2021, Entergy Arkansas Restoration Funding made principal payments on the bonds in the amount of \$7.3 million in 2020, after which the bonds were fully repaid. Entergy Arkansas Restoration Funding, LLC was then legally dissolved in January 2021.

### Entergy Louisiana Securitization Bonds – Little Gypsy

In August 2011 the LPSC issued a financing order authorizing the issuance of bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. In September 2011, Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, issued \$207.2 million of senior secured investment recovery bonds. The bonds had an interest rate of 2.04%. Although the principal amount was not due until September 2023, Entergy Louisiana Investment Recovery Funding made principal payments on the bonds in the amount of \$11 million in 2021, after which the bonds were fully repaid.

### Entergy New Orleans Securitization Bonds - Hurricane Isaac

In May 2015 the City Council issued a financing order authorizing the issuance of securitization bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs of \$31.8 million, including carrying costs, the costs of funding and replenishing the storm recovery reserve in the amount of \$63.9 million, and approximately \$3 million of up-front financing costs associated with the securitization. In July 2015, Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly owned and consolidated by Entergy New Orleans, issued \$98.7 million of storm cost recovery bonds. The bonds have a coupon of 2.67%. Although the principal amount is not due until June 2027, Entergy New Orleans Storm Recovery Funding expects to make principal payments on the bonds over the next three years in the amounts of \$12.3 million for 2022, \$12.5 million for 2023, and \$6.2 million for 2024, after which the bonds will be fully repaid. With the proceeds, Entergy New Orleans Storm Recovery Funding purchased from Entergy New Orleans the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy New Orleans balance sheet. The creditors of Entergy New Orleans do not have recourse to the assets or revenues of Entergy New Orleans Storm Recovery Funding, including the storm recovery property, and the creditors of Entergy New Orleans Storm Recovery Funding do not have recourse to the assets or revenues of Entergy New Orleans. Entergy New Orleans has no payment obligations to Entergy New Orleans Storm Recovery Funding except to remit storm recovery charge collections.

### Entergy Texas Securitization Bonds - Hurricane Rita

In April 2007 the PUCT issued a financing order authorizing the issuance of securitization bonds to recover \$353 million of Entergy Texas's Hurricane Rita reconstruction costs and up to \$6 million of transaction costs, offset by \$32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company that is now wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition bonds (securitization bonds). Although the principal amount was not due until June 2022, Entergy Gulf States Reconstruction Funding made principal payments on the bonds in the amount of \$17.5 million in 2021, after which the bonds were fully repaid.

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

In September 2009 the PUCT authorized the issuance of securitization bonds to recover \$566.4 million of Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs, plus carrying costs and transaction costs, offset by insurance proceeds. In November 2009, Entergy Texas Restoration Funding, LLC (Entergy Texas Restoration Funding), a company wholly-owned and consolidated by Entergy Texas, issued \$545.9 million of senior secured transition bonds (securitization bonds). Although the principal amount is not due until November 2023, Entergy Texas Restoration Funding expects to make principal payments on the bonds in the amount of \$54.3 million for 2022, after which the bonds will be fully repaid.

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

### **Grand Gulf Sale-Leaseback Transactions**

In 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of \$500 million. The initial term of the leases expired in July 2015. System Energy renewed the leases for fair market value with renewal terms expiring in July 2036. At the end of the new lease renewal terms, System Energy has the option to repurchase the leased interests in Grand Gulf or renew the leases at fair market value. In the event that System Energy does not renew or purchase the interests, System Energy would surrender such interests and their associated entitlement of Grand Gulf's capacity and energy.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. As such, it has recognized debt for the lease obligation and retained the portion of the plant subject to the sale-leaseback on its balance sheet. For financial reporting purposes, System Energy has recognized interest expense on the debt balance and depreciation on the applicable plant balance. The lease payments are recognized as principal and interest payments on the debt balance. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount was a net regulatory liability of \$55.6 million as of December 31, 2021 and 2020.



As of December 31, 2021, System Energy, in connection with the Grand Gulf sale and leaseback transactions, had future minimum lease payments that are recorded as long-term debt, as follows, which reflects the effect of the December 2013 renewal:

	<u>Amount</u> (In Thousands)
2022	\$17,188
2023	17,188
2024	17,188
2025	17,188
2026	17,188
Years thereafter	<u>171,875</u>
Total	257,815
Less: Amount representing interest	<u>223,494</u>
Present value of net minimum lease payments	<u><u>\$34,321</u></u>

**NOTE 6. PREFERRED EQUITY AND NONCONTROLLING INTEREST (Entergy Corporation, Entergy Arkansas, and Entergy Texas)**

In May 2021, Entergy's certificate of incorporation was amended and restated to provide authority to issue up to 1,000,000 shares of preferred stock, no par value per share, and to decrease from 500,000,000 to 499,000,000 the number of shares of common stock, par value of \$0.01 per share, authorized for issuance. As of December 31, 2021, no preferred stock has been issued.

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and noncontrolling interest for Entergy Corporation subsidiaries as of December 31, 2021 and 2020 are presented below.

	Shares/Units Authorized		Shares/Units Outstanding			
	2021	2020	2021	2020	2021	2020
<b>Entergy Corporation</b>					(Dollars in Thousands)	
<b>Utility:</b>						
<b>Preferred Stock or Preferred Membership Interests without sinking fund and Noncontrolling Interest:</b>						
Entergy Utility Holding Company, LLC, 7.5% Series (a)	110,000	110,000	110,000	110,000	\$107,425	\$107,425
Entergy Utility Holding Company, LLC, 6.25% Series (b)	15,000	15,000	15,000	15,000	14,366	14,366
Entergy Utility Holding Company, LLC, 6.75% Series (c)	75,000	75,000	75,000	75,000	73,370	73,370
Entergy Texas, 5.375% Series	1,400,000	1,400,000	1,400,000	1,400,000	35,000	35,000
Entergy Texas, 5.10% Series (d)	150,000	—	—	—	—	—
Entergy Arkansas Noncontrolling Interest	—	—	—	—	33,110	—
<b>Total Utility Preferred Stock or Preferred Membership Interests without sinking fund and Noncontrolling Interest</b>	<b>1,750,000</b>	<b>1,600,000</b>	<b>1,600,000</b>	<b>1,600,000</b>	<b>263,271</b>	<b>230,161</b>
<b>Entergy Wholesale Commodities:</b>						
<b>Preferred Stock without sinking fund:</b>						
Entergy Finance Holding, Inc. 8.75% (e)	250,000	250,000	250,000	250,000	24,249	24,249
<b>Total Subsidiaries' Preferred Stock or Preferred Membership Interests without sinking fund and Noncontrolling Interest</b>	<b>2,000,000</b>	<b>1,850,000</b>	<b>1,850,000</b>	<b>1,850,000</b>	<b>\$287,520</b>	<b>\$254,410</b>

- (a) In October 2015, Entergy Utility Holding Company, LLC issued 110,000 units of \$1,000 liquidation value 7.5% Series A Preferred Membership Interests, all of which are outstanding as of December 31, 2021. The distributions are cumulative and payable quarterly. These units are redeemable on or after January 1, 2036, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$2,575 thousand of preferred stock issuance costs.
- (b) In November 2017, Entergy Utility Holding Company, LLC issued 15,000 units of \$1,000 liquidation value 6.25% Series B Preferred Membership Interests, all of which are outstanding as of December 31, 2021. The distributions are cumulative and payable quarterly. These units are redeemable on or after February 28, 2038, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$634 thousand of preferred stock issuance costs.
- (c) In November 2018, Entergy Utility Holding Company, LLC issued 75,000 units of \$1,000 liquidation value 6.75% Series C Preferred Membership Interests, all of which are outstanding as of December 31, 2021. The distributions are cumulative and payable quarterly. These units are redeemable on or after February 28, 2039, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of \$1,000 per unit. Dollar amount outstanding is net of \$1,630 thousand of preferred stock issuance costs.

- (d) Currently, all shares are held by Entergy Corporation.
- (e) In December 2013, Entergy Finance Holding, Inc. issued 250,000 shares of \$100 par value 8.75% Series Preferred Stock, all of which are outstanding as of December 31, 2021. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after December 16, 2023, at Entergy Finance Holding, Inc.'s option, at the fixed redemption price of \$100 per share. Dollar amount outstanding is net of \$751 thousand of preferred stock issuance costs.

The number of shares authorized and outstanding and dollar value of preferred stock for Entergy Texas as of December 31, 2021 and 2020 are presented below.

	Shares Authorized and Outstanding				Call Price per Share as of December 31,
	2021	2020	2021	2020	2021
<b>Entergy Texas Preferred Stock</b>	(Dollars in Thousands)				
<b>Without sinking fund:</b>					
Cumulative, \$25 par value:					
5.375% Series (a)	1,400,000	1,400,000	\$35,000	\$35,000	\$—
5.10% Series (b)	150,000	—	3,750	—	\$25.50
Total without sinking fund	<u>1,550,000</u>	<u>1,400,000</u>	<u>\$38,750</u>	<u>\$35,000</u>	

- (a) In September 2019, Entergy Texas issued \$35 million of 5.375% Series A Preferred Stock, a total of 1,400,000 shares with a liquidation value of \$25 per share, all of which are outstanding as of December 31, 2021. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after October 15, 2024 at Entergy Texas's option, at a fixed redemption price of \$25 per share.
- (b) In November 2021, Entergy Texas issued \$3.75 million of 5.10% Series B Preferred Stock, a total of 150,000 shares with a liquidation value of \$25 per share, all of which are outstanding and held by Entergy Corporation as of December 31, 2021. The dividends are cumulative and payable quarterly. The preferred stock is redeemable at Entergy Texas's option at a fixed redemption price of \$25.50 per share prior to November 1, 2026 and at a fixed redemption price of \$25 per share on or after November 1, 2026.

Dividends and distributions paid on all of Entergy Corporation's subsidiaries' preferred stock and membership interests series may be eligible for the dividends received deduction.

The dollar value of noncontrolling interest for Entergy Arkansas as of December 31, 2021 and 2020 is presented below.

	2021	2020
	(Dollars in Thousands)	
<b>Entergy Arkansas Noncontrolling Interest</b>		
AR Searcy Partnership, LLC (a)	\$33,110	\$—
Total Noncontrolling Interest	<u>\$33,110</u>	<u>\$—</u>

- (a) In December 2021, AR Searcy Partnership, LLC, a tax equity partnership between Entergy Arkansas and a tax equity investor, acquired the Searcy Solar facility. Entergy Arkansas, as the managing member, consolidates AR Searcy Partnership, LLC and the tax equity investor's interest is shown as noncontrolling interest in the financial statements. Entergy Arkansas uses the HLBV method of accounting for income or loss allocation to the tax equity investor's noncontrolling interest. See Note 1 to the financial statements for further discussion on the presentation of the tax equity investor's noncontrolling interest and the HLBV method of accounting used to account for the investment in AR Searcy Partnership, LLC.

## Presentation of Preferred Stock without Sinking Fund

Accounting standards regarding noncontrolling interests and the classification and measurement of redeemable securities require the classification of preferred securities between liabilities and shareholders' equity on the balance sheet if the holders of those securities have protective rights that allow them to gain control of the board of directors in certain circumstances. These rights would have the effect of giving the holders the ability to potentially redeem their securities, even if the likelihood of occurrence of these circumstances is considered remote. The outstanding preferred stock of Entergy Texas has protective rights with respect to unpaid dividends but provides for the election of board members that would not constitute a majority of the board, and the preferred stock of Entergy Texas is therefore classified as a component of equity.

The outstanding preferred securities of Entergy Utility Holding Company (a Utility subsidiary) and Entergy Finance Holding (an Entergy Wholesale Commodities subsidiary), whose preferred holders have protective rights, are presented between liabilities and equity on Entergy's consolidated balance sheets. The preferred dividends or distributions paid by all subsidiaries are reflected for all periods presented outside of consolidated net income.

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

### Common Stock

Common stock and treasury stock shares activity for Entergy for 2021, 2020, and 2019 is as follows:

	2021		2020		2019	
	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares
Beginning Balance, January 1	270,035,180	69,790,346	270,035,180	70,886,400	261,587,009	72,530,866
Issuances:						
Equity Distribution Program	1,930,330	—	—	—	—	—
Equity forwards settled	—	—	—	—	8,448,171	—
Employee Stock-Based Compensation Plans	—	(461,903)	—	(1,076,511)	—	(1,624,358)
Directors' Plan	—	(16,117)	—	(19,543)	—	(20,108)
Ending Balance, December 31	<u>271,965,510</u>	<u>69,312,326</u>	<u>270,035,180</u>	<u>69,790,346</u>	<u>270,035,180</u>	<u>70,886,400</u>

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

In October 2010 the Board granted authority for a \$500 million share repurchase program. As of December 31, 2021, \$350 million of authority remains under the \$500 million share repurchase program.

Dividends declared per common share were \$3.86 in 2021, \$3.74 in 2020, and \$3.66 in 2019.

### Equity Distribution Program

In January 2021, Entergy entered into an equity distribution sales agreement with several counterparties establishing an at the market equity distribution program, pursuant to which Entergy may offer and sell from time to time shares of its common stock. The sales agreement provides that, in addition to the issuance and sale of shares of Entergy common stock, Entergy may enter into forward sale agreements for the sale of its common stock. The aggregate number of shares of common stock sold under this sales agreement and under any forward sale agreement may not exceed an aggregate gross sales price of \$1 billion.

During the year ended December 31, 2021, Entergy Corporation issued 1,930,330 shares of common stock under the at the market equity distribution program. The net sales proceeds from these shares totaled \$200.8 million, which includes the gross sales price of \$204.2 million received by Entergy Corporation less \$1.4 million of general issuance costs and \$2.0 million of aggregate compensation to the agents with respect to such sales.

In June, August, and October 2021, Entergy entered into forward sale agreements for 416,853 shares, 1,692,555 shares, and 250,743 shares of common stock, respectively. No amounts have or will be recorded on Entergy's balance sheet with respect to the equity offering until settlements of the equity forward sale agreements occur. The forward sale agreements require Entergy to, at its election prior to September 30, 2022, either (i) physically settle the transactions by issuing the total of 416,853 shares, 1,692,555 shares, and 250,743 shares, respectively, of its common stock to the forward counterparties in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially approximately \$106.87, \$111.16, and \$100.35 per share, respectively) or (ii) net settle the transactions in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreements. In connection with the forward sale agreements, the forward seller, or its affiliates, borrowed from third parties and sold 416,853 shares, 1,692,555 shares, and 250,743 shares, respectively, of Entergy Corporation's common stock. The gross sales price of these shares totaled \$45 million, \$190.1 million, and \$25.4 million, respectively. In connection with the sales of these shares, Entergy paid to the agents fees of \$0.5 million, \$1.9 million, and \$0.3 million, respectively, which have not been deducted from the gross sales prices. Entergy did not receive any proceeds from such sales of borrowed shares.

Until settlement of the forward sale agreements, earnings per share dilution resulting from the agreements, if any, will be determined under the treasury stock method. Share dilution occurs when the average market price of Entergy's common stock is higher than the average forward sales price. At December 31, 2021, 1,158,917 shares under the forward sale agreements were not included in the calculation of diluted earnings per share because their effect would have been antidilutive.

### Equity Forward Sale Agreements

In June 2018, Entergy marketed an equity offering of 15.3 million shares of common stock. In lieu of issuing equity at the time of the offering, Entergy entered into forward sale agreements with various investment banks. The equity forwards required Entergy to, at its election prior to June 7, 2019, either (i) physically settle the transactions by issuing the total of 15.3 million shares of its common stock to the investment banks in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially \$74.45 per share) or (ii) net settle the transactions in whole or in part through the delivery or receipt of cash or shares. The forward sale price was subject to adjustment on a daily basis based on a floating interest rate factor and decreased by other fixed amounts specified in the agreements.

In December 2018, Entergy physically settled a portion of its obligations under the forward sale agreements by delivering 6,834,221 shares of common stock in exchange for cash proceeds of \$500 million. The forward sale price used to determine the cash proceeds received by Entergy was calculated based on the initial forward sale price

of \$74.45 per share as adjusted in accordance with the forward sale agreements. Entergy incurred approximately \$728 thousand of common stock issuance costs with the settlement.

In May 2019, Entergy physically settled its remaining obligations under the forward sale agreements by delivering 8,448,171 shares of common stock in exchange for cash proceeds of \$608 million. The forward sale price used to determine the cash proceeds received by Entergy was calculated based on the initial forward sale price of \$74.45 per share as adjusted in accordance with the forward sale agreements. Entergy incurred approximately \$7 thousand of common stock issuance costs with the settlement.

Entergy used the net proceeds for general corporate purposes, which included repayment of commercial paper, outstanding loans under Entergy's revolving credit facility, and other debt.

### **Retained Earnings and Dividends**

Entergy implemented ASU No. 2017-12 "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" effective January 1, 2019. The ASU makes a number of amendments to hedge accounting, most significantly changing the recognition and presentation of highly effective hedges. Entergy implemented this standard using a modified retrospective method and recorded an adjustment increasing retained earnings and increasing accumulated other comprehensive loss by approximately \$8 million as of January 1, 2019 for the cumulative effect of the ineffectiveness portion of designated hedges on nuclear power sales.

Entergy implemented ASU 2017-08 "Receivables (Topic 310): Nonrefundable Fees and Other Costs" effective January 1, 2019. The ASU amends the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. Entergy implemented this standard using the modified retrospective approach and recorded an adjustment decreasing retained earnings and decreasing accumulated other comprehensive loss by approximately \$1 million as of January 1, 2019 for the cumulative effect of the amended amortization period.

Entergy Corporation received dividend payments and distributions from subsidiaries totaling \$136 million in 2021, \$113 million in 2020, and \$124 million in 2019.

### **Comprehensive Income**

Accumulated other comprehensive income (loss) is included in the equity section of the balance sheets of Entergy and Entergy Louisiana. The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the year ended December 31, 2021 by component:

	<b>Cash flow hedges net unrealized gain (loss)</b>	<b>Pension and other postretirement liabilities</b>	<b>Net unrealized investment gain (loss)</b>	<b>Total Accumulated Other Comprehensive Income (Loss)</b>
	(In Thousands)			
Beginning balance, January 1, 2021	\$28,719	(\$534,576)	\$56,650	(\$449,207)
Other comprehensive income (loss) before reclassifications	1,439	130,371	(48,050)	83,760
Amounts reclassified from accumulated other comprehensive income (loss)	(31,193)	65,558	(1,446)	32,919
Net other comprehensive income (loss) for the period	(29,754)	195,929	(49,496)	116,679
Ending balance, December 31, 2021	<u>(\$1,035)</u>	<u>(\$338,647)</u>	<u>\$7,154</u>	<u>(\$332,528)</u>



The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the year ended December 31, 2020 by component:

	<b>Cash flow hedges net unrealized gain (loss)</b>	<b>Pension and other postretirement liabilities</b>	<b>Net unrealized investment gain (loss)</b>	<b>Total Accumulated Other Comprehensive Income (Loss)</b>
	(In Thousands)			
Beginning balance, January 1, 2020	\$84,206	(\$557,072)	\$25,946	(\$446,920)
Other comprehensive income (loss) before reclassifications	60,928	(49,113)	41,354	53,169
Amounts reclassified from accumulated other comprehensive income (loss)	(116,415)	71,609	(10,650)	(55,456)
Net other comprehensive income (loss) for the period	(55,487)	22,496	30,704	(2,287)
Ending balance, December 31, 2020	<u>\$28,719</u>	<u>(\$534,576)</u>	<u>\$56,650</u>	<u>(\$449,207)</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the year ended December 31, 2021:

	<b>Pension and Other Postretirement Liabilities</b>
	(In Thousands)
Beginning balance, January 1, 2021	\$4,327
Other comprehensive income (loss) before reclassifications	4,084
Amounts reclassified from accumulated other comprehensive income (loss)	(133)
Net other comprehensive income (loss) for the period	<u>3,951</u>
Ending balance, December 31, 2021	<u>\$8,278</u>

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the year ended December 31, 2020:

	<b>Pension and Other Postretirement Liabilities</b>
	(In Thousands)
Beginning balance, January 1, 2020	\$4,562
Other comprehensive income (loss) before reclassifications	3,002
Amounts reclassified from accumulated other comprehensive income (loss)	(3,237)
Net other comprehensive income (loss) for the period	<u>(235)</u>
Ending balance, December 31, 2020	<u>\$4,327</u>

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the years ended December 31, 2021 and 2020 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2021	2020	
	(In Thousands)		
Cash flow hedges net unrealized gain (loss)			
Power contracts	\$39,679	\$147,554	Competitive business operating revenues
Interest rate swaps	(194)	(194)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	39,485	147,360	
Income taxes	(8,292)	(30,945)	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	\$31,193	\$116,415	
Pension and other postretirement liabilities			
Amortization of prior-service costs	\$20,947	\$20,769	(a)
Amortization of loss	(88,838)	(110,185)	(a)
Settlement loss	(16,379)	(243)	(a)
Total amortization and settlement loss	(84,270)	(89,659)	
Income taxes	18,712	18,050	Income taxes
Total amortization and settlement loss (net of tax)	(\$65,558)	(\$71,609)	
Net unrealized investment gain (loss)			
Realized gain (loss)	\$2,289	\$16,851	Interest and investment income
Income taxes	(843)	(6,201)	Income taxes
Total realized investment gain (loss) (net of tax)	\$1,446	\$10,650	
Total reclassifications for the period (net of tax)	(\$32,919)	\$55,456	

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional details.

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy Louisiana for the years ended December 31, 2021 and 2020 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2021	2020	
	(In Thousands)		
Pension and other postretirement liabilities			
Amortization of prior-service costs	\$4,920	\$6,179	(a)
Amortization of loss	(2,322)	(1,557)	(a)
Settlement loss	(2,484)	(243)	(a)
Total amortization	114	4,379	
Income taxes	19	(1,142)	Income taxes
Total amortization (net of tax)	133	3,237	
Total reclassifications for the period (net of tax)	\$133	\$3,237	

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional details.

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

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

**Vidalia Purchased Power Agreement**

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately \$128.5 million in 2021, \$132.7 million in 2020, and \$135.5 million in 2019. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$137 million in 2022, and a total of \$1.23 billion for the years 2023 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by \$11 million each year for up to 10 years, beginning in October 2002. In

October 2011 the LPSC approved a settlement under which Entergy Louisiana agreed to provide credits to customers by crediting billings an additional \$20.235 million per year for 15 years beginning January 2012. Entergy Louisiana recorded a regulatory charge and a corresponding regulatory liability to reflect this obligation. The settlement agreement allowed for an adjustment to the credits if, among other things, 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 Vidalia purchased power regulatory liability was reduced by \$30.5 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. Pursuant to legislation enacted in 2021 and approved by Louisiana citizens by amendment to the state constitution, beginning January 1, 2022, federal income taxes paid will no longer be deductible for state income tax purposes, and the top Louisiana corporate income tax rate will be reduced from 8% to 7.5%. As a result of this change in Louisiana tax law, deferred taxes must be adjusted to reflect the applicable federal and state rates which has a corresponding effect on the Vidalia regulatory liability. Such effect is not expected to be significant.

### **ANO Damage, Outage, and NRC Reviews**

In March 2013, during a scheduled refueling outage at ANO 1, a contractor-owned and operated heavy-lifting apparatus collapsed while moving the generator stator out of the turbine building. The collapse resulted in the death of an ironworker and injuries to several other contract workers, caused ANO 2 to shut down, and damaged the ANO turbine building. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately \$95 million. Entergy Arkansas pursued its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy Arkansas collected \$50 million in 2014 from Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants. Entergy Arkansas also collected a total of \$21 million in 2018 as a result of stator-related settlements.

In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC authorized Entergy Arkansas to retain the \$65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

In March 2015, after several NRC inspections and regulatory conferences, arising from the stator incident, the NRC placed ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix. Entergy Arkansas incurred incremental costs of approximately \$53 million in 2015 to prepare for the NRC inspections that began in early 2016 in order to address the issues required to move ANO back to "licensee response" or Column 1 of the NRC's Reactor Oversight Process Action Matrix. Excluding remediation and response costs that resulted from the additional NRC inspection activities, Entergy Arkansas incurred approximately \$44 million in 2016 and \$7 million in 2017 in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. In June 2018 the NRC moved ANO 1 and ANO 2 into the "licensee response column," or Column 1, of the NRC's Reactor Oversight Process Action Matrix.

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 and costs related to the incremental oversight 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.

### **Spent Nuclear Fuel Litigation**

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014.

Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. Beginning in November 2003 these subsidiaries have pursued litigation to recover the damages caused by the DOE's delay in performance. Following are details of final judgments recorded by Entergy in 2019, 2020, and 2021 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE.

In August 2019 the U.S. Court of Federal Claims issued a final judgment in the amount of \$19 million in favor of Entergy Louisiana against the DOE in the second round River Bend damages case. Entergy Louisiana received payment from the U.S. Treasury in September 2019. The effects in 2019 of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The River Bend damages awarded included \$12 million related to costs previously recorded as nuclear fuel expense, \$5 million related to costs previously recorded as other operation and maintenance expense, and \$2 million in costs previously recorded as plant.

In December 2019 the DOE submitted an offer of judgment to resolve claims in the third round ANO damages case. The \$80 million offer was accepted by Entergy Arkansas, and the U.S. Court of Federal Claims issued a judgment in that amount in favor of Entergy Arkansas and against the DOE. Entergy Arkansas received payment from the U.S. Treasury in January 2020. The effects in 2019 of recording the judgment were reductions to plant, nuclear fuel expense, other operation and maintenance expense, depreciation expense, and taxes other than income taxes. The ANO damages awarded included \$55 million in costs previously recorded as plant, \$12 million related to costs previously recorded as nuclear fuel expense, \$12 million related to costs previously recorded as other operation and maintenance expense, and \$1 million related to costs previously recorded as taxes other than income taxes. Of the \$55 million, Entergy Arkansas, recorded \$5 million as a reduction to previously-recorded depreciation expense.

In December 2019 the Entergy FitzPatrick Properties (formerly Entergy Nuclear FitzPatrick) and the DOE entered into a settlement agreement and the U.S. Court of Federal Claims issued a judgment in the amount of \$7 million in favor of Entergy FitzPatrick Properties against the DOE in the second round FitzPatrick damages case. Entergy received payment from the U.S. Treasury in January 2020. Substantially all of the FitzPatrick damages

awarded relate to costs previously expensed as asset write-offs, impairments, and related charges, and in December 2019 Entergy recorded \$7 million as a reduction to asset write-offs, impairments, and related charges.

In April 2020 the U.S. Court of Federal Claims issued a final judgment in the amount of \$33 million in favor of Entergy Louisiana against the DOE in the second round Waterford 3 damages case. Entergy Louisiana received payment from the U.S. Treasury in June 2020. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The Waterford 3 damages awarded included \$20 million related to costs previously recorded as nuclear fuel expense, \$8 million related to costs previously recorded as other operation and maintenance expenses, and \$5 million in costs previously recorded as plant.

In October 2020 the U.S. Court of Federal Claims issued a final judgment in the amount of \$40.5 million in favor of System Energy and against the DOE in the third round Grand Gulf damages case. System Energy received payment from the U.S. Treasury in December 2020. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The amounts of Grand Gulf damages awarded related to System Energy's 90% ownership of Grand Gulf included \$5 million related to costs previously recorded as plant, \$21 million related to costs previously recorded as nuclear fuel expense, and \$10 million related to costs previously recorded as other operation and maintenance expense.

In January 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$23 million in favor of Entergy Nuclear Palisades and against the DOE in the second round Palisades damages case. Entergy received payment from the U.S. Treasury in February 2021. The effects of recording the judgment were reductions to plant, other operation and maintenance expense, and taxes other than income taxes. The Palisades damages awarded included \$16 million related to costs previously recorded as plant, and \$7 million related to costs previously recorded as other operation and maintenance expenses. Of the \$16 million previously capitalized, Entergy recorded \$9 million as a reduction to previously-recorded depreciation expense.

In August 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$37.6 million in favor of Holtec Pilgrim, LLC against the DOE in the third round Pilgrim damages case. Holtec Pilgrim, LLC received the payment from the U.S. Treasury in September 2021. The judgment proceeds were subsequently transferred to Entergy pursuant to the terms of the Pilgrim sale. The receipt of the proceeds was recorded as a deferred credit because Entergy has an indemnity obligation to Holtec related to pre-sale DOE litigation involving Pilgrim that remains outstanding.

In August 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$21 million in favor of Entergy Louisiana against the DOE in the third round River Bend damages case. Entergy Louisiana received the payment from the U.S. Treasury in September 2021. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The River Bend damages awarded included \$9 million in costs previously capitalized, \$8 million related to costs previously recorded as nuclear fuel expense, and \$4 million related to costs previously recorded as other operation and maintenance expense.

In October 2021 the U.S. Court of Federal Claims issued a final judgment in the amount of \$83 million in favor of Entergy Nuclear Indian Point 2, LLC and Entergy Nuclear Indian Point 3, LLC against the DOE in the Indian Point Unit 2 third round and Unit 3 second round combined damages case. Entergy received payment from the U. S. Treasury in January 2022. The effect of recording the judgment was a reduction to asset write-offs, impairments, and related charges. The damages awarded included \$32 million related to costs previously recorded as plant, \$47 million related to costs previously recorded as other operation and maintenance expenses, and \$4 million related to costs previously recorded as taxes other than income taxes.



Management cannot predict the timing or amount of any potential recoveries on other claims filed by Entergy subsidiaries, and cannot predict the timing of any eventual receipt from the DOE of the U.S. Court of Federal Claims damage awards.

## **Nuclear Insurance**

### **Third Party Liability Insurance**

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

1. The primary level is private insurance underwritten by American Nuclear Insurers (ANI) and provides public liability insurance coverage of \$450 million for each operating reactor. If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies.
2. Secondary Financial Protection: Currently, 95 nuclear reactors participate in the Secondary Financial Protection program, which provides approximately \$13 billion in secondary layer insurance coverage to compensate the public in the event of a nuclear power reactor accident. The Price-Anderson Act provides that all potential liability for a nuclear accident is limited to the amounts of insurance coverage available under the primary and secondary layers.

Within the Secondary Financial Protection program, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident or fault, up to a maximum of approximately \$137.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$826 million following the recent sale of the Indian Point Energy Center in May 2021). This retrospective premium is assessable at approximately \$21 million per year per incident per nuclear power reactor.

3. Total insurance coverage available is approximately \$13.5 billion, among the primary ANI coverage and the Secondary Financial Protection program, to respond to a nuclear power plant accident that causes third-party damages (e.g. off-site property and environmental damage, off-site bodily injury and on-site third-party bodily injury (i.e. contractors)). These coverages also respond to an accident caused by terrorism. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2027.

The shutdown Big Rock Point facility maintains its site-specific statutory nuclear liability insurance requirement limit of \$44.4 million, as designated by the NRC.

Entergy Arkansas and Entergy Louisiana each have two licensed reactors. System Energy has one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (Cooperative Energy) that would share on a pro-rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). The Entergy Wholesale Commodities segment includes the ownership, operation, and decommissioning of one remaining nuclear power reactor at Palisades and the ownership of the shutdown Big Rock Point facility. The Indian Point Energy Center was sold to Holtec in late May 2021, following the final shutdown of Indian Point Unit 2 and Indian Point Unit 3 in April 2020 and 2021, respectively. Palisades is scheduled for shutdown in May 2022, with sale of Palisades and Big Rock to follow soon thereafter. The Entergy Wholesale Commodities segment previously

included three nuclear power reactors that were sold (FitzPatrick sold in March 2017, Vermont Yankee sold in January 2019, and Pilgrim sold in August 2019) in addition to the recently sold Indian Point Energy Center.

### Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of NEIL, a mutual insurance company that provides property damage coverage, including decontamination and reactor stabilization, to the members' nuclear generating plants. The property damage insurance limits procured by Entergy for its Utility plants and Entergy Wholesale Commodity plants are in compliance with the financial protection requirements of the NRC.

The Utility plants' (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3) property damage insurance limits are \$1.5 billion per occurrence at each plant with an additional \$100 million per nuclear property occurrence that is shared among the plants. The nuclear property deductible is \$10 million per site at the Utility plants, except for earth movement, flood, and windstorm. Property damage from earth movement is excluded from the first \$500 million in coverage for all Utility plants. Property damage from flood is excluded from the first \$500 million in coverage at ANO 1 and 2 and Grand Gulf. Property damage from flood for Waterford 3 and River Bend includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million. Property damage from wind for all of the Utility nuclear plants includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a total maximum deductible of \$50 million.

The Entergy Wholesale Commodities' plants (Palisades and Big Rock Point) have property damage insurance limits as follows: Big Rock Point - \$50 million per occurrence and Palisades - \$1.115 billion per occurrence. For losses that are considered non-nuclear in nature, the property damage insurance limit at Palisades is \$500 million. The nuclear property deductible is \$10 million at Palisades and \$5 million at Big Rock Point, except for earth movement, flood, and windstorm. Property damage from earth movement, flood, and windstorm at Palisades includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$50 million. Property damage from earth movement, flood, and windstorm at Big Rock Point includes a deductible of \$10 million plus an additional 10% of the amount of the loss in excess of \$10 million, up to a maximum deductible of \$14 million.

The valuation basis of the insured property at Palisades has been changed from replacement cost to actual cash value, given the site's age, anticipated ownership horizon and/or shutdown status.

In addition, Waterford 3 and Grand Gulf are also covered under NEIL's Accidental Outage Coverage program. Accidental outage coverage provides indemnification for the actual cost incurred in the event of an unplanned outage resulting from property damage covered under the NEIL Primary Property Insurance policy, subject to a deductible period. The indemnification for the actual cost incurred is based on market power prices at the time of the loss. After the deductible period has passed, weekly indemnities for an unplanned outage, covered under NEIL's Accidental Outage Coverage program, would be paid according to the amounts listed below:

- 100% of the weekly indemnity for each week for the first payment period of 52 weeks; then
- 80% of the weekly indemnity for each week for the second payment period of 52 weeks; and thereafter
- 80% of the weekly indemnity for an additional 58 weeks for the third and final payment period.

Under the property damage and accidental outage insurance programs, all NEIL insured plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. Effective April 1, 2021, the maximum amounts of such possible assessments per occurrence were as follows:

	<u>Assessments</u> (In Millions)
Utility:	
Entergy Arkansas	\$27.6
Entergy Louisiana	\$49.2
Entergy Mississippi	\$0.11
Entergy New Orleans	\$0.11
Entergy Texas	N/A
System Energy	\$21.4
Entergy Wholesale Commodities	N/A *

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

NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate not exceeding \$3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses.

### **Non-Nuclear Property Insurance**

Entergy's non-nuclear property insurance program provides coverage on a system-wide basis for Entergy's non-nuclear assets. The insurance program provides coverage for property damage up to \$400 million per occurrence in excess of a \$20 million self-insured retention except for property damage caused by the following: earthquake shock, flood, and named windstorm, including associated storm surge. For earthquake shock and flood, the insurance program provides coverage up to \$400 million on an annual aggregate basis in excess of a \$40 million self-insured retention. For named windstorm and associated storm surge, the insurance program provides coverage up to \$125 million on an annual aggregate basis in excess of a \$40 million self-insured retention. The coverage provided by the insurance program for the Entergy New Orleans gas distribution system is limited to \$50 million per occurrence and is subject to the same annual aggregate limits and retentions listed above for earthquake shock, flood, and named windstorm, including associated storm surge.

Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes transmission and distribution lines, poles, and towers. For substations valued at \$5 million or less, coverage for named windstorm and associated storm surge is excluded. This coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries. Entergy also purchases \$400 million in terrorism insurance coverage for its conventional property. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to \$100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2027.

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

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

## **Asbestos Litigation (Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)**

Numerous lawsuits have been filed in state courts against primarily Entergy Texas and Entergy Louisiana by individuals alleging exposure to asbestos while working at Entergy facilities between 1955 and 1980. Entergy is being sued as a premises owner. Many other defendants are named in these lawsuits as well. Currently, there are approximately 200 lawsuits involving approximately 325 claimants. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover reimbursements. Management believes that loss exposure has been and will continue to be handled so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position, results of operation, or cash flows of the Utility operating companies.

## **Grand Gulf - Related Agreements**

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

System Energy has agreed to sell all of its share of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by the FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered. The agreement will remain in effect until terminated by the parties and the termination is approved by the FERC, most likely upon Grand Gulf's retirement from service. In December 2016 the NRC granted the extension of Grand Gulf's operating license to 2044. Monthly obligations are based on actual capacity and energy costs. The average monthly payments for 2021 under the agreement were approximately \$16.4 million for Entergy Arkansas, \$6.5 million for Entergy Louisiana, \$14.6 million for Entergy Mississippi, and \$7.9 million for Entergy New Orleans. See Note 2 to the financial statements for discussion of the complaints filed with the FERC against System Energy seeking a reduction in the return on equity component of the Unit Power Sales Agreement and other complaints filed with the FERC regarding the rates charged by System Energy under the System Agreement.

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

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

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

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

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

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

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

useful lives of the assets. The application of accounting standards related to asset retirement obligations is earnings neutral to the rate-regulated business of the Registrant Subsidiaries.

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(In Millions)</b>	
Entergy Arkansas	\$224.3	\$212.6
Entergy Louisiana	\$848.2	\$302.5
Entergy Mississippi	\$136.8	\$107.3
Entergy New Orleans	\$91.7	\$63.2
Entergy Texas	\$98.1	\$115.3
System Energy	\$89.7	\$92.9

As of December 31, 2021 and 2020, the regulatory asset for removal costs for the Utility operating companies includes amounts related to storm restoration costs. See Note 2 to the financial statements for further discussion of storm restoration costs and requested recovery.

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2021 and 2020 by Entergy were as follows:

	<b>Liabilities as of December 31, 2020</b>	<b>Accretion</b>	<b>Spending</b>	<b>Dispositions</b>	<b>Liabilities as of December 31, 2021</b>
			(In Millions)		
<b>Entergy</b>	\$6,469.5	\$317.9	(\$33.2)	(\$1,997.1)	\$4,757.1
<b>Utility</b>					
Entergy Arkansas	1,314.2	77.7	—	(1.5)	1,390.4
Entergy Louisiana	1,573.3	79.9	—	—	1,653.2
Entergy Mississippi	9.8	0.5	—	—	10.3
Entergy New Orleans	3.8	0.2	—	—	4.0
Entergy Texas	8.1	0.4	—	—	8.5
System Energy	968.9	38.7	—	—	1,007.6
<b>Entergy Wholesale Commodities</b>					
Big Rock Point	41.1	3.4	(2.5)	—	42.0
Indian Point 1	246.6	8.8	(1.3)	(254.1) (b)	—
Indian Point 2	839.8	28.9	(25.1)	(843.6) (b)	—
Indian Point 3	869.4	29.1	(0.6)	(897.9) (b)	—
Palisades	594.1	50.1	(3.8)	—	640.4
Other (a)	0.5	0.1	—	—	0.6

	<b>Liabilities as of December 31, 2019</b>	<b>Accretion</b>	<b>Spending</b>	<b>Liabilities as of December 31, 2020</b>
			(In Millions)	
<b>Entergy</b>	\$6,159.2	\$394.6	(\$84.3)	\$6,469.5
<b>Utility</b>				
Entergy Arkansas	1,242.6	73.3	(1.7)	1,314.2
Entergy Louisiana	1,497.3	76.0	—	1,573.3
Entergy Mississippi	9.7	0.6	(0.5)	9.8
Entergy New Orleans	3.5	0.3	—	3.8
Entergy Texas	7.6	0.5	—	8.1
System Energy	931.7	37.2	—	968.9
<b>Entergy Wholesale Commodities</b>				
Big Rock Point	40.3	3.3	(2.5)	41.1
Indian Point 1	238.6	20.4	(12.4)	246.6
Indian Point 2	829.0	69.4	(58.6)	839.8
Indian Point 3	808.4	67.4	(6.4)	869.4
Palisades	549.8	46.4	(2.1)	594.1
Other (a)	0.5	—	—	0.5



- (a) See “Coal Combustion Residuals” below for additional discussion regarding the asset retirement obligations related to coal combustion residuals management.
- (b) See Note 14 to the financial statements for discussion of the sale of the Indian Point Energy Center to Holtec International in May 2021.

### **Nuclear Plant Decommissioning**

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of the timing of plant decommissioning, regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. Entergy did not update decommissioning cost estimates in 2021 or 2020.

### **NRC Filings Regarding Trust Funding Levels**

Plant owners are required to provide the NRC with a biennial report (annually for units that have shut down or will shut down within five years), based on values as of December 31, addressing the owners’ ability to meet the NRC minimum funding levels. Depending on the value of the trust funds, plant owners may be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or making additional contributions to the trusts, to ensure that the trusts are adequately funded and that NRC minimum funding requirements are met.

As nuclear plants individually approach and begin decommissioning, filings will be submitted to the NRC for planned shutdown activities. These filings with the NRC also determine whether financial assurance may be required in addition to the nuclear decommissioning trust fund.

### **Coal Combustion Residuals**

In June 2010 the EPA issued a proposed rule on coal combustion residuals (CCRs) that contained two primary regulatory options: (1) regulating CCRs destined for disposal in landfills or received (including stored) in surface impoundments as so-called “special wastes” under the hazardous waste program of Resource Conservation and Recovery Act (RCRA) Subtitle C; or (2) regulating CCRs destined for disposal in landfills or surface impoundments as non-hazardous wastes under Subtitle D of RCRA. Under both options, CCRs that are beneficially reused in certain processes would remain excluded from hazardous waste regulation. In April 2015 the EPA published the final CCR rule with the material being regulated under the second scenario presented above - as non-hazardous wastes regulated under RCRA Subtitle D. The final regulations create new compliance requirements including modified storage, new notification and reporting practices, product disposal considerations, and CCR unit closure criteria. Entergy believes that on-site disposal options will be available at its facilities, to the extent needed for CCR that cannot be transferred for beneficial reuse. In December 2016 the Water Infrastructure Improvements for the Nation Act (WIIN Act) was signed into law, which authorizes states to regulate coal ash rather than leaving primary enforcement to citizen suit actions. States may submit to the EPA proposals for permit programs.

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

As of December 31, 2021 and 2020, Entergy and the Registrant Subsidiaries held operating and finance leases for fleet vehicles used in operations, real estate, and aircraft. Excluded are power purchase agreements not meeting the definition of a lease, nuclear fuel leases, and the Grand Gulf sale-leaseback which were determined not to be leases under the accounting standards.

Leases have remaining terms of one year to 59 years. Real estate leases generally include at least one five-year renewal option; however, renewal is not typically considered reasonably certain unless Entergy or a Registrant



Subsidiary makes significant leasehold improvements or other modifications that would hinder its ability to easily move. In certain of the lease agreements for fleet vehicles used in operations, Entergy and the Registrant Subsidiaries provide residual value guarantees to the lessor. Due to the nature of the agreements and Entergy's continuing relationship with the lessor, however, Entergy and the Registrant Subsidiaries expect to renegotiate or refinance the leases prior to conclusion of the lease. As such, Entergy and the Registrant Subsidiaries do not believe it is probable that they will be required to pay anything pertaining to the residual value guarantee, and the lease liabilities and right-of-use assets are measured accordingly.

Entergy incurred the following total lease costs for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>(In Thousands)</u>	
Operating lease cost	\$69,067	\$67,471
Finance lease cost:		
Amortization of right-of-use assets	\$12,483	\$12,180
Interest on lease liabilities	\$2,845	\$2,884

Of the lease costs disclosed above, Entergy had \$2.8 million and \$759 thousand in short-term leases costs for the years ended December 31, 2021 and 2020, respectively.

The Registrant Subsidiaries incurred the following lease costs for the year ended December 31, 2021:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	<u>(In Thousands)</u>				
Operating lease cost	\$15,087	\$14,368	\$7,018	\$1,745	\$5,370
Finance lease cost:					
Amortization of right-of-use assets	\$2,860	\$3,938	\$1,766	\$731	\$1,493
Interest on lease liabilities	\$432	\$607	\$270	\$124	\$214

Of the lease costs disclosed above, Entergy Arkansas had \$826 thousand, Entergy Louisiana had \$934 thousand, Entergy Mississippi had \$703 thousand, Entergy New Orleans had \$77 thousand, and Entergy Texas had \$261 thousand in short-term lease costs for the year ended December 31, 2021.

The lease costs disclosed above materially approximate the cash flows used by the Registrant Subsidiaries for leases with all costs included within operating activities on the respective Statements of Cash Flows, except for the finance lease costs which are included in financing activities.

The Registrant Subsidiaries incurred the following lease costs for the year ended December 31, 2020:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	<u>(In Thousands)</u>				
Operating lease cost	\$14,344	\$13,944	\$6,584	\$1,443	\$4,870
Finance lease cost:					
Amortization of right-of-use assets	\$2,693	\$4,097	\$1,627	\$712	\$1,340
Interest on lease liabilities	\$408	\$597	\$254	\$120	\$196

Of the lease costs disclosed above, Entergy Arkansas had \$43 thousand and Entergy Louisiana had \$719 thousand in short-term lease costs for the year ended December 31, 2020.

The lease costs disclosed above materially approximate the cash flows used by the Registrant Subsidiaries for leases with all costs included within operating activities on the respective Statements of Cash Flows, except for the finance lease costs which are included in financing activities.

Entergy has elected to account for short-term leases in accordance with policy options provided by accounting guidance; therefore, there are no related lease liabilities or right-of-use assets for the costs recognized above by Entergy or by its Registrant Subsidiaries in the table below.

Included within Property, Plant, and Equipment on Entergy's consolidated balance sheet at December 31, 2021 and 2020 are \$212 million and \$230 million related to operating leases, respectively, and \$67 million and \$60 million related to finance leases, respectively.

Included within Utility Plant on the Registrant Subsidiaries' respective balance sheets at December 31, 2021 and 2020 are the following amounts:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
<b>2021</b>					
Operating leases	\$56,099	\$46,443	\$16,831	\$5,480	\$14,986
Finance leases	\$15,043	\$19,007	\$9,114	\$4,023	\$7,583
<b>2020</b>					
Operating leases	\$55,840	\$43,189	\$16,538	\$5,222	\$14,738
Finance leases	\$12,447	\$16,425	\$7,452	\$3,428	\$5,719

The following lease-related liabilities are recorded within the respective Other lines on Entergy's consolidated balance sheet as of December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
	(In Thousands)	
Current liabilities:		
Operating leases	\$59,437	\$59,004
Finance leases	\$12,988	\$11,921
Non-current liabilities:		
Operating leases	\$152,363	\$170,980
Finance leases	\$59,320	\$52,803

The following lease-related liabilities are recorded within the respective Other lines on the Registrant Subsidiaries' respective balance sheets at December 31, 2021:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)				
Current liabilities:					
Operating leases	\$12,695	\$12,520	\$5,866	\$1,491	\$4,489
Finance leases	\$2,964	\$4,001	\$1,843	\$812	\$1,476
Non-current liabilities:					
Operating leases	\$43,420	\$33,931	\$10,976	\$3,994	\$10,505
Finance leases	\$12,079	\$15,006	\$7,271	\$3,211	\$6,107

The following lease-related liabilities are recorded within the respective Other lines on the Registrant Subsidiaries' respective balance sheets at December 31, 2020:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)				
Current liabilities:					
Operating leases	\$11,942	\$11,934	\$5,738	\$1,406	\$4,277
Finance leases	\$2,660	\$3,821	\$1,644	\$686	\$1,327
Non-current liabilities:					
Operating leases	\$43,914	\$31,260	\$10,867	\$3,819	\$10,469
Finance leases	\$9,788	\$12,603	\$5,808	\$2,741	\$4,392

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of Entergy at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Weighted average remaining lease terms:		
Operating leases	4.44	4.82
Finance leases	6.18	6.34
Weighted average discount rate:		
Operating leases	3.37 %	3.58 %
Finance leases	3.96 %	4.42 %

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of the Registrant Subsidiaries at December 31, 2021:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
Weighted average remaining lease terms:					
Operating leases	5.13	4.65	5.36	5.35	3.94
Finance leases	5.89	5.57	5.63	5.94	5.97
Weighted average discount rate:					
Operating leases	3.10 %	2.93 %	3.00 %	2.99 %	3.04 %
Finance leases	2.80 %	3.08 %	2.87 %	3.03 %	2.79 %

The following information contains the weighted average remaining lease term in years and the weighted average discount rate for the operating and finance leases of the Registrant Subsidiaries at December 31, 2020:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
Weighted average remaining lease terms:					
Operating leases	5.74	4.72	5.30	5.78	4.30
Finance leases	5.60	5.20	5.44	5.69	5.39
Weighted average discount rate:					
Operating leases	3.34 %	3.11 %	3.43 %	3.09 %	3.07 %
Finance leases	3.18 %	3.33 %	3.22 %	3.35 %	3.22 %

Maturity of the lease liabilities for Entergy as of December 31, 2021 are as follows:

<u>Year</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
	(In Thousands)	
2022	\$65,270	\$15,312
2023	55,527	14,611
2024	48,281	13,296
2025	28,174	11,913
2026	15,864	10,061
Years thereafter	14,531	15,756
Minimum lease payments	227,647	80,949
Less: amount representing interest	15,847	8,640
Present value of net minimum lease payments	<u>\$211,800</u>	<u>\$72,309</u>

Maturity of the lease liabilities for the Registrant Subsidiaries as of December 31, 2021 are as follows:

<b><u>Operating Leases</u></b>					
<b>Year</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
2022	\$14,180	\$13,706	\$6,280	\$1,682	\$4,888
2023	12,713	11,791	4,181	1,441	4,449
2024	11,150	9,618	3,174	1,182	3,427
2025	9,292	6,694	2,168	773	1,933
2026	7,314	4,081	827	398	771
Years thereafter	5,892	3,574	1,924	601	423
Minimum lease payments	60,541	49,464	18,554	6,077	15,891
Less: amount representing interest	4,425	3,013	1,711	592	898
Present value of net minimum lease payments	<u>\$56,116</u>	<u>\$46,451</u>	<u>\$16,843</u>	<u>\$5,485</u>	<u>\$14,993</u>
<b><u>Finance Leases</u></b>					
<b>Year</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
2022	\$3,319	\$4,481	\$2,054	\$854	\$1,637
2023	3,100	4,231	1,971	814	1,532
2024	2,791	3,671	1,783	712	1,382
2025	2,449	3,122	1,529	621	1,256
2026	2,018	2,367	1,202	545	1,016
Years thereafter	2,477	2,613	1,220	673	1,296
Minimum lease payments	16,154	20,485	9,759	4,219	8,119
Less: amount representing interest	1,111	1,478	645	196	536
Present value of net minimum lease payments	<u>\$15,043</u>	<u>\$19,007</u>	<u>\$9,114</u>	<u>\$4,023</u>	<u>\$7,583</u>

In allocating consideration in lease contracts to the lease and non-lease components, Entergy and the Registrant Subsidiaries have made the accounting policy election to combine lease and non-lease components related to fleet vehicles used in operations, fuel storage agreements, and purchased power agreements and to allocate the contract consideration to both lease and non-lease components for real estate leases.

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

**Qualified Pension Plans**

Entergy has eight defined benefit qualified pension plans. The Entergy Corporation Retirement Plan for Non-Bargaining Employees (Non-Bargaining Plan I), the Entergy Corporation Retirement Plan for Bargaining Employees (Bargaining Plan I), the Entergy Corporation Retirement Plan II for Non-Bargaining Employees (Non-Bargaining Plan II), the Entergy Corporation Retirement Plan II for Bargaining Employees, the Entergy Corporation Retirement Plan III, and the Entergy Corporation Retirement Plan IV for Bargaining Employees are non-contributory final average pay plans that provide pension benefits based on employees' credited service and compensation during employment. Non-bargaining employees whose most recent date of hire is after June 30, 2014 and before January 1, 2021 do not participate in a final average pay plan, but instead participate in the Entergy Corporation Cash Balance Plan for Non-Bargaining Employees (Non-Bargaining Cash Balance Plan). Effective January 1, 2021, the Non-Bargaining Cash Balance Plan was closed to non-bargaining employees whose most recent date of hire is after December 31, 2020, who instead may be eligible to participate in, and receive a discretionary employer contribution under, the Savings Plan of Entergy Corporation and Subsidiaries VIII, an Entergy-sponsored tax-qualified defined contribution plan that includes a 401(k) feature. Certain bargaining employees whose most recent date of hire is after June 30, 2014, or such later date provided for in their applicable collective bargaining agreements, participate in the Entergy Corporation Cash Balance Plan for Bargaining Employees (Bargaining Cash Balance Plan). Effective January 1, 2021, the Bargaining Cash Balance Plan was amended to close participation in the plan to those bargaining employees whose most recent hire date is after December 31, 2020 or such later date provided for in their applicable collective bargaining agreements. The Registrant Subsidiaries participate in these four plans: Non-Bargaining Plan I, Bargaining Plan I, Non-Bargaining Cash Balance Plan, and Bargaining Cash Balance Plan. Effective January 1, 2022, the Non-Bargaining Cash Balance Plan was merged with and into Non-Bargaining Plan I.

The assets of the six final average pay defined benefit qualified pension plans are held in a master trust established by Entergy, and the assets of the two cash balance pension plans are held in a second master trust established by Entergy. Each pension plan has an undivided beneficial interest in each of the investment accounts in its respective master trust that is maintained by a trustee. Use of the master trusts permits the commingling of the trust assets of the pension plans of Entergy Corporation and its Registrant Subsidiaries for investment and administrative purposes. Although assets in the master trusts are commingled, the trustee maintains supporting records for the purpose of allocating the trust level equity in net earnings (loss) and the administrative expenses of the investment accounts in each trust to the various participating pension plans in that particular trust. The fair value of the trusts' assets is determined by the trustee and certain investment managers. For each trust, the trustee calculates a daily earnings factor, including realized and unrealized gains or losses, collected and accrued income, and administrative expenses, and allocates earnings to each plan in the master trusts on a pro rata basis. Effective January 1, 2022, the assets of the remaining cash balance pension plan held in a second master trust were merged with and into a master trust that holds the assets of the six final average pay defined benefit qualified pension plans.

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

Entergy Corporation and its subsidiaries fund pension plans in an amount not less than the minimum required contribution under the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income

securities, interest in a money market fund, and insurance contracts. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their respective jurisdictions.

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

Entergy Corporation and its subsidiaries' total 2021, 2020, and 2019 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In Thousands)		
<b>Net periodic pension cost:</b>			
Service cost - benefits earned during the period	\$165,278	\$161,487	\$134,193
Interest cost on projected benefit obligation	191,107	239,614	293,114
Expected return on assets	(424,572)	(414,273)	(414,947)
Recognized net loss	334,124	350,010	241,117
Settlement charges	205,878	36,946	23,492
Net periodic pension costs	<u>\$471,815</u>	<u>\$373,784</u>	<u>\$276,969</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>			
Arising this period:			
Net (gain)/loss	(\$448,532)	\$483,653	\$614,600
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:			
Amortization of net loss	(334,124)	(358,473)	(241,117)
Settlement charge	(205,878)	(36,946)	(23,492)
Total	<u>(\$988,534)</u>	<u>\$88,234</u>	<u>\$349,991</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u><u>(\$516,719)</u></u>	<u><u>\$462,018</u></u>	<u><u>\$626,960</u></u>

The Registrant Subsidiaries' total 2021, 2020, and 2019 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, for their employees included the following components:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Net periodic pension cost:</b>						
Service cost - benefits earned during the period	\$28,632	\$38,271	\$9,070	\$3,038	\$6,921	\$8,851
Interest cost on projected benefit obligation	35,683	39,740	10,446	4,392	8,381	9,087
Expected return on assets	(78,368)	(89,821)	(22,407)	(10,598)	(21,158)	(19,254)
Recognized net loss	69,290	67,015	20,007	7,596	12,676	18,404
Settlement charges	37,682	61,945	16,710	5,431	11,797	12,260
Net pension cost	<u>\$92,919</u>	<u>\$117,150</u>	<u>\$33,826</u>	<u>\$9,859</u>	<u>\$18,617</u>	<u>\$29,348</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net gain	(\$96,066)	(\$89,534)	(\$29,675)	(\$16,159)	(\$18,217)	(\$27,617)
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(69,290)	(67,015)	(20,007)	(7,596)	(12,676)	(18,404)
Settlement charge	(37,682)	(61,945)	(16,710)	(5,431)	(11,797)	(12,260)
Total	<u>(\$203,038)</u>	<u>(\$218,494)</u>	<u>(\$66,392)</u>	<u>(\$29,186)</u>	<u>(\$42,690)</u>	<u>(\$58,281)</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u><u>(\$110,119)</u></u>	<u><u>(\$101,344)</u></u>	<u><u>(\$32,566)</u></u>	<u><u>(\$19,327)</u></u>	<u><u>(\$24,073)</u></u>	<u><u>(\$28,933)</u></u>



2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Net periodic pension cost:</b>						
Service cost - benefits earned during the period	\$26,329	\$35,158	\$8,060	\$2,654	\$6,116	\$7,883
Interest cost on projected benefit obligation	44,165	50,432	12,922	5,825	10,731	11,006
Expected return on assets	(78,187)	(89,691)	(23,147)	(10,509)	(21,951)	(18,757)
Recognized net loss	68,338	66,640	18,983	8,018	13,173	17,104
Settlement charges	21,078	8,109	3,366	—	4,289	105
Net pension cost	<u>\$81,723</u>	<u>\$70,648</u>	<u>\$20,184</u>	<u>\$5,988</u>	<u>\$12,358</u>	<u>\$17,341</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net loss	\$106,178	\$90,064	\$36,899	\$8,148	\$13,379	\$35,403
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	(69,713)	(68,248)	(19,393)	(8,213)	(13,564)	(17,434)
Settlement charge	(21,078)	(8,109)	(3,366)	—	(4,289)	(105)
Total	<u>\$15,387</u>	<u>\$13,707</u>	<u>\$14,140</u>	<u>(\$65)</u>	<u>(\$4,474)</u>	<u>\$17,864</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u><u>\$97,110</u></u>	<u><u>\$84,355</u></u>	<u><u>\$34,324</u></u>	<u><u>\$5,923</u></u>	<u><u>\$7,884</u></u>	<u><u>\$35,205</u></u>

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Net periodic pension cost:</b>						
Service cost - benefits earned during the period	\$21,043	\$29,137	\$6,516	\$2,274	\$5,401	\$6,199
Interest cost on projected benefit obligation	56,701	63,529	16,272	7,495	14,451	13,456
Expected return on assets	(80,705)	(90,607)	(23,873)	(10,785)	(23,447)	(18,710)
Recognized net loss	47,361	46,571	12,416	6,117	9,335	11,400
Net pension cost	<u>\$44,400</u>	<u>\$48,630</u>	<u>\$11,331</u>	<u>\$5,101</u>	<u>\$5,740</u>	<u>\$12,345</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net loss	\$118,898	\$99,346	\$41,088	\$6,531	\$10,869	\$36,711
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:						
Amortization of net loss	<u>(47,361)</u>	<u>(46,571)</u>	<u>(12,416)</u>	<u>(6,117)</u>	<u>(9,335)</u>	<u>(11,400)</u>
Total	<u>\$71,537</u>	<u>\$52,775</u>	<u>\$28,672</u>	<u>\$414</u>	<u>\$1,534</u>	<u>\$25,311</u>
<b>Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)</b>	<u><u>\$115,937</u></u>	<u><u>\$101,405</u></u>	<u><u>\$40,003</u></u>	<u><u>\$5,515</u></u>	<u><u>\$7,274</u></u>	<u><u>\$37,656</u></u>

**Qualified Pension Obligations, Plan Assets, Funded Status, Amounts Recognized in the Balance Sheet**

Qualified pension obligations, plan assets, funded status, amounts recognized in the Consolidated Balance Sheets for Entergy Corporation and its Subsidiaries as of December 31, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
	(In Thousands)	
<b>Change in Projected Benefit Obligation (PBO)</b>		
Balance at January 1	\$9,143,652	\$8,406,203
Service cost	165,278	161,487
Interest cost	191,107	239,614
Actuarial (gain)/ loss	(158,276)	969,609
Benefits paid (including settlement lump sum benefit payments of (\$553,576) in 2021 and (\$84,754) in 2020)	(932,141)	(633,261)
Balance at December 31	<u>\$8,409,620</u>	<u>\$9,143,652</u>
<b>Change in Plan Assets</b>		
Fair value of assets at January 1	\$6,854,426	\$6,271,160
Actual return on plan assets	714,827	900,229
Employer contributions	355,998	316,298
Benefits paid (including settlement lump sum benefit payments of (\$553,576) in 2021 and (\$84,754) in 2020)	(932,141)	(633,261)
Fair value of assets at December 31	<u>\$6,993,110</u>	<u>\$6,854,426</u>
<b>Funded status</b>	<u>(\$1,416,510)</u>	<u>(\$2,289,226)</u>
<b>Amount recognized in the balance sheet</b>		
Non-current liabilities	(\$1,416,510)	(\$2,289,226)
<b>Amount recognized as a regulatory asset</b>		
Net loss	\$2,214,390	\$2,926,670
<b>Amount recognized as AOCI (before tax)</b>		
Net loss	\$449,756	\$726,010

Qualified pension obligations, plan assets, funded status, amounts recognized in the Balance Sheets 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)					
Change in Projected Benefit Obligation (PBO)						
Balance at January 1	\$1,739,382	\$1,927,271	\$510,109	\$220,287	\$410,664	\$441,148
Service cost	28,632	38,271	9,070	3,038	6,921	8,851
Interest cost	35,683	39,740	10,446	4,392	8,381	9,087
Actuarial gain	(41,227)	(28,439)	(14,831)	(9,118)	(3,971)	(14,746)
Benefits paid (a)	(183,124)	(240,447)	(65,936)	(23,219)	(50,193)	(49,546)
Balance at December 31	<u>\$1,579,346</u>	<u>\$1,736,396</u>	<u>\$448,858</u>	<u>\$195,380</u>	<u>\$371,802</u>	<u>\$394,794</u>
Change in Plan Assets						
Fair value of assets at January 1	\$1,285,856	\$1,476,306	\$371,394	\$172,551	\$349,748	\$310,818
Actual return on plan assets	133,207	150,917	37,251	17,639	35,405	32,125
Employer contributions	66,649	59,882	13,715	5,395	6,955	18,663
Benefits paid (a)	(183,124)	(240,447)	(65,936)	(23,219)	(50,193)	(49,546)
Fair value of assets at December 31	<u>\$1,302,588</u>	<u>\$1,446,658</u>	<u>\$356,424</u>	<u>\$172,366</u>	<u>\$341,915</u>	<u>\$312,060</u>
Funded status	(\$276,758)	(\$289,738)	(\$92,434)	(\$23,014)	(\$29,887)	(\$82,734)
Amounts recognized in the balance sheet (funded status)						
Non-current liabilities	(\$276,758)	(\$289,738)	(\$92,434)	(\$23,014)	(\$29,887)	(\$82,734)
Amounts recognized as regulatory asset						
Net loss	\$612,963	\$556,345	\$173,511	\$62,805	\$113,790	\$153,782
Amounts recognized as AOCI (before tax)						
Net loss	\$—	\$23,181	\$—	\$—	\$—	\$—

- (a) Including settlement lump sum benefit payments of (\$104.4) million at Entergy Arkansas, (\$166.6) million at Entergy Louisiana, (\$45.7) million at Entergy Mississippi, (\$14.3) million at Entergy New Orleans, (\$31.9) million at Entergy Texas, and (\$33) million at System Energy.

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
			(In Thousands)			
Change in Projected Benefit Obligation (PBO)						
Balance at January 1	\$1,615,084	\$1,784,474	\$471,510	\$206,962	\$396,764	\$393,607
Service cost	26,329	35,158	8,060	2,654	6,116	7,883
Interest cost	44,165	50,432	12,922	5,825	10,731	11,006
Actuarial loss	196,755	196,032	62,564	20,535	37,579	57,574
Benefits paid (a)	(142,951)	(138,825)	(44,947)	(15,689)	(40,526)	(28,922)
Balance at December 31	<u>\$1,739,382</u>	<u>\$1,927,271</u>	<u>\$510,109</u>	<u>\$220,287</u>	<u>\$410,664</u>	<u>\$441,148</u>
Change in Plan Assets						
Fair value of assets at January 1	\$1,200,035	\$1,364,030	\$354,928	\$160,777	\$339,126	\$282,668
Actual return on plan assets	168,764	195,658	48,812	22,896	46,151	40,927
Employer contributions	60,008	55,443	12,601	4,567	4,997	16,145
Benefits paid (a)	(142,951)	(138,825)	(44,947)	(15,689)	(40,526)	(28,922)
Fair value of assets at December 31	<u>\$1,285,856</u>	<u>\$1,476,306</u>	<u>\$371,394</u>	<u>\$172,551</u>	<u>\$349,748</u>	<u>\$310,818</u>
Funded status	<u>(\$453,526)</u>	<u>(\$450,965)</u>	<u>(\$138,715)</u>	<u>(\$47,736)</u>	<u>(\$60,916)</u>	<u>(\$130,330)</u>
Amounts recognized in the balance sheet (funded status)						
Non-current liabilities	(\$453,526)	(\$450,965)	(\$138,715)	(\$47,736)	(\$60,916)	(\$130,330)
Amounts recognized as regulatory asset						
Net loss	\$816,002	\$766,099	\$239,904	\$91,991	\$156,480	\$212,062
Amounts recognized as AOCI (before tax)						
Net loss	\$—	\$31,921	\$—	\$—	\$—	\$—

(a) Including settlement lump sum benefit payments of (\$48.4) million at Entergy Arkansas, (\$18.6) million at Entergy Louisiana, (\$7.7) million at Entergy Mississippi, (\$9.8) million at Entergy Texas, and (\$236) thousand at System Energy.

The qualified pension plans incurred actuarial gains during 2021 primarily due to a rise in bond yields that resulted in increases to the discount rates used to develop the benefit obligations and an actual return on assets exceeding the expected return on assets for 2021. The qualified pension plans incurred actuarial losses during 2020 primarily due to a fall in bond yields that resulted in decreases to the discount rates used to develop the benefit obligations. These losses were partially offset by gains resulting from the actual return on assets exceeding the expected return on assets for 2020.

### Accumulated Pension Benefit Obligation

The accumulated benefit obligation for Entergy's qualified pension plans was \$7.8 billion and \$8.4 billion at December 31, 2021 and 2020, respectively.

The qualified pension accumulated benefit obligation for each of the Registrant Subsidiaries for their employees as of December 31, 2021 and 2020 was as follows:

	December 31,	
	2021	2020
	(In Thousands)	
Entergy Arkansas	\$1,463,966	\$1,617,858
Entergy Louisiana	\$1,574,273	\$1,753,980
Entergy Mississippi	\$407,851	\$466,497
Entergy New Orleans	\$178,010	\$201,159
Entergy Texas	\$342,441	\$379,050
System Energy	\$366,920	\$410,296

### **Other Postretirement Benefits**

Entergy also currently offers retiree medical, dental, vision, and life insurance benefits (other postretirement benefits) for eligible retired employees. Employees who commenced employment before July 1, 2014 and who satisfy certain eligibility requirements (including retiring from Entergy after a certain age and/or years of service with Entergy and immediately commencing their Entergy pension benefit), may become eligible for other postretirement benefits.

In March 2020, Entergy announced changes to its other postretirement benefits. Effective January 1, 2021, certain retired, former non-bargaining employees age 65 and older who are eligible for Entergy-sponsored retiree welfare benefits, and their eligible spouses who are age 65 and older (collectively, Medicare-eligible participants), will be eligible to participate in a new Entergy-sponsored retiree health plan, and will no longer be eligible for retiree coverage under the Entergy Corporation Companies' Benefits Plus Medical, Dental and Vision Plans. Under the new Entergy retiree health plan, Medicare-eligible participants will be eligible to participate in a health reimbursement arrangement which they may use towards the purchase of various types of qualified insurance offered through a Medicare exchange provider and for other qualified medical expenses. In accordance with accounting standards, the effects of this change are reflected in the December 31, 2020 other postretirement obligation. The changes affecting active bargaining unit employees will be negotiated with the unions prior to implementation, where necessary, and to the extent required by law.

Effective January 1, 1993, Entergy adopted an accounting standard requiring a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received regulatory approval to recover accrued other postretirement benefit costs through rates. The LPSC ordered Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for other postretirement benefits to determine if special exceptions to this order are warranted. Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy contribute the other postretirement benefit costs collected in rates into external trusts. System Energy is funding, on behalf of Entergy Operations, other postretirement benefits associated with Grand Gulf.

Trust assets contributed by participating Registrant Subsidiaries are in master trusts, established by Entergy Corporation and maintained by a trustee. Each participating Registrant Subsidiary holds a beneficial interest in the trusts' assets. The assets in the master trusts are commingled for investment and administrative purposes. Although assets are commingled, supporting records are maintained for the purpose of allocating the beneficial interest in net earnings/(losses) and the administrative expenses of the investment accounts to the various participating plans and participating Registrant Subsidiaries. Beneficial interest in an investment account's net income/(loss) is comprised of interest and dividends, realized and unrealized gains and losses, and expenses. Beneficial interest from these

investments is allocated to the plans and participating Registrant Subsidiary based on their portion of net assets in the pooled accounts.

**Components of Net Other Postretirement Benefit Cost and Other Amounts Recognized as a Regulatory Asset and/or AOCI**

Entergy Corporation's and its subsidiaries' total 2021, 2020, and 2019 other postretirement benefit costs, including amounts capitalized and amounts recognized as a regulatory asset and/or other comprehensive income, included the following components:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In Thousands)		
<b>Other postretirement costs:</b>			
Service cost - benefits earned during the period	\$26,578	\$24,500	\$18,699
Interest cost on accumulated postretirement benefit obligation (APBO)	21,278	28,597	47,901
Expected return on assets	(43,220)	(40,880)	(38,246)
Amortization of prior service credit	(33,069)	(32,882)	(35,377)
Recognized net loss	2,853	3,481	1,430
Net other postretirement benefit income	<u>(\$25,580)</u>	<u>(\$17,184)</u>	<u>(\$5,593)</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and /or AOCI (before tax)</b>			
Arising this period:			
Prior service credit for period	(\$3,168)	(\$128,837)	\$—
Net (gain)/loss	6,210	41,031	(38,526)
Amounts reclassified from regulatory asset and /or AOCI to net periodic benefit cost in the current year:			
Amortization of prior service credit	33,069	32,882	35,377
Amortization of net loss	(2,853)	(3,481)	(1,430)
Total	<u>\$33,258</u>	<u>(\$58,405)</u>	<u>(\$4,579)</u>
<b>Total recognized as net periodic benefit (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	<u><u>\$7,678</u></u>	<u><u>(\$75,589)</u></u>	<u><u>(\$10,172)</u></u>

Total 2021, 2020, and 2019 other postretirement benefit costs of the Registrant Subsidiaries, including amounts capitalized and deferred, for their employees included the following components:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
<b>Other postretirement costs:</b>						
Service cost - benefits earned during the period	\$4,135	\$6,174	\$1,448	\$437	\$1,384	\$1,340
Interest cost on APBO	3,726	4,520	1,110	521	1,269	878
Expected return on assets	(18,020)	—	(5,536)	(5,750)	(10,192)	(3,156)
Amortization of prior service credit	(1,121)	(4,920)	(1,775)	(916)	(3,742)	(436)
Recognized net (gain)/ loss	196	(364)	76	(712)	398	61
Net other postretirement benefit (income)/cost	<u>(\$11,084)</u>	<u>\$5,410</u>	<u>(\$4,677)</u>	<u>(\$6,420)</u>	<u>(\$10,883)</u>	<u>(\$1,313)</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Prior service cost/(credit) for the period	(\$85)	\$357	\$—	\$—	(\$3,776)	\$69
Net (gain)/loss	\$9,956	(\$2,367)	(\$2,823)	(\$3,330)	\$939	\$210
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	1,121	4,920	1,775	916	3,742	436
Amortization of net (gain)/ loss	(196)	364	(76)	712	(398)	(61)
Total	<u>\$10,796</u>	<u>\$3,274</u>	<u>(\$1,124)</u>	<u>(\$1,702)</u>	<u>\$507</u>	<u>\$654</u>
<b>Total recognized as net periodic other postretirement (income)/ cost, regulatory asset, and/or AOCI (before tax)</b>	<u>(\$288)</u>	<u>\$8,684</u>	<u>(\$5,801)</u>	<u>(\$8,122)</u>	<u>(\$10,376)</u>	<u>(\$659)</u>



2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Other postretirement costs:</b>						
Service cost - benefits earned during the period	\$3,626	\$5,993	\$1,468	\$445	\$1,219	\$1,254
Interest cost on APBO	4,712	6,216	1,536	784	2,008	1,130
Expected return on assets	(17,104)	—	(5,167)	(5,382)	(9,643)	(2,958)
Amortization of prior service credit	(1,849)	(6,179)	(1,652)	(763)	(3,364)	(1,065)
Recognized net (gain)/loss	540	(447)	171	(13)	907	121
Net other postretirement benefit (income)/cost	<u>(\$10,075)</u>	<u>\$5,583</u>	<u>(\$3,644)</u>	<u>(\$4,929)</u>	<u>(\$8,873)</u>	<u>(\$1,518)</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Prior service cost/(credit) for the period	\$12,320	(\$23,508)	(\$4,428)	(\$5,493)	(\$22,441)	(\$1,963)
Net (gain)/loss	\$2,245	\$8,744	(\$4,456)	(\$5,351)	(\$3,266)	\$58
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	1,849	6,179	1,652	763	3,364	1,065
Amortization of net (gain)/loss	(540)	447	(171)	13	(907)	(121)
Total	<u>\$15,874</u>	<u>(\$8,138)</u>	<u>(\$7,403)</u>	<u>(\$10,068)</u>	<u>(\$23,250)</u>	<u>(\$961)</u>
<b>Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	<u>\$5,799</u>	<u>(\$2,555)</u>	<u>(\$11,047)</u>	<u>(\$14,997)</u>	<u>(\$32,123)</u>	<u>(\$2,479)</u>

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Other postretirement costs:</b>						
Service cost - benefits earned during the period	\$2,363	\$4,639	\$1,046	\$367	\$943	\$973
Interest cost on APBO	7,226	10,664	2,681	1,581	3,415	1,902
Expected return on assets	(15,962)	—	(4,794)	(4,947)	(9,103)	(2,788)
Amortization of prior service credit	(4,950)	(7,349)	(1,756)	(682)	(2,243)	(1,450)
Recognized net (gain)/loss	576	(695)	723	231	485	354
Net other postretirement benefit (income)/cost	<u>(\$10,747)</u>	<u>\$7,259</u>	<u>(\$2,100)</u>	<u>(\$3,450)</u>	<u>(\$6,503)</u>	<u>(\$1,009)</u>
<b>Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)</b>						
Arising this period:						
Net gain	(26,707)	(2,220)	(11,950)	(10,967)	(6,406)	(5,539)
Amounts reclassified from regulatory asset and/or AOCI to net periodic benefit cost in the current year:						
Amortization of prior service credit	4,950	7,349	1,756	682	2,243	1,450
Amortization of net (gain)/loss	(576)	695	(723)	(231)	(485)	(354)
Total	<u>(\$22,333)</u>	<u>\$5,824</u>	<u>(\$10,917)</u>	<u>(\$10,516)</u>	<u>(\$4,648)</u>	<u>(\$4,443)</u>
<b>Total recognized as net periodic other postretirement (income)/cost, regulatory asset, and/or AOCI (before tax)</b>	<u>(\$33,080)</u>	<u>\$13,083</u>	<u>(\$13,017)</u>	<u>(\$13,966)</u>	<u>(\$11,151)</u>	<u>(\$5,452)</u>

**Other Postretirement Benefit Obligations, Plan Assets, Funded Status, and Amounts Not Yet Recognized and Recognized in the Balance Sheet**

Other postretirement benefit obligations, plan assets, funded status, and amounts not yet recognized and recognized in the Consolidated Balance Sheets of Entergy Corporation and its Subsidiaries as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
<b>Change in APBO</b>		
Balance at January 1	\$1,181,075	\$1,252,903
Service cost	26,578	24,500
Interest cost	21,278	28,597
Plan amendments	(3,168)	(128,837)
Plan participant contributions	22,023	37,176
Actuarial loss	20,955	80,162
Benefits paid	(79,308)	(113,786)
Medicare Part D subsidy received	249	360
Balance at December 31	<u>\$1,189,682</u>	<u>\$1,181,075</u>
<b>Change in Plan Assets</b>		
Fair value of assets at January 1	\$737,866	\$686,262
Actual return on plan assets	57,965	80,011
Employer contributions	32,773	48,203
Plan participant contributions	22,023	37,176
Benefits paid	(79,308)	(113,786)
Fair value of assets at December 31	<u>\$771,319</u>	<u>\$737,866</u>
<b>Funded status</b>	<u>(\$418,363)</u>	<u>(\$443,209)</u>
<b>Amounts recognized in the balance sheet</b>		
Current liabilities	(\$42,000)	(\$38,963)
Non-current liabilities	(376,363)	(404,246)
Total funded status	<u>(\$418,363)</u>	<u>(\$443,209)</u>
<b>Amounts recognized as a regulatory asset</b>		
Prior service credit	(\$37,693)	(\$45,501)
Net gain	(7,981)	(8,565)
	<u>(\$45,674)</u>	<u>(\$54,066)</u>
<b>Amounts recognized as AOCI (before tax)</b>		
Prior service credit	(\$61,488)	(\$83,581)
Net loss	27,138	24,365
	<u>(\$34,350)</u>	<u>(\$59,216)</u>

Other postretirement benefit obligations, plan assets, funded status, and amounts not yet recognized and recognized in the Balance Sheets of 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)						
<b>Change in APBO</b>						
Balance at January 1	\$209,369	\$255,571	\$61,990	\$31,707	\$74,233	\$47,701
Service cost	4,135	6,174	1,448	437	1,384	1,340
Interest cost	3,726	4,520	1,110	521	1,269	878
Plan amendments	(85)	357	—	—	(3,776)	69
Plan participant contributions	5,637	5,186	1,386	403	1,491	1,353
Actuarial (gain)/loss	14,323	(2,367)	(1,335)	988	4,270	1,289
Benefits paid	(15,954)	(16,460)	(3,604)	(2,194)	(6,923)	(4,769)
Medicare Part D subsidy received	32	50	6	4	13	14
Balance at December 31	\$221,183	\$253,031	\$61,001	\$31,866	\$71,961	\$47,875
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$304,192	\$—	\$93,475	\$102,734	\$174,096	\$52,619
Actual return on plan assets	22,387	—	7,024	10,068	13,523	4,235
Employer contributions	(767)	11,274	(393)	126	98	1,212
Plan participant contributions	5,637	5,186	1,386	403	1,491	1,353
Benefits paid	(15,954)	(16,460)	(3,604)	(2,194)	(6,923)	(4,769)
Fair value of assets at December 31	\$315,495	\$—	\$97,888	\$111,137	\$182,285	\$54,650
<b>Funded status</b>	\$94,312	(\$253,031)	\$36,887	\$79,271	\$110,324	\$6,775
<b>Amounts recognized in the balance sheet</b>						
Current liabilities	\$—	(\$15,839)	\$—	\$—	\$—	\$—
Non-current liabilities	94,312	(237,192)	36,887	79,271	110,324	6,775
Total funded status	\$94,312	(\$253,031)	\$36,887	\$79,271	\$110,324	\$6,775
<b>Amounts recognized in regulatory asset</b>						
Prior service cost/(credit)	\$8,691	\$—	(\$4,109)	(\$3,814)	(\$20,532)	(\$1,249)
Net (gain)/loss	(6,797)	—	(4,254)	(16,003)	2,571	2,967
	\$1,894	\$—	(\$8,363)	(\$19,817)	(\$17,961)	\$1,718
<b>Amounts recognized in AOCI (before tax)</b>						
Prior service credit	\$—	(\$16,967)	\$—	\$—	\$—	\$—
Net gain	—	(17,551)	—	—	—	—
	\$—	(\$34,518)	\$—	\$—	\$—	\$—

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Change in APBO</b>						
Balance at January 1	\$185,744	\$274,175	\$65,979	\$38,460	\$94,742	\$47,348
Service cost	3,626	5,993	1,468	445	1,219	1,254
Interest cost	4,712	6,216	1,536	784	2,008	1,130
Plan amendments	12,320	(23,508)	(4,428)	(5,493)	(22,441)	(1,963)
Plan participant contributions	7,792	8,269	2,122	1,123	2,456	1,732
Actuarial (gain)/loss	18,257	8,744	684	(91)	5,952	3,025
Benefits paid	(23,141)	(24,395)	(5,382)	(3,530)	(9,721)	(4,851)
Medicare Part D subsidy received	59	77	11	9	18	26
Balance at December 31	<u>\$209,369</u>	<u>\$255,571</u>	<u>\$61,990</u>	<u>\$31,707</u>	<u>\$74,233</u>	<u>\$47,701</u>
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$284,224	\$—	\$86,085	\$93,858	\$161,810	\$48,471
Actual return on plan assets	33,116	—	10,307	10,642	18,861	5,925
Employer contributions	2,201	16,126	343	641	690	1,342
Plan participant contributions	7,792	8,269	2,122	1,123	2,456	1,732
Benefits paid	(23,141)	(24,395)	(5,382)	(3,530)	(9,721)	(4,851)
Fair value of assets at December 31	<u>\$304,192</u>	<u>\$—</u>	<u>\$93,475</u>	<u>\$102,734</u>	<u>\$174,096</u>	<u>\$52,619</u>
<b>Funded status</b>	<u>\$94,823</u>	<u>(\$255,571)</u>	<u>\$31,485</u>	<u>\$71,027</u>	<u>\$99,863</u>	<u>\$4,918</u>
<b>Amounts recognized in the balance sheet</b>						
Current liabilities	\$—	(\$15,580)	\$—	\$—	\$—	\$—
Non-current liabilities	94,823	(239,991)	31,485	71,027	99,863	4,918
Total funded status	<u>\$94,823</u>	<u>(\$255,571)</u>	<u>\$31,485</u>	<u>\$71,027</u>	<u>\$99,863</u>	<u>\$4,918</u>
<b>Amounts recognized in regulatory asset</b>						
Prior service cost/(credit)	\$7,655	\$—	(\$5,884)	(\$4,730)	(\$20,498)	(\$1,754)
Net (gain)/loss	(16,557)	—	(1,355)	(13,385)	2,030	2,818
	<u>(\$8,902)</u>	<u>\$—</u>	<u>(\$7,239)</u>	<u>(\$18,115)</u>	<u>(\$18,468)</u>	<u>\$1,064</u>
<b>Amounts recognized in AOCI (before tax)</b>						
Prior service credit	\$—	(\$22,244)	\$—	\$—	\$—	\$—
Net gain	—	(15,548)	—	—	—	—
	<u>\$—</u>	<u>(\$37,792)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

The other postretirement plans incurred actuarial losses during 2021 primarily due to a reduction in the projected Employer Group Waiver Plan (EGWP) revenue and updated census data. These losses were partially offset by gains resulting from the actual return on assets exceeding the expected return on assets for 2021 and a rise in bond yields that resulted in increases to the discount rates used to develop the benefit obligations. The other postretirement plans

incurred actuarial losses during 2020 primarily due to a reduction in the projected EGWP revenue and a fall in bond yields that resulted in decreases to the discount rates used to develop the benefit obligations. These losses were partially offset by gains resulting from the actual return on assets exceeding the expected return on assets for 2020, an update to the latest mortality projection scale MP-2020, and favorable claims experience.

### **Non-Qualified Pension Plans**

Entergy also sponsors non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. Entergy recognized net periodic pension cost related to these plans of \$28.6 million in 2021, \$18.1 million in 2020, and \$22.6 million in 2019. In 2021 and 2019 Entergy recognized \$10.9 million and \$7.4 million, respectively in settlement charges related to the payment of lump sum benefits out of the plan that is included in the non-qualified pension plan cost above. In 2020 there were no settlement charges related to the payment of lump sum benefits out of the plan.

The projected benefit obligation was \$181.6 million as of December 31, 2021 of which \$26.3 million was a current liability and \$155.3 million was a non-current liability. The projected benefit obligation was \$182.4 million as of December 31, 2020 of which \$22.9 million was a current liability and \$159.5 million was a non-current liability. The accumulated benefit obligation was \$165.5 million and \$161.3 million as of December 31, 2021 and 2020, respectively. The unamortized prior service cost and net loss are recognized in regulatory assets (\$74.9 million at December 31, 2021 and \$77.3 million at December 31, 2020) and accumulated other comprehensive income before taxes (\$17 million at December 31, 2021 and \$16.7 million at December 31, 2020).

A Rabbi Trust has been established for the benefit of certain participants in Entergy's non-qualified, non-contributory defined benefit pension plans. The Rabbi Trust assets are invested in money-market funds which are recorded at fair value with all gains and losses recognized immediately in income. All of the investments are classified as Level 1 investments for purposes of Fair Value Measurements. At December 31, 2021, the fair value of the assets held in the Rabbi Trust was \$35 million.

The following Registrant Subsidiaries participate in Entergy's non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. The net periodic pension cost for their employees for the non-qualified plans for 2021, 2020, and 2019, was as follows:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
2021	\$343	\$307	\$365	\$30	\$615
2020	\$333	\$148	\$359	\$31	\$469
2019	\$275	\$159	\$326	\$20	\$481

Included in the 2021 net periodic pension cost above are settlement charges of \$155 thousand and \$172 thousand for Entergy Louisiana and Entergy Texas, respectively, related to the lump sum benefits paid out of the plan. Included in the 2019 net periodic pension cost above are settlement charges of \$40 thousand for Entergy Mississippi related to the lump sum benefits paid out of the plan. In 2020 there were no settlement charges related to the payment of lump sum benefits out of the plan.

The projected benefit obligation for their employees for the non-qualified plans as of December 31, 2021 and 2020 was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)				
2021	\$2,875	\$1,469	\$3,708	\$1,069	\$7,462
2020	\$3,197	\$1,965	\$3,852	\$247	\$8,475

The accumulated benefit obligation for their employees for the non-qualified plans as of December 31, 2021 and 2020 was as follows:

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)				
2021	\$2,482	\$1,445	\$3,377	\$738	\$7,355
2020	\$2,626	\$1,802	\$3,345	\$240	\$7,949

The following amounts were recorded on the balance sheet as of December 31, 2021 and 2020:

<u>2021</u>	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)				
Current liabilities	(\$248)	(\$186)	(\$190)	(\$31)	(\$3,080)
Non-current liabilities	(2,627)	(1,283)	(3,518)	(1,039)	(4,382)
Total funded status	<u>(\$2,875)</u>	<u>(\$1,469)</u>	<u>(\$3,708)</u>	<u>(\$1,070)</u>	<u>(\$7,462)</u>
Regulatory asset/(liability)	\$1,059	\$233	\$1,368	\$251	(\$706)
Accumulated other comprehensive income (before taxes)	\$—	\$10	\$—	\$—	\$—
<u>2020</u>	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Thousands)				
Current liabilities	(\$218)	(\$193)	(\$181)	(\$17)	(\$633)
Non-current liabilities	(2,979)	(1,772)	(3,671)	(230)	(7,842)
Total funded status	<u>(\$3,197)</u>	<u>(\$1,965)</u>	<u>(\$3,852)</u>	<u>(\$247)</u>	<u>(\$8,475)</u>
Regulatory asset/(liability)	\$1,535	\$424	\$1,757	(\$558)	\$147
Accumulated other comprehensive income (before taxes)	\$—	\$18	\$—	\$—	\$—

The non-qualified pension plans incurred actuarial losses during 2021 primarily due to differences in recent retirement and lump sum experience relative to actuarial assumptions. The non-qualified pension plans incurred actuarial losses during 2020 primarily due to a fall in bond yields that resulted in decreases to the discount rates used to develop the benefit obligations.

### Reclassification out of Accumulated Other Comprehensive Income (Loss)

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) as of December 31, 2021:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
<b><u>Entergy</u></b>				
Amortization of prior service cost	\$—	\$21,151	(\$204)	\$20,947
Amortization of loss	(84,661)	(1,983)	(2,194)	(88,838)
Settlement loss	(12,001)	—	(4,378)	(16,379)
	<u>(\$96,662)</u>	<u>\$19,168</u>	<u>(\$6,776)</u>	<u>(\$84,270)</u>
<b><u>Entergy Louisiana</u></b>				
Amortization of prior service cost	\$—	\$4,920	\$—	\$4,920
Amortization of loss	(2,681)	364	(5)	(2,322)
Settlement loss	(2,478)	—	(6)	(2,484)
	<u>(\$5,159)</u>	<u>\$5,284</u>	<u>(\$11)</u>	<u>\$114</u>

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) as of December 31, 2020:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
<b><u>Entergy</u></b>				
Amortization of prior service cost	\$—	\$21,000	(\$231)	\$20,769
Amortization of loss	(105,853)	(1,006)	(3,326)	(110,185)
Settlement loss	(243)	—	—	(243)
	<u>(\$106,096)</u>	<u>\$19,994</u>	<u>(\$3,557)</u>	<u>(\$89,659)</u>
<b><u>Entergy Louisiana</u></b>				
Amortization of prior service cost	\$—	\$6,179	\$—	\$6,179
Amortization of loss	(2,001)	447	(3)	(1,557)
Settlement loss	(243)	—	—	(243)
	<u>(\$2,244)</u>	<u>\$6,626</u>	<u>(\$3)</u>	<u>\$4,379</u>

### Accounting for Pension and Other Postretirement Benefits

Accounting standards require an employer to recognize in its balance sheet the funded status of its benefit plans. This is measured as the difference between plan assets at fair value and the benefit obligation. Entergy uses a December 31 measurement date for its pension and other postretirement plans. Employers are to record previously unrecognized gains and losses, prior service costs, and any remaining transition asset or obligation (that resulted from adopting prior pension and other postretirement benefits accounting standards) as comprehensive income and/or as a regulatory asset reflective of the recovery mechanism for pension and other postretirement benefit costs in the Registrant Subsidiaries' respective regulatory jurisdictions. For the portion of Entergy Louisiana that is not regulated, the unrecognized prior service cost, gains and losses, and transition asset/obligation for its pension and other postretirement benefit obligations are recorded as other comprehensive income. Entergy



Louisiana recovers other postretirement benefit costs on a pay-as-you-go basis and records the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation as other comprehensive income. Accounting standards also require that changes in the funded status be recorded as other comprehensive income and/or a regulatory asset in the period in which the changes occur.

With regard to pension and other postretirement costs, Entergy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. In general, Entergy determines the MRV of its pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns and for its other postretirement benefit plan assets Entergy generally uses fair value.

In accordance with ASU No. 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations and are presented by Entergy in miscellaneous - net in other income.

### **Qualified Pension Settlement Cost**

Year-to-date lump sum benefit payments from the Entergy Corporation Retirement Plan for Bargaining Employees and the Entergy Corporation Retirement Plan for Non-Bargaining Employees exceeded the sum of the Plans’ 2021 service and interest cost, resulting in settlement costs. In accordance with accounting standards, settlement accounting requires immediate recognition of the portion of previously unrecognized losses associated with the settled portion of the plans’ pension liability. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy participate in one or both of the Entergy Corporation Retirement Plan for Bargaining Employees and the Entergy Corporation Retirement Plan for Non-Bargaining employees and incurred settlement costs. Similar to other pension costs, the settlement costs were included with employee labor costs and charged to expense and capital in the same manner that labor costs were charged. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans received regulatory approval to defer the expense portion of the settlement costs, with future amortization of the deferred settlement expense over the period in which the expense otherwise would be recorded had the immediate recognition not occurred.

### **Entergy Texas Reserve**

In September 2020, Entergy Texas elected to establish a reserve, in accordance with PUCT regulations, for the difference between the amount recorded for pension and other postretirement benefits expense under generally accepted accounting principles during 2019, the first year that rates from Entergy Texas’s last general rate proceeding were in effect, and the annual amount of actuarially determined pension and other postretirement benefits chargeable to Entergy Texas’s expense. The reserve amount will be evaluated in the next scheduled PUCT rate case and a reasonable amortization period will be determined by the PUCT at that time. At December 31, 2021, the balance in this reserve was approximately \$14.6 million.

### **Qualified Pension and Other Postretirement Plans’ Assets**

The Plan Administrator’s trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

In the optimization studies, the Plan Administrator formulates assumptions about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical

market characteristics of the various asset classes and making adjustments to reflect future conditions expected to prevail over the study period.

The target asset allocation for pension adjusts dynamically based on the pension plans' funded status. The current targets are shown below. The expectation is that the allocation to fixed income securities will increase as the pension plans' funded status increases. The following ranges were established to produce an acceptable, economically efficient plan to manage around the targets.

For postretirement assets the target and range asset allocations (as shown below) reflect recommendations made in the latest optimization study. The target asset allocations for postretirement assets adjust dynamically based on the funded status of each sub-account within each trust. The current weighted average targets shown below represent the aggregate of all targets for all sub-accounts within all trusts.

Entergy's qualified pension and postretirement weighted-average asset allocations by asset category at December 31, 2021 and 2020 and the target asset allocation and ranges for 2021 are as follows:

<b>Pension Asset Allocation</b>	<b>Target</b>	<b>Range</b>			<b>Actual 2021</b>	<b>Actual 2020</b>
Domestic Equity Securities	39%	32%	to	46%	40%	38%
International Equity Securities	19%	15%	to	23%	20%	19%
Fixed Income Securities	42%	39%	to	45%	40%	42%
Other	0%	0%	to	10%	0%	1%

  

<b>Postretirement Asset Allocation</b>	<b>Non-Taxable and Taxable</b>					
	<b>Target</b>	<b>Range</b>			<b>Actual 2021</b>	<b>Actual 2020</b>
Domestic Equity Securities	25%	20%	to	30%	28%	29%
International Equity Securities	17%	12%	to	22%	17%	18%
Fixed Income Securities	58%	53%	to	63%	55%	53%
Other	0%	0%	to	5%	0%	0%

In determining its expected long-term rate of return on plan assets used in the calculation of benefit plan costs, Entergy reviews past performance, current and expected future asset allocations, and capital market assumptions of its investment consultant and some investment managers.

The expected long-term rate of return for the qualified pension plans' assets is based primarily on the geometric average of the historical annual performance of a representative portfolio weighted by the target asset allocation defined in the table above, along with other indications of expected return on assets. The time period reflected is a long-dated period spanning several decades.

The expected long-term rate of return for the non-taxable postretirement trust assets is determined using the same methodology described above for pension assets, but the aggregate asset allocation specific to the non-taxable postretirement assets is used.

For the taxable postretirement trust assets, the investment allocation includes tax-exempt fixed income securities. This asset allocation, in combination with the same methodology employed to determine the expected return for other postretirement assets (as described above), and with a modification to reflect applicable taxes, is used to produce the expected long-term rate of return for taxable postretirement trust assets.

## Concentrations of Credit Risk

Entergy's investment guidelines mandate the avoidance of risk concentrations. Types of concentrations specified to be avoided include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country, geographic area and individual security issuance. As of December 31, 2021, all investment managers and assets were materially in compliance with the approved investment guidelines, therefore there were no significant concentrations (defined as greater than 10 percent of plan assets) of credit risk in Entergy's pension and other postretirement benefit plan assets.

## Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 - Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by an independent party that uses inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden if it is believed such would be more reflective of fair value. Level 2 inputs include the following:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability; or
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Level 3 refers to securities valued based on significant unobservable inputs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth by level within the fair value hierarchy, measured at fair value on a recurring basis at December 31, 2021, and December 31, 2020, a summary of the investments held in the master trusts for Entergy's qualified pension and other postretirement plans in which the Registrant Subsidiaries participate.

**Qualified Defined Benefit Pension Plan Trusts**

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		(In Thousands)		
<b>Equity securities:</b>				
Corporate stocks:				
Preferred	\$16,231 (b)	\$—	\$—	\$16,231
Common	1,001,169 (b)	—	—	1,001,169
Common collective trusts (c)				3,123,111
<b>Fixed income securities:</b>				
U.S. Government securities	—	627,148 (a)	—	627,148
Corporate debt instruments	—	966,616 (a)	—	966,616
Registered investment companies (e)	92,347 (d)	3,004 (d)	—	1,129,070
Other	—	68,886 (f)	—	68,886
<b>Other:</b>				
Insurance company general account (unallocated contracts)	—	5,961 (g)	—	5,961
<b>Total investments</b>	<u>\$1,109,747</u>	<u>\$1,671,615</u>	<u>\$—</u>	<u>\$6,938,192</u>
Cash				123,153
Other pending transactions				11,125
Less: Other postretirement assets included in total investments				(79,360)
<b>Total fair value of qualified pension assets</b>				<u>\$6,993,110</u>

2020	Level 1	Level 2	Level 3	Total
		(In Thousands)		
<b>Equity securities:</b>				
Corporate stocks:				
Preferred	\$15,756 (b)	\$—	\$—	\$15,756
Common	1,031,213 (b)	—	—	1,031,213
Common collective trusts (c)				2,958,767
<b>Fixed income securities:</b>				
U.S. Government securities	—	731,319 (a)	—	731,319
Corporate debt instruments	—	1,029,370 (a)	—	1,029,370
Registered investment companies (e)	81,800 (d)	3,076 (d)	—	1,128,107
Other	156 (f)	56,323 (f)	—	56,479
<b>Other:</b>				
Insurance company general account (unallocated contracts)	—	6,253 (g)	—	6,253
<b>Total investments</b>	<u>\$1,128,925</u>	<u>\$1,826,341</u>	<u>\$—</u>	<u>\$6,957,264</u>
Cash				2,316
Other pending transactions				(29,121)
Less: Other postretirement assets included in total investments				(76,033)
<b>Total fair value of qualified pension assets</b>				<u>\$6,854,426</u>

**Other Postretirement Trusts**

2021	Level 1	Level 2	Level 3	Total
		(In Thousands)		
<b>Equity securities:</b>				
Common collective trust (c)				\$312,594
<b>Fixed income securities:</b>				
U.S. Government securities	62,240 (b)	89,951 (a)	—	152,191
Corporate debt instruments	—	152,562 (a)	—	152,562
Registered investment companies	28,450 (d)	—	—	28,450
Other	—	72,059 (f)	—	72,059
<b>Total investments</b>	<u>\$90,690</u>	<u>\$314,572</u>	<u>\$—</u>	<u>\$717,856</u>
Other pending transactions				(25,897)
Plus: Other postretirement assets included in the investments of the qualified pension trust				79,360
<b>Total fair value of other postretirement assets</b>				<u>\$771,319</u>

2020	Level 1	Level 2	Level 3	Total
		(In Thousands)		
<b>Equity securities:</b>				
Common collective trust (c)				\$315,191
<b>Fixed income securities:</b>				
U.S. Government securities	46,498 (b)	97,604 (a)	—	144,102
Corporate debt instruments	—	147,287 (a)	—	147,287
Registered investment companies	16,965 (d)	—	—	16,965
Other	—	60,219 (f)	—	60,219
<b>Total investments</b>	<u>\$63,463</u>	<u>\$305,110</u>	<u>\$—</u>	<u>\$683,764</u>
Other pending transactions				(21,931)
Plus: Other postretirement assets included in the investments of the qualified pension trust				76,033
<b>Total fair value of other postretirement assets</b>				<u>\$737,866</u>

- (a) Certain fixed income debt securities (corporate, government, and securitized) are stated at fair value as determined by broker quotes.
- (b) Common stocks, certain preferred stocks, and certain fixed income debt securities (government) are stated at fair value determined by quoted market prices.
- (c) The common collective trusts hold investments in accordance with stated objectives. The investment strategy of the trusts is to capture the growth potential of equity markets by replicating the performance of a specified index. Net asset value per share of common collective trusts estimate fair value. Common collective trusts are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table, but are included in the total.
- (d) Registered investment companies are money market mutual funds with a stable net asset value of one dollar per share. Registered investment companies may hold investments in domestic and international bond markets or domestic equities and estimate fair value using net asset value per share.
- (e) Certain of these registered investment companies are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table, but are included in the total.
- (f) The other remaining assets are U.S. municipal and foreign government bonds stated at fair value as determined by broker quotes and quoted market values.
- (g) The unallocated insurance contract investments are recorded at contract value, which approximates fair value. The contract value represents contributions made under the contract, plus interest, less funds used to pay benefits and contract expenses, and less distributions to the master trust.

### Estimated Future Benefit Payments

Based upon the assumptions used to measure Entergy's qualified pension and other postretirement benefit obligations at December 31, 2021, and including pension and other postretirement benefits attributable to estimated future employee service, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for Entergy Corporation and its subsidiaries will be as follows:

	<b>Estimated Future Benefits Payments</b>			<b>Estimated Future Medicare D Subsidy Receipts</b>
	<b>Qualified Pension</b>	<b>Non-Qualified Pension</b>	<b>Other Postretirement (before Medicare Subsidy)</b>	
	(In Thousands)			
Year(s)				
2022	\$550,204	\$26,336	\$72,400	\$70
2023	\$542,753	\$24,710	\$72,220	\$27
2024	\$549,913	\$21,230	\$71,506	\$34
2025	\$530,406	\$36,210	\$70,148	\$34
2026	\$525,278	\$14,377	\$68,744	\$39
2027 - 2031	\$2,527,735	\$52,967	\$328,634	\$222

Based upon the same assumptions, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for the Registrant Subsidiaries for their employees will be as follows:

<b>Estimated Future Qualified Pension Benefits Payments</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
	(In Thousands)					
Year(s)						
2022	\$107,542	\$120,365	\$33,459	\$13,992	\$31,134	\$26,953
2023	\$104,328	\$118,289	\$33,055	\$13,677	\$30,381	\$25,985
2024	\$104,606	\$117,416	\$32,711	\$13,333	\$28,661	\$26,155
2025	\$102,411	\$116,610	\$31,838	\$13,146	\$26,807	\$25,203
2026	\$101,144	\$114,232	\$31,708	\$12,875	\$26,983	\$24,939
2027 - 2031	\$487,637	\$534,665	\$143,052	\$58,299	\$114,747	\$123,220

<b>Estimated Future Non-Qualified Pension Benefits Payments</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
Year(s)					
2022	\$248	\$186	\$190	\$31	\$3,080
2023	\$383	\$172	\$422	\$82	\$441
2024	\$324	\$159	\$504	\$104	\$420
2025	\$689	\$146	\$486	\$135	\$398
2026	\$143	\$133	\$412	\$128	\$428
2027 - 2031	\$878	\$503	\$1,927	\$782	\$1,677

<b>Estimated Future Other Postretirement Benefits Payments (before Medicare Part D Subsidy)</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Year(s)						
2022	\$14,228	\$15,845	\$3,488	\$2,449	\$5,061	\$2,828
2023	\$13,652	\$15,766	\$3,550	\$2,378	\$4,998	\$2,774
2024	\$13,392	\$15,404	\$3,597	\$2,288	\$4,824	\$2,668
2025	\$13,021	\$15,182	\$3,657	\$2,200	\$4,686	\$2,617
2026	\$12,717	\$14,868	\$3,645	\$2,096	\$4,458	\$2,511
2027 - 2031	\$61,153	\$70,094	\$18,095	\$9,058	\$20,932	\$12,474

<b>Estimated Future Medicare Part D Subsidy</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Year(s)						
2022	\$35	\$6	\$14	\$—	\$—	\$1
2023	\$3	\$5	\$15	\$—	\$—	\$1
2024	\$4	\$7	\$16	\$—	\$—	\$1
2025	\$4	\$8	\$17	\$—	\$—	\$—
2026	\$5	\$7	\$18	\$1	\$—	\$1
2027 - 2031	\$27	\$51	\$104	\$—	\$—	\$4

### **Contributions**

Entergy currently expects to contribute approximately \$200 million to its qualified pension plans and approximately \$42.8 million to other postretirement plans in 2022. The expected 2022 pension and other postretirement plan contributions of the Registrant Subsidiaries for their employees are shown below. The 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

The Registrant Subsidiaries expect to contribute approximately the following to the qualified pension and other postretirement plans for their employees in 2022:

	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>	<b>System Energy</b>
(In Thousands)						
Pension Contributions	\$40,840	\$22,917	\$12,852	\$922	\$1,924	\$12,760
Other Postretirement Contributions	\$517	\$15,845	\$130	\$175	\$66	\$22



## Actuarial Assumptions

The significant actuarial assumptions used in determining the pension PBO and the other postretirement benefit APBO as of December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Weighted-average discount rate:		
Qualified pension	2.99% - 3.08% Blended 3.05%	2.60% - 2.83% Blended 2.77%
Other postretirement	2.94%	2.62%
Non-qualified pension	2.11%	1.61%
Weighted-average rate of increase in future compensation levels	3.98% - 4.40%	3.98% - 4.40%
Interest crediting rate	2.60%	2.60%
Assumed health care trend rate:		
Pre-65	5.65%	5.87%
Post-65	5.90%	6.31%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond:		
Pre-65	2032	2030
Post-65	2032	2028

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2021, 2020, and 2019 were as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Weighted-average discount rate:			
Qualified pension:			
Service cost	2.81%	3.42%	4.57%
Interest cost	2.08%	2.99%	4.15%
Other postretirement:			
Service cost	2.98%	3.27%	4.62%
Interest cost	1.86%	2.41%	4.01%
Non-qualified pension:			
Service cost	1.48%	2.71%	3.94%
Interest cost	2.14%	2.25%	3.46%
Weighted-average rate of increase in future compensation levels	3.98% - 4.40%	3.98% - 4.40%	3.98%
Expected long-term rate of return on plan assets:			
Pension assets	6.75%	7.00%	7.25%
Other postretirement non-taxable assets	6.00% - 6.75%	6.25% - 7.25%	6.50% - 7.50%
Other postretirement taxable assets	5.00%	5.25%	5.50%
Assumed health care trend rate:			
Pre-65	5.87%	6.13%	6.59%
Post-65	6.31%	6.25%	7.15%
Ultimate rate	4.75%	4.75%	4.75%
Year ultimate rate is reached and beyond:			
Pre-65	2030	2027	2027
Post-65	2028	2027	2026

With respect to the mortality assumptions, Entergy used the Pri-2012 Employee and Healthy Annuitant Tables with a fully generational MP-2020 projection scale, in determining its December 31, 2021 and 2020 pension plans' PBOs and the Pri.H 2012 (headcount weighted) Employee and Healthy Annuitant Tables with a fully generational MP-2020 projection scale, in determining its December 31, 2021 and 2020 other postretirement benefit APBO.

### **Defined Contribution Plans**

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (System Savings Plan). The System Savings Plan is a defined contribution plan covering eligible employees of Entergy and certain of its subsidiaries. The participating Entergy subsidiary makes matching contributions to the System Savings Plan for all eligible participating employees in an amount equal to either 70% or 100% of the participants' basic contributions, up to 6% of their eligible earnings per pay period. The matching contribution is allocated to investments as directed by the employee.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries VI (established in April 2007) and the Savings Plan of Entergy Corporation and Subsidiaries VII (established in April 2007) to which matching contributions are also made. The plans are defined contribution plans that cover eligible employees, as defined by each plan, of Entergy and certain of its subsidiaries.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries VIII (established January 2021) and the Savings Plan of Entergy Corporation and Subsidiaries IX (established January 2021) to which company contributions are made. The participating Entergy subsidiary makes matching contributions to these defined contribution plans for all eligible participating employees in an amount equal to 100% of the participants' basic contributions, up to 5% of their eligible earnings per pay period. Eligible participants may also receive a discretionary annual company contribution up to 4% of the participant's eligible earnings (subject to vesting).

Entergy's subsidiaries' contributions to defined contribution plans collectively were \$62.3 million in 2021, \$63.1 million in 2020, and \$57.6 million in 2019. The majority of the contributions were to the System Savings Plan.

The Registrant Subsidiaries' 2021, 2020, and 2019 contributions to defined contribution plans for their employees were as follows:

<b>Year</b>	<b>Entergy Arkansas</b>	<b>Entergy Louisiana</b>	<b>Entergy Mississippi</b>	<b>Entergy New Orleans</b>	<b>Entergy Texas</b>
	(In Thousands)				
2021	\$4,820	\$6,678	\$3,045	\$1,140	\$2,699
2020	\$4,515	\$6,518	\$2,863	\$1,115	\$2,596
2019	\$4,111	\$5,641	\$2,424	\$882	\$2,136

### **NOTE 12. STOCK-BASED COMPENSATION (Entergy Corporation)**

Entergy grants stock options, restricted stock, performance units, and restricted stock units to key employees of the Entergy subsidiaries under its equity plans which are shareholder-approved stock-based compensation plans. Effective May 3, 2019, Entergy's shareholders approved the 2019 Omnibus Incentive Plan (2019 Plan). The maximum number of common shares that can be issued from the 2019 Plan for stock-based awards is 7,300,000 all of which are available for incentive stock option grants. The 2019 Plan applies to awards granted on or after May 3, 2019 and awards expire ten years from the date of grant. As of December 31, 2021, there were 4,711,095 authorized shares remaining for stock-based awards.

## Stock Options

Stock options are granted at exercise prices that equal the closing market price of Entergy Corporation common stock on the date of grant. Generally, stock options granted will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Unless they are forfeited previously under the terms of the grant, options expire 10 years after the date of the grant if they are not exercised.

The following table includes financial information for stock options for each of the years presented:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$4.2	\$3.9	\$3.8
Tax benefit recognized in Entergy's consolidated net income	\$1.1	\$1.0	\$1.0
Compensation cost capitalized as part of fixed assets and inventory	\$1.5	\$1.5	\$1.4

Entergy determines the fair value of the stock option grants by considering factors such as lack of marketability, stock retention requirements, and regulatory restrictions on exercisability in accordance with accounting standards. The stock option weighted-average assumptions used in determining the fair values are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Stock price volatility	23.93%	17.16%	17.23%
Expected term in years	6.93	7.04	7.32
Risk-free interest rate	0.74%	1.49%	2.50%
Dividend yield	4.00%	4.00%	4.50%
Dividend payment per share	\$3.86	\$3.74	\$3.66

Stock price volatility is calculated based upon the daily public stock price volatility of Entergy Corporation common stock over a period equal to the expected term of the award. The expected term of the options is based upon historical option exercises and the weighted average life of options when exercised and the estimated weighted average life of all vested but unexercised options. In 2008, Entergy implemented stock ownership guidelines for its senior executive officers. These guidelines require an executive officer to own shares of Entergy Corporation common stock equal to a specified multiple of his or her salary. Until an executive officer achieves this ownership position the executive officer is required to retain 75% of the net-of-tax net profit upon exercise of the option to be held in Entergy Corporation common stock. The reduction in fair value of the stock options due to this restriction is based upon an estimate of the call option value of the reinvested gain discounted to present value over the applicable reinvestment period.

A summary of stock option activity for the year ended December 31, 2021 and changes during the year are presented below:

	Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value	Weighted- Average Contractual Life
Options outstanding as of January 1, 2021	2,399,379	\$89.63		
Options granted	508,704	\$95.87		
Options exercised	(72,138)	\$80.54		
Options forfeited/expired	(16,301)	\$117.89		
Options outstanding as of December 31, 2021	<u>2,819,644</u>	\$90.82	\$71,110,949	6.34 years
Options exercisable as of December 31, 2021	<u>1,788,702</u>	\$81.91	\$58,164,228	5.16 years
Weighted-average grant-date fair value of options granted during 2021	\$12.27			

The weighted-average grant-date fair value of options granted during the year was \$11.45 for 2020 and \$8.32 for 2019. The total intrinsic value of stock options exercised was \$2 million during 2021, \$26 million during 2020, and \$29 million during 2019. The intrinsic value, which has no effect on net income, of the outstanding stock options exercised is calculated by the positive difference between the weighted average exercise price of the stock options granted and Entergy Corporation's common stock price as of December 31, 2021. The aggregate intrinsic value of the stock options outstanding as of December 31, 2021 was \$71.1 million. Stock options outstanding as of December 31, 2021 includes 501,316 out of the money options with an intrinsic value of zero. Entergy recognizes compensation cost over the vesting period of the options based on their grant-date fair value. The total fair value of options that vested was approximately \$5 million during 2021, \$5 million during 2020, and \$5 million during 2019. Cash received from option exercises was \$6 million for the year ended December 31, 2021. The tax benefits realized from options exercised was \$0.5 million for the year ended December 31, 2021.

The following table summarizes information about stock options outstanding as of December 31, 2021:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	As of December 31, 2021	Weighted-Average Remaining Contractual Life- Yrs.	Weighted Average Exercise Price	Number Exercisable as of December 31, 2021	Weighted Average Exercise Price
\$51 - \$64.99	240,200	1.72	\$63.69	240,200	\$63.69
\$65 - \$78.99	915,839	5.19	\$73.80	915,839	\$73.80
\$79 - \$91.99	653,585	6.21	\$89.35	465,577	\$89.41
\$92 - \$131.72	<u>1,010,020</u>	8.58	\$113.66	<u>167,086</u>	\$131.72
\$51 - \$131.72	<u><u>2,819,644</u></u>	6.34	\$90.82	<u><u>1,788,702</u></u>	\$81.91

Stock-based compensation cost related to non-vested stock options outstanding as of December 31, 2021 not yet recognized is approximately \$7 million and is expected to be recognized over a weighted-average period of 1.72 years.

### **Restricted Stock Awards**

Entergy grants restricted stock awards earned under its stock benefit plans in the form of stock units. One-third of the restricted stock awards will vest upon each anniversary of the grant date and are expensed ratably over

the three-year vesting period. Shares of restricted stock have the same dividend and voting rights as other common stock and are considered issued and outstanding shares of Entergy upon vesting. In January 2021 the Board approved and Entergy granted 392,383 restricted stock awards under the 2019 Plan. The restricted stock awards were made effective on January 28, 2021 and were valued at \$95.87 per share, which was the closing price of Entergy Corporation's common stock on that date.

The following table includes information about the restricted stock awards outstanding as of December 31, 2021:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2021	648,498	\$107.89
Granted	419,095	\$96.45
Vested	(323,698)	\$99.28
Forfeited	(58,540)	\$108.57
Outstanding shares at December 31, 2021	685,355	\$104.91

The following table includes financial information for restricted stock for each of the years presented:

	2021	2020	2019
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$24.7	\$23.1	\$20.2
Tax benefit recognized in Entergy's consolidated net income	\$6.3	\$5.9	\$5.1
Compensation cost capitalized as part of fixed assets and inventory	\$9.3	\$8.5	\$7.1

The total fair value of the restricted stock awards granted was \$40 million, \$44 million, and \$34 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The total fair value of the restricted stock awards vested was \$32 million, \$27 million, and \$25 million for the years ended December 31, 2021, 2020, and 2019, respectively.

### **Long-Term Performance Unit Program**

Entergy grants long-term incentive awards earned under its stock benefit plans in the form of performance units, which represents the value of, and are settled with, one share of Entergy Corporation common stock at the end of the three-year performance period, plus dividends accrued during the performance period on the number of performance units earned. The Long-Term Performance Unit Program specifies a minimum, target, and maximum achievement level, the achievement of which will determine the number of performance units that may be earned. Entergy measures performance by assessing Entergy's total shareholder return relative to the total shareholder return of the companies in the Philadelphia Utility Index. To emphasize the importance of strong cash generation for the long-term health of its business, Entergy Corporation replaced the cumulative adjusted earnings per share metric with a credit measure – adjusted funds from operations/debt ratio for the 2021-2023 performance period. For the 2021-2023 performance period, performance will be measured based eighty percent on relative total shareholder return and twenty percent on the credit metric.

In January 2021 the Board approved and Entergy granted 203,983 performance units under the 2019 Plan. The performance units were granted on January 28, 2021, and eighty percent were valued at \$110.74 per share based on various factors, primarily market conditions; and twenty percent were valued at \$95.87 per share, the closing price of Entergy Corporation's common stock on that date. Performance units have the same dividend and voting rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are

expensed ratably over the 3-year vesting period, and compensation cost for the portion of the award based on cumulative adjusted earnings per share will be adjusted based on the number of units that ultimately vest.

The following table includes information about the long-term performance units outstanding at the target level as of December 31, 2021:

	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value Per Share</b>
Outstanding shares at January 1, 2021	475,765	\$110.82
Granted	303,092	\$104.02
Vested	(235,983)	\$82.42
Forfeited	(21,038)	\$122.87
Outstanding shares at December 31, 2021	521,836	\$119.23

The following table includes financial information for the long-term performance units for each of the years presented:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$14.5	\$12.6	\$11.1
Tax benefit recognized in Entergy's consolidated net income	\$3.7	\$3.2	\$2.8
Compensation cost capitalized as part of fixed assets and inventory	\$5.8	\$4.9	\$4.0

The total fair value of the long-term performance units granted was \$32 million, \$40 million, and \$23 million for the years ended December 31, 2021, 2020, and 2019, respectively.

In January 2021, Entergy issued 235,983 shares of Entergy Corporation common stock at a share price of \$95.12 for awards earned and dividends accrued under the 2018-2020 Long-Term Performance Unit Program. In January 2020, Entergy issued 423,184 shares of Entergy Corporation common stock at a share price of \$126.31 for awards earned and dividends accrued under the 2017-2019 Long-Term Performance Unit Program. In January 2019, Entergy issued 226,208 shares of Entergy Corporation common stock at a share price of \$86.03 for awards earned and dividends accrued under the 2016-2018 Long-Term Performance Unit Program.

### **Restricted Stock Unit Awards**

Entergy grants restricted stock unit awards earned under its stock benefit plans in the form of stock units that are subject to time-based restrictions. The restricted stock units may be settled in shares of Entergy Corporation common stock or the cash value of shares of Entergy Corporation common stock at the time of vesting. The costs of restricted stock unit awards are charged to income over the restricted period, which varies from grant to grant. The average vesting period for restricted stock unit awards granted is 35 months. As of December 31, 2021, there were 88,648 unvested restricted stock units that are expected to vest over an average period of 18 months.

The following table includes information about the restricted stock unit awards outstanding as of December 31, 2021:

	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value Per Share</u>
Outstanding shares at January 1, 2021	86,175	\$92.92
Granted	39,478	\$105.06
Vested	(37,005)	\$90.89
Outstanding shares at December 31, 2021	<u>88,648</u>	<u>\$99.18</u>

The following table includes financial information for restricted stock unit awards for each of the years presented:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In Millions)		
Compensation expense included in Entergy's consolidated net income	\$1.9	\$2.0	\$2.2
Tax benefit recognized in Entergy's consolidated net income	\$0.5	\$0.5	\$0.6
Compensation cost capitalized as part of fixed assets and inventory	\$0.7	\$0.9	\$0.9

The total fair value of the restricted stock unit awards granted was \$4 million, \$2 million, and \$3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The total fair value of the restricted stock unit awards vested was \$3 million, \$4 million, and \$5.9 million for the years ended December 31, 2021, 2020, and 2019, respectively.

**NOTE 13. BUSINESS SEGMENT INFORMATION (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

Entergy's reportable segments as of December 31, 2021 were Utility and Entergy Wholesale Commodities. Utility includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and natural gas utility service in portions of Louisiana. Entergy Wholesale Commodities includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also includes the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity.

Entergy's segment financial information was as follows:

2021	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	\$11,044,674	\$698,164	\$87	(\$29)	\$11,742,896
Asset write-offs, impairments, and related charges	\$—	\$263,625	\$—	\$—	\$263,625
Depreciation, amortization, & decommissioning	\$1,823,389	\$164,602	\$2,706	\$—	\$1,990,697
Interest and investment income	\$442,817	\$118,597	\$10,932	(\$141,880)	\$430,466
Interest expense	\$692,004	\$13,334	\$143,614	(\$14,258)	\$834,694
Income taxes	\$264,209	(\$25,381)	(\$47,454)	\$—	\$191,374
Consolidated net income (loss)	\$1,488,487	(\$120,689)	(\$121,457)	(\$127,622)	\$1,118,719
Total assets	\$59,733,625	\$1,242,675	\$561,168	(\$2,083,226)	\$59,454,242
Cash paid for long-lived asset additions	\$6,409,855	\$12,100	\$157	\$—	\$6,422,112
2020	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	\$9,170,714	\$942,869	\$78	(\$25)	\$10,113,636
Asset write-offs, impairments, and related charges	\$—	\$26,623	\$—	\$—	\$26,623
Depreciation, amortization, & decommissioning	\$1,685,138	\$306,974	\$2,835	\$—	\$1,994,947
Interest and investment income	\$299,004	\$234,194	\$19,563	(\$159,943)	\$392,818
Interest expense	\$648,851	\$22,432	\$146,730	(\$32,350)	\$785,663
Income taxes	(\$282,311)	\$104,937	\$55,868	\$—	(\$121,506)
Consolidated net income (loss)	\$1,816,354	(\$62,763)	(\$219,344)	(\$127,594)	\$1,406,653
Total assets	\$55,940,153	\$3,800,378	\$552,632	(\$2,053,951)	\$58,239,212
Cash paid for long-lived asset additions	\$5,102,322	\$54,455	\$84	\$—	\$5,156,861
2019	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	\$9,583,985	\$1,294,719	\$21	(\$52)	\$10,878,673
Asset write-offs, impairments, and related charges	\$—	\$290,027	\$—	\$—	\$290,027
Depreciation, amortization, & decommissioning	\$1,493,167	\$384,707	\$2,944	\$—	\$1,880,818
Interest and investment income	\$289,570	\$414,636	\$26,295	(\$182,589)	\$547,912
Interest expense	\$589,395	\$29,450	\$178,575	(\$54,995)	\$742,425
Income taxes	\$19,634	(\$161,295)	(\$28,164)	\$—	(\$169,825)
Consolidated net income (loss)	\$1,425,643	\$148,870	(\$188,675)	(\$127,594)	\$1,258,244
Total assets	\$49,557,664	\$4,154,961	\$514,020	(\$2,502,733)	\$51,723,912
Cash paid for long-lived asset additions	\$4,527,045	\$104,300	\$160	\$—	\$4,631,505



The Entergy Wholesale Commodities business is sometimes referred to as the “competitive businesses.” Eliminations are primarily intersegment activity. Almost all of Entergy’s goodwill is related to the Utility segment.

Results of operations for 2021 include a charge of \$340 million (\$268 million net-of-tax) as a result of the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements for further discussion of the sale of the Indian Point Energy Center.

Results of operations for 2020 include resolution of the 2014-2015 IRS audit, which resulted in a reduction in deferred income tax expense of \$230 million that includes a \$396 million reduction in deferred income tax expense at Utility related to the basis of assets contributed in the 2015 Entergy Louisiana and Entergy Gulf States Louisiana business combination, including the recognition of previously uncertain tax positions, and deferred income tax expense of \$105 million at Entergy Wholesale Commodities and \$61 million at Parent and Other resulting from the revaluation of net operating losses as a result of the release of the reserves. See Note 3 to the financial statements for further discussion of the IRS audit resolution.

Results of operations for 2019 include: 1) a loss of \$190 million (\$156 million net-of-tax) as a result of the sale of the Pilgrim plant in August 2019; 2) a \$156 million reduction in income tax expense recognized by Entergy Wholesale Commodities as a result of an internal restructuring; and 3) impairment charges of \$100 million (\$79 million net-of-tax) due to costs being charged directly to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants’ long-lived assets due to the significantly reduced remaining estimated operating lives associated with management’s strategy to exit the Entergy Wholesale Commodities’ merchant power business. See Note 3 to the financial statements for further discussion of the internal restructuring. See Note 14 to the financial statements for further discussion of the sale of the Pilgrim plant.

### **Entergy Wholesale Commodities**

In January 2019, Entergy sold the Vermont Yankee plant, which it had previously shut down, to NorthStar. In August 2019, Entergy sold the Pilgrim plant, which it had previously shut down, to Holtec. In May 2021, Entergy sold Indian Point 1, Indian Point 2, and Indian Point 3 to Holtec. Entergy has also announced plans to shut down Palisades in May 2022 and has a purchase and sale agreement with Holtec expected to close after the plant is shut down. Management expects these transactions to result in the cessation of merchant power generation at all Entergy Wholesale Commodities nuclear power plants owned and operated by Entergy by 2022. Entergy will continue to have the obligation to decommission the Palisades plant pending its sale to Holtec.

The decisions to shut down these plants and the related transactions resulted in asset impairments; employee retention and severance expenses and other benefits-related costs; and contracted economic development contributions. The employee retention and severance expenses and other benefits-related costs and contracted economic development contributions are included in "Other operation and maintenance" in the consolidated income statements.

Total restructuring charges in 2021, 2020, and 2019 were comprised of the following:

	<b>Employee retention and severance expenses and other benefits-related costs</b>	<b>Contracted economic development costs</b>	<b>Total</b>
	(In Millions)		
Balance as of December 31, 2018	\$179	\$14	\$193
Restructuring costs accrued	91	—	91
Cash paid out	141	—	141
Balance as of December 31, 2019	\$129	\$14	\$143
Restructuring costs accrued	71	—	71
Cash paid out	55	—	55
Balance as of December 31, 2020	\$145	\$14	\$159
Restructuring costs accrued	12	1	13
Cash paid out	120	15	135
Balance as of December 31, 2021	<u>\$37</u>	<u>\$—</u>	<u>\$37</u>

In addition, Entergy Wholesale Commodities incurred \$264 million in 2021, \$19 million in 2020, and \$290 million in 2019 of impairment, loss on sales, and other related charges associated with these strategic decisions and transactions. See Note 14 to the financial statements for further discussion of these impairment charges.

Going forward, Entergy Wholesale Commodities expects to incur employee retention and severance expenses of approximately \$5 million in 2022 associated with these strategic transactions.

### **Geographic Areas**

For the years ended December 31, 2021, 2020, and 2019, the amount of revenue Entergy derived from outside of the United States was insignificant. As of December 31, 2021 and 2020, Entergy had no long-lived assets located outside of the United States.

### **Registrant Subsidiaries**

Each of the Registrant Subsidiaries has one reportable segment, which is an integrated utility business, except for System Energy, which is an electricity generation business. Each of the Registrant Subsidiaries' operations is managed on an integrated basis by that company because of the substantial effect of cost-based rates and regulatory oversight on the business process, cost structures, and operating results.

### **NOTE 14. ACQUISITIONS, DISPOSITIONS, AND IMPAIRMENT OF LONG-LIVED ASSETS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas)**

#### **Acquisitions**

##### **Searcy Solar Facility**

In March 2019, Entergy Arkansas entered into a build-own-transfer agreement for the purchase of an approximately 100 MW solar energy facility to be sited on approximately 800 acres in White County near Searcy, Arkansas. The project, Searcy Solar facility, was being constructed by a subsidiary of NextEra Energy Resources. In April 2020 the APSC issued an order approving Entergy Arkansas's acquisition of the Searcy Solar facility as

being in the public interest. In May 2021, Entergy Arkansas filed with the APSC an application seeking to amend its certificate for the Searcy Solar facility to allow for the use of a tax equity partnership to acquire and own the facility. The tax equity partnership structure is expected to reduce costs and yield incremental net benefits to customers beyond those expected under the build-own-transfer structure alone. The APSC approved Entergy Arkansas's tax equity partnership request in September 2021. AR Searcy Partnership, LLC was formed for the tax equity partnership with Entergy Arkansas as its managing member. In November 2021 both Entergy Arkansas and the tax equity investor made capital contributions to the tax equity partnership that were then used to acquire the facility. Upon substantial completion of the facility in December 2021, the tax equity partnership completed the purchase of the Searcy Solar facility. The purchase price for the Searcy Solar facility was approximately \$133 million, which includes a final payment of approximately \$1 million to be made in 2022. See Note 1 to the financial statements for further discussion of the HLBV method of accounting used to account for the investment in AR Searcy Partnership, LLC.

### **Hardin County Peaking Facility**

In June 2021, Entergy Texas purchased the Hardin County Peaking Facility, an existing 147 MW simple-cycle gas-fired peaking power plant in Kountze, Texas, from East Texas Electric Cooperative, Inc. In addition, also in June 2021, Entergy Texas sold a 7.56% partial interest in the Montgomery County Power Station to East Texas Electric Cooperative, Inc. for approximately \$68 million. The two interdependent transactions were approved by the PUCT in April 2021. The purchase price for the Hardin County Peaking Facility was approximately \$37 million.

### **Washington Parish Energy Center**

In April 2017, Entergy Louisiana entered into an agreement with a subsidiary of Calpine Corporation for the construction and purchase of Washington Parish Energy Center, which consists of two natural gas-fired combustion turbine units with a total nominal capacity of approximately 361 MW. In November 2020, Entergy Louisiana completed the purchase, as approved by the LPSC, of the Washington Parish Energy Center. The total investment including transmission and other related costs, is approximately \$261 million, including a payment of \$222 million to purchase the plant.

### **Choctaw Generating Station**

In October 2019, Entergy Mississippi purchased the Choctaw Generating Station, an 810 MW natural gas fired combined-cycle turbine plant located near French Camp, Mississippi, from a subsidiary of GenOn Energy Inc. The purchase price for the Choctaw Generating Station was approximately \$305 million.

### **Dispositions**

#### **Indian Point Energy Center**

In April 2019, Entergy entered into an agreement to sell, directly or indirectly, 100% of the equity interests in the subsidiaries that own Indian Point 1, Indian Point 2, and Indian Point 3, after Indian Point 3 had been shut down and defueled, to a Holtec International subsidiary. In November 2020 the NRC approved the sale of the plant to Holtec. Indian Point 3 was shut down in April 2021 and defueled in May 2021. In May 2021 the New York State Public Service Commission approved the sale of the plant to Holtec. The transaction closed in May 2021. The sale included the transfer of the licenses, spent fuel, decommissioning liabilities, and nuclear decommissioning trusts for the three units. The transaction resulted in a charge of \$340 million (\$268 million net-of-tax) in the second quarter of 2021. The disposition-date fair value of the nuclear decommissioning trust funds was approximately \$2,387 million and the disposition-date fair value of the asset retirement obligations was \$1,996 million. The transaction also included materials and supplies and prepaid assets.

## Pilgrim

In July 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in Entergy Nuclear Generation Company, the owner of the Pilgrim plant. In August 2019 the NRC approved the sale of the plant to Holtec. The transaction closed in August 2019 for a purchase price of \$1,000 (subject to adjustments for net liabilities and other amounts). The sale included the transfer of the Pilgrim nuclear decommissioning trust and the asset retirement obligation for spent fuel management and plant decommissioning. The transaction resulted in a loss of \$190 million (\$156 million net-of-tax) in the third quarter 2019. The disposition-date fair value of the nuclear decommissioning trust fund was approximately \$1,030 million and the disposition-date fair value of the asset retirement obligation was \$837 million. The transaction also included property, plant, and equipment with a net book value of zero, materials and supplies, and prepaid assets.

## Vermont Yankee

In November 2016, Entergy entered into an agreement to sell 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. Entergy Nuclear Vermont Yankee was the owner of the Vermont Yankee plant. The sale of Entergy Nuclear Vermont Yankee to NorthStar included the transfer of the nuclear decommissioning trust fund and the asset retirement obligation for the spent fuel management and decommissioning of the plant.

In March 2018, Entergy and NorthStar entered into a settlement agreement and a Memorandum of Understanding with State of Vermont agencies and other interested parties that set forth the terms on which the agencies and parties support the Vermont Public Utility Commission's approval of the transaction. The agreements provide additional financial assurance for decommissioning, spent fuel management and site restoration, and detail the site restoration standards. In October 2018 the NRC issued an order approving the application to transfer Vermont Yankee's license to NorthStar for decommissioning. In December 2018 the Vermont Public Utility Commission issued an order approving the transaction consistent with the Memorandum of Understanding's terms. On January 11, 2019, Entergy and NorthStar closed the transaction.

Entergy Nuclear Vermont Yankee had an outstanding credit facility that was used to pay for dry fuel storage costs. This credit facility was guaranteed by Entergy Corporation. A subsidiary of Entergy assumed the obligations under the credit facility, which remains outstanding. At the closing of the sale transaction, NorthStar caused Entergy Nuclear Vermont Yankee, renamed NorthStar Vermont Yankee, to issue a \$139 million promissory note to the Entergy subsidiary that assumed the credit facility obligations. The amount of the note included the balance outstanding on the credit facility, as well as borrowing fees and costs incurred by Entergy in connection with the credit facility.

With the receipt of the NRC and Vermont Public Utility Commission approvals and the resolution among the parties of the significant conditions of the sale, Entergy concluded that as of December 31, 2018, Vermont Yankee was in held for sale status. Entergy accordingly evaluated the Vermont Yankee asset retirement obligation in light of the terms of the sale transaction and evaluated the remaining values of the Vermont Yankee assets. These evaluations resulted in an increase in the asset retirement obligation and \$173 million of asset impairment and related other charges in the fourth quarter 2018. Upon closing of the transaction in January 2019, the Vermont Yankee decommissioning trust, along with the decommissioning obligation for the plant, was transferred to NorthStar.

The Vermont Yankee spent fuel disposal contract was assigned to NorthStar as part of the transaction. The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter of 2019; accordingly, Entergy accrued a net tax expense of \$29 million on the disposition of Vermont Yankee. The transaction also resulted in other charges of \$5.4 million (\$4.2 million net-of-tax) in the first quarter 2019.

## **Impairment of Long-lived Assets**

### **2019, 2020, and 2021 Impairments**

Entergy continues to execute its strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet, with a planned shutdown of the only remaining operating plant, Palisades, by May 31, 2022. The other five Entergy Wholesale Commodities' nuclear plants, FitzPatrick, Vermont Yankee, Pilgrim, Indian Point 2, and Indian Point 3, have been sold. The FitzPatrick plant was classified as held-for-sale at December 31, 2016, and subsequently sold to Exelon in March 2017. The Vermont Yankee plant was classified as held-for-sale at December 31, 2018, and subsequently sold to NorthStar on January 11, 2019. The Pilgrim plant was sold to Holtec International on August 26, 2019. The Indian Point 2 and Indian Point 3 plants were sold to Holtec International on May 28, 2021.

Entergy Wholesale Commodities incurred \$7 million in 2021, \$19 million in 2020, and \$100 million in 2019 of impairment charges primarily related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets. These costs were charged to expense as incurred as a result of the impaired fair value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business.

With respect to Palisades, Entergy and Consumers Energy had agreed to amend the existing PPA so that it would terminate early, on May 31, 2018. In September 2017, however, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy continues to operate Palisades under the current PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades plant permanently no later than May 31, 2022. As a result of the change in expected operating life of the Palisades plant, the expected probability-weighted undiscounted net cash flows as of September 30, 2017 exceeded the carrying value of the plant and related assets. Accordingly, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets incurred at Palisades after September 30, 2017 are no longer charged to expense as incurred, but recorded as assets and depreciated or amortized, subject to the typical periodic impairment reviews prescribed in the accounting rules.

The impairments and other related charges are recorded as a separate line item in Entergy's consolidated statements of operations and are included within the results of the Entergy Wholesale Commodities segment. In addition to the impairments and other related charges, Entergy expects to incur additional charges through mid-2022 associated with these strategic transactions. See Note 13 to the financial statements for further discussion of these additional charges.

### **NOTE 15. RISK MANAGEMENT AND FAIR VALUES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

#### **Market Risk**

In the normal course of business, Entergy is exposed to a number of market risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular commodity or instrument. All financial and commodity-related instruments, including derivatives, are subject to market risk including commodity price risk, equity price, and interest rate risk. Entergy uses derivatives primarily to mitigate commodity price risk, particularly power price and fuel price risk.

The Utility has limited exposure to the effects of market risk because it operates primarily under cost-based rate regulation. To the extent approved by their retail regulators, the Utility operating companies use derivative instruments to hedge the exposure to price volatility inherent in their purchased power, fuel, and gas purchased for resale costs, that are recovered from customers.

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities entered into forward contracts with its customers and also sold energy and capacity in the day ahead or spot markets. In addition to its forward physical power and gas contracts, Entergy Wholesale Commodities used a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price fell, the combination of financial contracts was expected to settle in gains that offset lower revenue from generation, which resulted in a more predictable cash flow.

Consistent with management's strategy to shut down and sell all plants in the Entergy Wholesale Commodities merchant fleet, the Entergy Wholesale Commodities portfolio of derivative instruments expired in April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio.

Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Hedging instruments and volumes are chosen based on ability to mitigate risk associated with future energy and capacity prices; however, other considerations are factored into hedge product and volume decisions including corporate liquidity, corporate credit ratings, counterparty credit risk, hedging costs, firm settlement risk, and product availability in the marketplace. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

## **Derivatives**

Some derivative instruments are classified as cash flow hedges due to their financial settlement provisions while others are classified as normal purchase/normal sale transactions due to their physical settlement provisions. Normal purchase/normal sale risk management tools include power purchase and sales agreements, fuel purchase agreements, capacity contracts, and tolling agreements. Financially-settled cash flow hedges can include natural gas and electricity swaps and options. Entergy may enter into financially-settled swap and option contracts to manage market risk that may or may not be designated as hedging instruments.

Entergy entered into derivatives to manage natural risks inherent in its physical or financial assets or liabilities. Electricity over-the-counter instruments and futures contracts that financially settled against day-ahead power pool prices were used to manage price exposure for Entergy Wholesale Commodities generation. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 99% for 2022, all of which is sold under normal purchase/normal sale contracts. Total planned generation for 2022 is 2.8 TWh.

Entergy used standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitated the netting of cash flows associated with a single counterparty and may have included collateral requirements. Cash, letters of credit, and parental/affiliate guarantees were obtained as security from counterparties in order to mitigate credit risk. The collateral agreements required a counterparty to post cash or letters of credit in the event an exposure exceeded an established threshold. The threshold represented an unsecured credit limit, which may have been supported by a parental/affiliate guarantee, as determined in



accordance with Entergy's credit policy. In addition, collateral agreements allowed for termination and liquidation of all positions in the event of a failure or inability to post collateral.

Certain of the agreements to sell the power produced by Entergy Wholesale Commodities power plants contained provisions that required an Entergy subsidiary to provide credit support to secure its obligations depending on the mark-to-market values of the contracts. The primary form of credit support to satisfy these requirements was an Entergy Corporation guarantee. If the Entergy Corporation credit rating fell below investment grade, Entergy would have had to post collateral equal to the estimated outstanding liability under the contract at the applicable date. As of December 31, 2021, there were no outstanding derivative contracts held by Entergy Wholesale Commodities. As of December 31, 2021, \$8 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties. As of December 31, 2020, there were no derivative contracts with counterparties in a liability position. In addition to the corporate guarantee, \$5 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and \$39 million in letters of credit were required to be posted by its counterparties to the Entergy subsidiary.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Louisiana and Entergy New Orleans) and Entergy Mississippi through the purchase of natural gas swaps and options that financially settle against either the average Henry Hub Gas Daily prices or the NYMEX Henry Hub. These swaps and options are marked-to-market through fuel expense with offsetting regulatory assets or liabilities. All benefits or costs of the program are recorded in fuel costs. The notional volumes of these swaps are based on a portion of projected annual exposure to gas price volatility for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy New Orleans. The maximum length of time over which Entergy has executed natural gas swaps and options as of December 31, 2021 is 2.25 years for Entergy Louisiana and the maximum length of time over which Entergy has executed natural gas swaps as of December 31, 2021 is 10 months for Entergy Mississippi and 3 months for Entergy New Orleans. The total volume of natural gas swaps and options outstanding as of December 31, 2021 is 33,083,500 MMBtu for Entergy, including 16,420,000 MMBtu for Entergy Louisiana, 16,017,800 MMBtu for Entergy Mississippi, and 645,700 MMBtu for Entergy New Orleans. Credit support for these natural gas swaps and options is covered by master agreements that do not require Entergy to provide collateral based on mark-to-market value, but do carry adequate assurance language that may lead to requests for collateral.

During the second quarter 2021, Entergy participated in the annual financial transmission rights auction process for the MISO planning year of June 1, 2021 through May 31, 2022. Financial transmission rights are derivative instruments that represent economic hedges of future congestion charges that will be incurred in serving Entergy's customer load. They are not designated as hedging instruments. Entergy initially records financial transmission rights at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period prior to settlement. Unrealized gains or losses on financial transmission rights held by Entergy Wholesale Commodities are included in operating revenues. The Utility operating companies recognize regulatory liabilities or assets for unrealized gains or losses on financial transmission rights. The total volume of financial transmission rights outstanding as of December 31, 2021 is 57,836 GWh for Entergy, including 12,561 GWh for Entergy Arkansas, 25,973 GWh for Entergy Louisiana, 6,429 GWh for Entergy Mississippi, 2,643 GWh for Entergy New Orleans, and 10,003 GWh for Entergy Texas. Credit support for financial transmission rights held by the Utility operating companies is covered by cash and/or letters of credit issued by each Utility operating company as required by MISO. Credit support for financial transmission rights held by Entergy Wholesale Commodities is covered by cash. No cash or letters of credit were required to be posted for financial transmission rights exposure for Entergy Wholesale Commodities as of December 31, 2021 and 2020. Letters of credit posted with MISO covered the financial transmission rights exposure for Entergy Mississippi and Entergy Texas as of December 31, 2021 and for Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas as of December 31, 2020.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2021 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

<b>Instrument</b>	<b>Balance Sheet Location</b>	<b>Gross Fair Value (a)</b>	<b>Offsetting Position (b)</b>	<b>Net Fair Value (c) (d)</b>	<b>Business</b>
<b>Derivatives not designated as hedging instruments</b>					
<b>Assets:</b>					
Natural gas swaps and options	Prepayments and other (current portion)	\$6	\$—	\$6	Utility
Natural gas swaps and options	Other deferred debits and other assets (non-current portion)	\$5	\$—	\$5	Utility
Financial transmission rights	Prepayments and other	\$4	\$—	\$4	Utility and Entergy Wholesale Commodities
<b>Liabilities:</b>					
Natural gas swaps and options	Other current liabilities (current portion)	\$7	\$—	\$7	Utility



The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2020 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

Instrument	Balance Sheet Location	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Business
(In Millions)					
<b>Derivatives designated as hedging instruments</b>					
Electricity swaps and options	Prepayments and other (current portion)	\$39	(\$1)	\$38	Entergy Wholesale Commodities
<b>Liabilities:</b>					
Electricity swaps and options	Other current liabilities (current portion)	\$1	(\$1)	\$—	Entergy Wholesale Commodities
<b>Derivatives not designated as hedging instruments</b>					
<b>Assets:</b>					
Natural gas swaps and options	Prepayments and other (current portion)	\$1	\$—	\$1	Utility
Natural gas swaps and options	Other deferred debits and other assets (non-current portion)	\$1	\$—	\$1	Utility
Financial transmission rights	Prepayments and other	\$9	\$—	\$9	Utility and Entergy Wholesale Commodities
<b>Liabilities:</b>					
Natural gas swaps and options	Other current liabilities (current portion)	\$6	\$—	\$6	Utility
Natural gas swaps and options	Other non-current liabilities (non-current portion)	\$1	\$—	\$1	Utility

- (a) Represents the gross amounts of recognized assets/liabilities
- (b) Represents the netting of fair value balances with the same counterparty
- (c) Represents the net amounts of assets/liabilities presented on the Entergy Corporation and Subsidiaries' Consolidated Balance Sheet
- (d) Excludes cash collateral in the amount of \$8 million posted as of December 31, 2021 and \$5 million posted as of December 31, 2020. Also excludes letters of credit in the amount of \$1 million posted and \$39 million held as of December 31, 2020.

The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the years ended December 31, 2021, 2020, and 2019 are as follows:

<b>Instrument</b>	<b>Amount of gain (loss) recognized in other comprehensive income (In Millions)</b>	<b>Income Statement location</b>	<b>Amount of gain (loss) reclassified from accumulated other comprehensive income into income (a) (In Millions)</b>
<b>2021</b>			
Electricity swaps and options	\$2	Competitive business operating revenues	\$40
<b>2020</b>			
Electricity swaps and options	\$77	Competitive business operating revenues	\$148
<b>2019</b>			
Electricity swaps and options	\$232	Competitive business operating revenues	\$97

(a) Before taxes of \$8 million, \$31 million, and \$20 million, for the years ended December 31, 2021, 2020, and 2019, respectively

Entergy may effectively liquidate a cash flow hedge instrument by entering into a contract offsetting the original hedge, and then de-designating the original hedge in this situation. Gains or losses accumulated in other comprehensive income prior to de-designation continue to be deferred in other comprehensive income until they are included in income as the original hedged transaction occurs. From the point of de-designation, the gains or losses on the original hedge and the offsetting contract are recorded as assets or liabilities on the balance sheet and offset as they flow through to earnings.

The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the years ended December 31, 2021, 2020, and 2019 are as follows:

<b>Instrument</b>	<b>Income Statement location</b>	<b>Amount of gain (loss) recorded in the income statement</b>
		(In Millions)
<b>2021</b>		
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale (a)	\$32
Financial transmission rights	Purchased power expense (b)	\$179
Electricity swaps and options (c)	Competitive business operating revenues	(\$2)
<b>2020</b>		
Natural gas swaps and option	Fuel, fuel-related expenses, and gas purchased for resale (a)	(\$12)
Financial transmission rights	Purchased power expense (b)	\$92
Electricity swaps and options (c)	Competitive business operating revenues	\$1
<b>2019</b>		
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale (a)	(\$13)
Financial transmission rights	Purchased power expense (b)	\$94
Electricity swaps and options (c)	Competitive business operating revenues	\$12

- (a) Due to regulatory treatment, the natural gas swaps and options are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps and options are settled are recovered or refunded through fuel cost recovery mechanisms.
- (b) Due to regulatory treatment, the changes in the estimated fair value of financial transmission rights for the Utility operating companies are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the financial transmission rights for the Utility operating companies are settled are recovered or refunded through fuel cost recovery mechanisms.
- (c) There were no gains (losses) recognized in accumulated other comprehensive income from electricity swaps and options.

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2021 and 2020 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

<b>Instrument</b>	<b>Balance Sheet Location</b>	<b>Gross Fair Value (a)</b>	<b>Offsetting Position (b)</b>	<b>Net Fair Value (c) (d)</b>	<b>Registrant</b>
(In Millions)					
<b>2021</b>					
Assets:					
Natural gas swaps and options	Prepayments and other	\$5.7	\$—	\$5.7	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$5.3	\$—	\$5.3	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$2.3	\$—	\$2.3	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$0.6	\$—	\$0.6	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$0.3	\$—	\$0.3	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$0.1	\$—	\$0.1	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$0.8	\$—	\$0.8	Entergy Texas
Liabilities:					
Natural gas swaps	Other current liabilities	\$6.7	\$—	\$6.7	Entergy Mississippi
Natural gas swaps	Other current liabilities	\$0.5	\$—	\$0.5	Entergy New Orleans

Instrument	Balance Sheet Location	Gross Fair Value (a)	Offsetting Position (b)	Net Fair Value (c) (d)	Registrant
<b>2020</b>					
Assets:					
Natural gas swaps and options	Prepayments and other	\$0.8	\$—	\$0.8	Entergy Louisiana
Natural gas swaps and options	Other deferred debits and other assets	\$0.5	\$—	\$0.5	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$2.9	(\$0.2)	\$2.7	Entergy Arkansas
Financial transmission rights	Prepayments and other	\$4.3	(\$0.1)	\$4.2	Entergy Louisiana
Financial transmission rights	Prepayments and other	\$0.6	\$—	\$0.6	Entergy Mississippi
Financial transmission rights	Prepayments and other	\$0.2	(\$0.1)	\$0.1	Entergy New Orleans
Financial transmission rights	Prepayments and other	\$1.6	\$—	\$1.6	Entergy Texas
Liabilities:					
Natural gas swaps and options	Other current liabilities	\$0.3	\$—	\$0.3	Entergy Louisiana
Natural gas swaps and options	Other non-current liabilities	\$1.3	\$—	\$1.3	Entergy Louisiana
Natural gas swaps	Other current liabilities	\$5.0	\$—	\$5.0	Entergy Mississippi
Natural gas swaps	Other current liabilities	\$0.3	\$—	\$0.3	Entergy New Orleans

- (a) Represents the gross amounts of recognized assets/liabilities
- (b) Represents the netting of fair value balances with the same counterparty
- (c) Represents the net amounts of assets/liabilities presented on the Registrant Subsidiaries' balance sheets
- (d) As of December 31, 2021 letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Mississippi and \$0.1 million for Entergy Texas. As of December 31, 2020, letters of credit posted with MISO covered financial transmission rights exposure of \$0.3 million for Entergy Louisiana, \$0.2 million for Entergy Mississippi, \$0.2 million for Entergy New Orleans, and \$0.5 million for Entergy Texas.

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the years ended December 31, 2021, 2020, and 2019 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement (In Millions)	Registrant
<b>2021</b>			
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	\$12.6	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	\$19.8	(a) Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.1)	(a) Entergy New Orleans
Financial transmission rights	Purchased power	\$42.6	(b) Entergy Arkansas
Financial transmission rights	Purchased power	\$31.6	(b) Entergy Louisiana
Financial transmission rights	Purchased power	\$11.3	(b) Entergy Mississippi
Financial transmission rights	Purchased power	\$4.3	(b) Entergy New Orleans
Financial transmission rights	Purchased power	\$85.9	(b) Entergy Texas
<b>2020</b>			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$11.1)	(a) Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$0.8)	(a) Entergy New Orleans
Financial transmission rights	Purchased power	\$26.7	(b) Entergy Arkansas
Financial transmission rights	Purchased power	\$19.6	(b) Entergy Louisiana
Financial transmission rights	Purchased power	\$3.0	(b) Entergy Mississippi
Financial transmission rights	Purchased power	\$1.4	(b) Entergy New Orleans
Financial transmission rights	Purchased power	\$40.4	(b) Entergy Texas
<b>2019</b>			
Natural gas swaps and options	Fuel, fuel-related expenses, and gas purchased for resale	(\$5.3)	(a) Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	(\$7.7)	(a) Entergy Mississippi
Financial transmission rights	Purchased power	\$22.3	(b) Entergy Arkansas
Financial transmission rights	Purchased power	\$46.7	(b) Entergy Louisiana
Financial transmission rights	Purchased power	\$6.8	(b) Entergy Mississippi
Financial transmission rights	Purchased power	\$2.7	(b) Entergy New Orleans
Financial transmission rights	Purchased power	\$15.7	(b) Entergy Texas

- (a) Due to regulatory treatment, the natural gas swaps and options are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps and options are settled are recovered or refunded through fuel cost recovery mechanisms.
- (b) Due to regulatory treatment, the changes in the estimated fair value of financial transmission rights for the Utility operating companies are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the financial transmission rights for the Utility operating companies are settled are recovered or refunded through fuel cost recovery mechanisms.

### **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 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.

Accounting standards define fair value as an exit price, or the price that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between knowledgeable market participants at the date of measurement. Entergy and the Registrant Subsidiaries use assumptions or market input data that market participants would use in pricing assets or liabilities at fair value. The inputs can be readily observable, corroborated by market data, or generally unobservable. Entergy and the Registrant Subsidiaries endeavor to use the best available information to determine fair value.

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy establishes the highest priority for unadjusted market quotes in an active market for the identical asset or liability and the lowest priority for unobservable inputs.

The three levels of the fair value hierarchy are:

- Level 1 - Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of individually owned common stocks, cash equivalents (temporary cash investments, securitization recovery trust account, and escrow accounts), debt instruments, and gas swaps traded on exchanges with active markets. Cash equivalents includes all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at the date of purchase.
- Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden by Entergy if it is believed such would be more reflective of fair value. Level 2 inputs include the following:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability; or

- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 consists primarily of individually-owned debt instruments and gas swaps and options valued using observable inputs.

- Level 3 - Level 3 inputs are pricing inputs that are generally less observable or unobservable from objective sources. These inputs are used with internally developed methodologies to produce management's best estimate of fair value for the asset or liability. Level 3 consists primarily of financial transmission rights and derivative power contracts used as cash flow hedges of power sales at merchant power plants.

Consistent with management's strategy to shut down and sell all plants in the Entergy Wholesale Commodities merchant fleet, the Entergy Wholesale Commodities portfolio of derivative instruments expired in April 2021, which was the settlement date for the last financial derivative contracts in the Entergy Wholesale Commodities portfolio.

The values for power contract assets or liabilities prior to expiration in April 2021 were based on both observable inputs including public market prices and interest rates, and unobservable inputs such as implied volatilities, unit contingent discounts, expected basis differences, and credit adjusted counterparty interest rates. They were classified as Level 3 assets and liabilities. The valuations of these assets and liabilities were performed by the Office of Corporate Risk Oversight and the Entergy Wholesale Commodities Accounting group. The primary related functions of the Office of Corporate Risk Oversight included: gathering, validating and reporting market data, providing market risk analyses and valuations in support of Entergy Wholesale Commodities' commercial transactions, developing and administering protocols for the management of market risks, and implementing and maintaining controls around changes to market data in the energy trading and risk management system. The Office of Corporate Risk Oversight was also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Entergy Wholesale Commodities Accounting group performed functions related to market and counterparty settlements, revenue reporting and analysis, and financial accounting. The Office of Corporate Risk Oversight report to the Vice President and Treasurer while the Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The amounts reflected as the fair value of electricity swaps were based on the estimated amount that the contracts were in-the-money at the balance sheet date (treated as an asset) or out-of-the-money at the balance sheet date (treated as a liability) and equaled the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts included cash flow hedges that swapped fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values were based on the mark-to-market comparison between the fixed contract prices and the floating prices determined each period from quoted forward power market prices. The differences between the fixed price in the swap contract and these market-related prices multiplied by the volume specified in the contract and discounted at the counterparties' credit adjusted risk free rate were recorded as derivative contract assets or liabilities. For contracts that had unit contingent terms, a further discount was applied based on the historical relationship between contract and market prices for similar contract terms.

The amounts reflected as the fair values of electricity options were valued based on a Black Scholes model, and were calculated at the end of each month for accounting purposes. Inputs to the valuation included end of day forward market prices for the period when the transactions settled, implied volatilities based on market volatilities provided by a third-party data aggregator, and U.S. Treasury rates for a risk-free return rate. As described further below, prices and implied volatilities were reviewed and could be adjusted if it was determined that there was a better representation of fair value.

On a daily basis, the Office of Corporate Risk Oversight calculated the mark-to-market for electricity swaps and options. The Office of Corporate Risk Oversight also validated forward market prices by comparing them to



other sources of forward market prices or to settlement prices of actual market transactions. Significant differences were analyzed and potentially adjusted based on these other sources of forward market prices or settlement prices of actual market transactions. Implied volatilities used to value options were also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available and compared with other sources of market implied volatilities. Moreover, on a quarterly basis, the Office of Corporate Risk Oversight confirmed the mark-to-market calculations and prepared price scenarios and credit downgrade scenario analysis. The scenario analysis was communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis was completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities' portfolio. In particular, the credit and liquidity effects were calculated for this analysis. This analysis was communicated to senior management within Entergy and Entergy Wholesale Commodities.

The values of financial transmission rights are based on unobservable inputs, including estimates of congestion costs in MISO between applicable generation and load pricing nodes based on the 50th percentile of historical prices. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Office of Corporate Risk Oversight. The values are calculated internally and verified against the data published by MISO. Entergy's Entergy Wholesale Commodities Accounting group reviews these valuations for reasonableness, with the assistance of others within the organization with knowledge of the various inputs and assumptions used in the valuation. The Office of Corporate Risk Oversight reports to the Vice President and Treasurer. The Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The following tables set forth, by level within the fair value hierarchy, Entergy's assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2021 and December 31, 2020. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$398	\$—	\$—	\$398
Decommissioning trust funds (a):				
Equity securities	132	—	—	132
Debt securities (b)	770	1,407	—	2,177
Common trusts (c)				3,205
Securitization recovery trust account	29	—	—	29
Escrow accounts	49	—	—	49
Gas hedge contracts	6	5	—	11
Financial transmission rights	—	—	4	4
	<u>\$1,384</u>	<u>\$1,412</u>	<u>\$4</u>	<u>\$6,005</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$7</u>

2020	Level 1	Level 2	Level 3	Total
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$1,630	\$—	\$—	\$1,630
Decommissioning trust funds (a):				
Equity securities	1,533	—	—	1,533
Debt securities	919	1,698	—	2,617
Common trusts (c)				3,103
Power contracts	—	—	38	38
Securitization recovery trust account	42	—	—	42
Escrow accounts	148	—	—	148
Gas hedge contracts	1	1	—	2
Financial transmission rights	—	—	9	9
	<u>\$4,273</u>	<u>\$1,699</u>	<u>\$47</u>	<u>\$9,122</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$6</u>	<u>\$1</u>	<u>\$—</u>	<u>\$7</u>

- (a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements for additional information on the investment portfolios.
- (b) The decommissioning trust funds fair value presented herein does not include the recognition pursuant to ASU 2016-13 of a credit loss valuation allowance of \$0.4 million as of December 31, 2021 and \$0.1 million as of December 31, 2020 on debt securities. See Note 16 to the financial statements for additional information on the allowance for expected credit losses.
- (c) Common trust funds are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table. The fund administrator of these investments allows daily trading at the net asset value and trades settle at a later date.

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the years ended December 31, 2021, 2020, and 2019:

	2021		2020		2019	
	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights
	(In Millions)					
Balance as of January 1,	\$38	\$9	\$118	\$10	(\$31)	\$15
Total gains (losses) for the period (a)						
Included in earnings	(2)	—	1	1	12	—
Included in other comprehensive income	2	—	77	—	232	—
Included as a regulatory liability/asset	—	162	—	67	—	54
Issuances of financial transmission rights	—	12	—	23	—	35
Settlements	(38)	(179)	(158)	(92)	(95)	(94)
Balance as of December 31,	<u>\$—</u>	<u>\$4</u>	<u>\$38</u>	<u>\$9</u>	<u>\$118</u>	<u>\$10</u>

- (a) Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the reporting period is (\$0.3) million and (\$9.2) million for the years ended December 31, 2020 and 2019, respectively.

The fair values of the Level 3 financial transmission rights are based on unobservable inputs calculated internally and verified against historical pricing data published by MISO.

The following table sets forth an analysis of each of the types of unobservable inputs impacting the fair value of items classified as Level 3 within the fair value hierarchy, and the sensitivity to changes to those inputs:

<b>Significant Unobservable Input</b>	<b>Transaction Type</b>	<b>Position</b>	<b>Change to Input</b>	<b>Effect on Fair Value</b>
Unit contingent discount	Electricity swaps	Sell	Increase (Decrease)	Decrease (Increase)

The following table sets forth, by level within the fair value hierarchy, the Registrant Subsidiaries' assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2021 and December 31, 2020. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

#### Entergy Arkansas

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$4.8	\$—	\$—	\$4.8
Decommissioning trust funds (a):				
Equity securities	16.7	—	—	16.7
Debt securities	119.5	406.8	—	526.3
Common trusts (b)				895.4
Financial transmission rights	—	—	2.3	2.3
	<u>\$141.0</u>	<u>\$406.8</u>	<u>\$2.3</u>	<u>\$1,445.5</u>
<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(In Millions)				
<b>Assets:</b>				
Temporary cash investments	\$168.0	\$—	\$—	\$168.0
Decommissioning trust funds (a):				
Equity securities	1.3	—	—	1.3
Debt securities	98.2	349.7	—	447.9
Common trusts (b)				824.7
Financial transmission rights	—	—	2.7	2.7
	<u>\$267.5</u>	<u>\$349.7</u>	<u>\$2.7</u>	<u>\$1,444.6</u>

**Entergy Louisiana**

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$18.4	\$—	\$—	\$18.4
Decommissioning trust funds (a):				
Equity securities	20.2	—	—	20.2
Debt securities	262.6	531.6	—	794.2
Common trusts (b)				1,300.1
Gas hedge contracts	5.7	5.3	—	11.0
Financial transmission rights	—	—	0.6	0.6
	<u>\$306.9</u>	<u>\$536.9</u>	<u>\$0.6</u>	<u>\$2,144.5</u>
<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$726.7	\$—	\$—	\$726.7
Decommissioning trust funds (a):				
Equity securities	8.7	—	—	8.7
Debt securities	172.4	459.8	—	632.2
Common trusts (b)				1,153.1
Securitization recovery trust account	2.7	—	—	2.7
Gas hedge contracts	0.8	0.5	—	1.3
Financial transmission rights	—	—	4.2	4.2
	<u>\$911.3</u>	<u>\$460.3</u>	<u>\$4.2</u>	<u>\$2,528.9</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$0.3</u>	<u>\$1.3</u>	<u>\$—</u>	<u>\$1.6</u>

**Entergy Mississippi**

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$47.6	\$—	\$—	\$47.6
Escrow accounts	48.9	—	—	48.9
Financial transmission rights	—	—	0.3	0.3
	<u>\$96.5</u>	<u>\$—</u>	<u>\$0.3</u>	<u>\$96.8</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$6.7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$6.7</u>

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Escrow accounts	\$64.6	\$—	\$—	\$64.6
Financial transmission rights	—	—	0.6	0.6
	<u>\$64.6</u>	<u>\$—</u>	<u>\$0.6</u>	<u>\$65.2</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$5.0</u>	<u>\$—</u>	<u>\$—</u>	<u>\$5.0</u>

**Entergy New Orleans**

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$42.8	\$—	\$—	\$42.8
Securitization recovery trust account	2.0	—	—	2.0
Financial transmission rights	—	—	0.1	0.1
	<u>\$44.8</u>	<u>\$—</u>	<u>\$0.1</u>	<u>\$44.9</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$0.5</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.5</u>

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Securitization recovery trust account	\$3.4	\$—	\$—	\$3.4
Escrow accounts	83.0	—	—	83.0
Financial transmission rights	—	—	0.1	0.1
	<u>\$86.4</u>	<u>\$—</u>	<u>\$0.1</u>	<u>\$86.5</u>
<b>Liabilities:</b>				
Gas hedge contracts	<u>\$0.3</u>	<u>\$—</u>	<u>\$—</u>	<u>\$0.3</u>

**Entergy Texas**

<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In Millions)			
<b>Assets:</b>				
Securitization recovery trust account	\$26.6	\$—	\$—	\$26.6
Financial transmission rights	—	—	0.8	0.8
	<u>\$26.6</u>	<u>\$—</u>	<u>\$0.8</u>	<u>\$27.4</u>

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$248.6	\$—	\$—	\$248.6
Securitization recovery trust account	36.2	—	—	36.2
Financial transmission rights	—	—	1.6	1.6
	<u>\$284.8</u>	<u>\$—</u>	<u>\$1.6</u>	<u>\$286.4</u>

**System Energy**

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$89.1	\$—	\$—	\$89.1
Decommissioning trust funds (a):				
Equity securities	12.9	—	—	12.9
Debt securities	273.0	251.5	—	524.5
Common trusts (b)				847.9
	<u>\$375.0</u>	<u>\$251.5</u>	<u>\$—</u>	<u>\$1,474.4</u>

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(In Millions)			
<b>Assets:</b>				
Temporary cash investments	\$216.4	\$—	\$—	\$216.4
Decommissioning trust funds (a):				
Equity securities	3.8	—	—	3.8
Debt securities	177.3	250.4	—	427.7
Common trusts (b)				784.4
	<u>\$397.5</u>	<u>\$250.4</u>	<u>\$—</u>	<u>\$1,432.3</u>

- (a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements for additional information on the investment portfolios.
- (b) Common trust funds are not publicly quoted and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table. The fund administrator of these investments allows daily trading at the net asset value and trades settle at a later date.

The following table sets forth a reconciliation of changes in the net assets for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the year ended December 31, 2021.

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Millions)				
Balance as of January 1, 2021	\$2.7	\$4.2	\$0.6	\$0.1	\$1.6
Issuances of financial transmission rights	2.8	4.1	1.7	0.4	2.7
Gains (losses) included as a regulatory liability/asset	39.4	23.9	9.3	3.9	82.4
Settlements	(42.6)	(31.6)	(11.3)	(4.3)	(85.9)
Balance as of December 31, 2021	<u>\$2.3</u>	<u>\$0.6</u>	<u>\$0.3</u>	<u>\$0.1</u>	<u>\$0.8</u>

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the year ended December 31, 2020.

	<u>Entergy Arkansas</u>	<u>Entergy Louisiana</u>	<u>Entergy Mississippi</u>	<u>Entergy New Orleans</u>	<u>Entergy Texas</u>
	(In Millions)				
Balance as of January 1, 2020	\$3.3	\$4.5	\$0.8	\$0.3	\$0.9
Issuances of financial transmission rights	6.5	13.2	1.4	(0.1)	2.4
Gains (losses) included as a regulatory liability/asset	19.6	6.1	1.4	1.3	38.7
Settlements	(26.7)	(19.6)	(3.0)	(1.4)	(40.4)
Balance as of December 31, 2020	<u>\$2.7</u>	<u>\$4.2</u>	<u>\$0.6</u>	<u>\$0.1</u>	<u>\$1.6</u>

**NOTE 16. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)**

The NRC requires Entergy subsidiaries to maintain nuclear decommissioning trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, and Palisades. Entergy's nuclear decommissioning trust funds invest in equity securities, fixed-rate debt securities, and cash and cash equivalents.

As discussed in Note 14 to the financial statements, in May 2021, Entergy completed the transfer of Indian Point 1, Indian Point 2, and Indian Point 3 to Holtec. As part of the transaction, Entergy transferred the Indian Point 1, Indian Point 2, and Indian Point 3 decommissioning trust funds to Holtec. The disposition-date fair value of the decommissioning trust funds was approximately \$2,387 million.

Entergy records decommissioning trust funds on the balance sheet at their fair value. 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. Generally, Entergy records gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$605 million. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 index or the Russell 3000 Index. The debt securities are generally held in individual government and credit issuances.

The available-for-sale securities held as of December 31, 2021 and 2020 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
		(In Millions)	
<b>2021</b>			
Debt Securities	\$2,177	\$65	\$12
<b>2020</b>			
Debt Securities	\$2,617	\$197	\$3

The unrealized gains/(losses) above are reported before deferred taxes of \$2 million as of December 31, 2021 and \$31 million as of December 31, 2020 for debt securities. The amortized cost of available-for-sale debt securities was \$2,125 million as of December 31, 2021 and \$2,423 million as of December 31, 2020. As of December 31, 2021, available-for-sale debt securities had an average coupon rate of approximately 2.74%, an average duration of approximately 6.94 years, and an average maturity of approximately 10.55 years.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of December 31, 2021 and 2020:

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
		(In Millions)		
Less than 12 months	\$770	\$8	\$187	\$3
More than 12 months	99	4	2	—
<b>Total</b>	<b>\$869</b>	<b>\$12</b>	<b>\$189</b>	<b>\$3</b>



The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
	(In Millions)	
Less than 1 year	\$—	(\$4)
1 year - 5 years	473	672
5 years - 10 years	655	852
10 years - 15 years	389	377
15 years - 20 years	130	144
20 years+	530	576
<b>Total</b>	<b>\$2,177</b>	<b>\$2,617</b>

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$1,465 million, \$1,024 million, and \$1,427 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$29 million, \$47 million, and \$25 million, respectively, and gross losses of \$17 million, \$4 million, and \$4 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

The fair value of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plant as of December 31, 2021 was \$576 million for Palisades. The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of December 31, 2020 were \$631 million for Indian Point 1, \$794 million for Indian Point 2, \$991 million for Indian Point 3, and \$554 million for Palisades. The fair values of the decommissioning trust funds for the Registrant Subsidiaries' nuclear plants are detailed below.

### Entergy Arkansas

Entergy Arkansas holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of December 31, 2021 and 2020 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
	(In Millions)		
<b>2021</b>			
Debt Securities	\$526.3	\$11.4	\$4.7
<b>2020</b>			
Debt Securities	\$447.9	\$27.7	\$0.3

The amortized cost of available-for-sale debt securities was \$519.6 million as of December 31, 2021 and \$420.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an average coupon rate of approximately 2.28%, an average duration of approximately 6.44 years, and an average maturity of approximately 7.58 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$163.2 million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale debt securities, summarized by length of time that the securities had been in a continuous loss position, were as follows as of December 31, 2021 and 2020:

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
	(In Millions)			
Less than 12 months	\$183.8	\$2.9	\$29.9	\$0.3
More than 12 months	39.5	1.8	—	—
<b>Total</b>	<b>\$223.3</b>	<b>\$4.7</b>	<b>\$29.9</b>	<b>\$0.3</b>

The fair value of available-for-sale debt securities, summarized by contractual maturities, as of December 31, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
	(In Millions)	
Less than 1 year	\$—	\$—
1 year - 5 years	91.7	113.1
5 years - 10 years	217.4	189.8
10 years - 15 years	146.0	81.4
15 years - 20 years	35.7	28.5
20 years+	35.5	35.1
<b>Total</b>	<b>\$526.3</b>	<b>\$447.9</b>

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$57.6 million, \$94.5 million, and \$110.6 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$2.5 million, \$8.8 million, and \$2.9 million, respectively, and gross losses of \$0.6 million, \$0.2 million, and \$0.1 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

### Entergy Louisiana

Entergy Louisiana holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of December 31, 2021 and 2020 are summarized as follows:

	<b>Fair Value</b>	<b>Total Unrealized Gains</b>	<b>Total Unrealized Losses</b>
	(In Millions)		
<b>2021</b>			
Debt Securities	\$794.2	\$31.3	\$3.3
<b>2020</b>			
Debt Securities	\$632.2	\$51.3	\$0.5

The amortized cost of available-for-sale debt securities was \$766.3 million as of December 31, 2021 and \$581.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an average coupon rate of approximately 3.30%, an average duration of approximately 6.83 years, and an average maturity of approximately 12.29 years.