

- the issuance by Entergy Mississippi of \$170 million of 3.50% Series mortgage bonds in May 2020 and an additional \$200 million in a reopening of the same series in March 2021; and
- a decrease in the allowance for borrowed funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project and the Montgomery County Power Station project.

The increase was partially offset by the repayments by Entergy Louisiana of \$200 million of 5.25% Series mortgage bonds and \$100 million of 4.70% Series mortgage bonds, each in December 2020 and the repayment by Entergy Louisiana of \$200 million of 4.8% Series mortgage bonds in May 2021.

See Note 5 to the financial statements for a discussion of long-term debt.

Noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of Entergy Arkansas's tax equity partnership for the Searcy Solar facility under HLBV accounting. Entergy Arkansas has recorded a regulatory charge of \$18 million in 2021 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements for discussion of the HLBV method of accounting.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$500 million for 2020 to \$287 million for 2021 primarily due to:

- a decrease of \$162 million resulting from the absence of expenses from Indian Point 2, after it was shut down in April 2020, and Indian Point 3, after it was shut down in April 2021; and
- a decrease of \$53 million in severance and retention expenses. Severance and retention expenses were incurred in 2021 and 2020 due to management's strategy to exit the Entergy Wholesale Commodities merchant power business.

See “ **Entergy Wholesale Commodities Exit from the Merchant Power Business** ” below for a discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 13 to the financial statements for further discussion of severance and retention expenses.

Asset write-offs, impairments, and related charges 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, partially offset by the effect of recording in 2021 a final judgment in the amount of \$83 million (\$66 million net-of-tax) to resolve the Indian Point 2 third round and Indian Point 3 second round combined damages case against the DOE related to spent nuclear fuel storage costs. Asset write-offs, impairments, and related charges for 2020 include impairment charges of \$19 million (\$15 million net-of-tax) primarily as a result of 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. See “ **Entergy Wholesale Commodities Exit from the Merchant Power Business** ” below for a discussion of management's strategy to shut down and sell all of the remaining plants in Entergy Wholesale Commodities' merchant nuclear fleet. See Note 14 to the financial statements for a discussion of the impairment of long-lived assets and the sale of the Indian Point Energy Center. See Note 8 to the financial statements for further discussion of spent nuclear fuel litigation.

Taxes other than income taxes decreased primarily due to lower ad valorem taxes and lower payroll taxes.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Depreciation and amortization expenses decreased primarily due to:

- the absence of depreciation expense from Indian Point 2, after it was shut down in April 2020, and from Indian Point 3, after it was shut down in April 2021; and
- the effect of recording in 2021 a final judgment to resolve claims in the Palisades damages case against the DOE related to spent nuclear fuel storage costs. The damages awarded included \$9 million of spent nuclear fuel storage costs previously recorded as depreciation expense. See Note 8 to the financial statements for discussion of spent nuclear fuel litigation.

Other income decreased primarily due to lower gains on decommissioning trust fund investments including the absence of earnings from nuclear decommissioning trust funds that were transferred in the sale of the Indian Point Energy Center in May 2021. The decrease was partially offset by lower non-service pension costs. See Notes 15 and 16 to the financial statements for a discussion of decommissioning trust fund investments. See Note 14 to the financial statements for a discussion of the sale of the Indian Point Energy Center. See Note 11 to the financial statements for a discussion of pension and other postretirement benefits costs.

Other expenses decreased primarily due to the absence of decommissioning expense from Indian Point 2 and Indian Point 3, after the sale of the Indian Point Energy Center in May 2021. See Note 14 to the financial statements for a discussion of the sale of the Indian Point Energy Center.

Income Taxes

The effective income tax rates were 14.6% for 2021 and (9.5%) for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

See “**MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations**” in Item 7 of Entergy’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 26, 2021 for discussion of results of operations for 2020 compared to 2019.

Entergy Wholesale Commodities Exit from the Merchant Power Business

Entergy sold its FitzPatrick plant to Exelon in March 2017 and, as discussed below, transferred its Vermont Yankee plant to NorthStar in January 2019, sold its Pilgrim plant to Holtec in August 2019, and sold its Indian Point plants to Holtec in May 2021. Entergy also sold the Rhode Island State Energy Center, a natural gas-fired combined cycle generating plant, in December 2015. As of December 31, 2021, Entergy Wholesale Commodities’ only remaining operating nuclear plant is the 811 MW Palisades plant, which is under contract to be sold, subject to certain conditions, after it is shut down in May 2022.

These plant sales and the contract to sell Palisades are the result of a strategy that Entergy has undertaken to manage and reduce the risk of the Entergy Wholesale Commodities business, including exiting the merchant power business. Management evaluated the challenges for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs.

Entergy Wholesale Commodities also includes the ownership of Big Rock Point, a non-operating nuclear

facility in Michigan, that was acquired when Entergy purchased the Palisades nuclear plant. Big Rock Point is under contract to be sold with the Palisades plant. In addition, Entergy Wholesale Commodities provides operations and management services, including decommissioning-related services, to nuclear power plants owned by non-affiliated entities in the United States. A relatively minor portion of the Entergy Wholesale Commodities business

is the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Shutdown and Disposition of Vermont Yankee

On December 29, 2014, the Vermont Yankee plant ceased power production and entered its decommissioning phase. In November 2016, Entergy entered into an agreement to transfer 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 transaction 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 supported the Vermont Public Utility Commission's approval of the transaction. The agreements provided additional financial assurance for decommissioning, spent fuel management and site restoration, and detailed 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, and it 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 includes the balance outstanding on the credit facility, as well as borrowing fees and costs incurred by Entergy in connection with the credit facility.

See Note 14 to the financial statements for discussion of the closing of the Vermont Yankee transaction.

Shutdown and Sale of Pilgrim

In October 2015, Entergy determined that it would close the Pilgrim plant, and Pilgrim ceased operations in May 2019. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to cease operations earlier than expected.

On July 30, 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, LLC, the owner of Pilgrim, for \$1,000 (subject to adjustments for net liabilities and other amounts). On August 22, 2019, the NRC approved the transfer of Pilgrim's facility licenses to Holtec. On August 26, 2019, Entergy and Holtec closed the transaction.

The sale of Entergy Nuclear Generation Company, LLC to Holtec included the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. The transaction resulted in a loss of \$190 million (\$156 million net-of-tax) in 2019. See Note 14 to the financial statements for discussion of the closing of the Pilgrim transaction.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Shutdown and Sale of Indian Point 2 and Indian Point 3

In April 2007, Entergy submitted to the NRC a joint application to renew the operating licenses for Indian Point 2 and Indian Point 3 for an additional 20 years. In January 2017, Entergy reached a settlement with New York State, several State agencies, and Riverkeeper, Inc., under which Indian Point 2 and Indian Point 3 would cease commercial operation by April 30, 2020 and April 30, 2021, respectively, subject to certain conditions, including New York State's withdrawal of opposition to Indian Point's license renewals and issuance of contested permits and similar authorizations. In September 2018 the NRC issued renewed operating licenses for Indian Point 2 through April 2024 and for Indian Point 3 through April 2025. Pursuant to the January 2017 settlement agreement, Indian Point 2 ceased commercial operations on April 30, 2020, and Indian Point 3 ceased commercial operations on April 30, 2021. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to shut down the Indian Point plants.

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 to a Holtec subsidiary for decommissioning the plants. In November 2019, Entergy and Holtec submitted a license transfer application to the NRC. The NRC issued an order approving the application in November 2020, subject to the NRC's authority to condition, revise, or rescind the approval order based on the resolution of four pending hearing requests. In January 2021 the NRC issued an order denying all four hearing requests challenging the license transfer application. In January 2021, New York State filed a petition for review with the D.C. Circuit asking the court to vacate the NRC's January 2021 order denying the State's hearing request, as well as the NRC's November 2020 order approving the license transfers. In March 2021 additional parties also filed petitions for review with the D.C. Circuit seeking review of the same NRC orders. In March 2021 the court consolidated all of the appeals into the same proceeding. Pursuant to an April 2021 settlement among Entergy, Holtec, New York State, and several other parties, discussed below, all petitioners to the D.C. Circuit proceeding withdrew their pending appeals, and the court terminated the consolidated proceeding in June 2021.

In November 2019, Entergy and Holtec also submitted a petition to the New York State Public Service Commission (NYPSC) seeking an order from the NYPSC disclaiming jurisdiction or abstaining from review of the transaction or, alternatively, approving the transaction. Closing was also conditioned on obtaining from the New York State Department of Environmental Conservation an agreement related to Holtec's decommissioning plan as being consistent with applicable standards. In April 2021, Entergy and Holtec filed a joint settlement proposal with the NYPSC that resolved all issues among all parties, including financial assurance, site restoration, financial reporting, continued funding for state and local emergency management and response activities, a memorandum of understanding with local taxing jurisdictions, and the dismissal of the federal appeals described in the preceding paragraph. In May 2021 the NYPSC approved the joint settlement proposal and the transaction.

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. See Note 14 to the financial statements for discussion of the closing of the Indian Point transaction.

Planned Shutdown and Sale of Palisades

Almost all of the Palisades output is sold under a power purchase agreement with Consumers Energy, entered into when the plant was acquired in 2007, that is scheduled to expire in 2022. The PPA prices currently exceed market prices. In December 2016, Entergy reached an agreement with Consumers Energy to amend the existing PPA to terminate early, on May 31, 2018. Pursuant to the agreement to amend the PPA, Consumers Energy would pay

Entergy \$172 million for the early termination of the PPA. The PPA amendment agreement was subject to regulatory approvals, including approval by the Michigan Public Service Commission. Separately, Entergy intended to shut down the Palisades nuclear power plant permanently on October 1, 2018, after refueling in the spring of 2017 and operating through the end of that fuel cycle.

In September 2017 the Michigan Public Service Commission issued an order conditionally approving the PPA amendment transaction, but only granting Consumers Energy recovery of \$136.6 million of the \$172 million requested early termination payment. As a result, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy continues to operate Palisades under the existing PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades nuclear power plant permanently no later than May 31, 2022. As a result of the increase in the expected operating life of the 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.

On July 30, 2018, Entergy entered into a purchase and sale agreement with Holtec International to sell to a Holtec subsidiary 100% of the equity interests in the subsidiary that owns Palisades and the Big Rock Point Site. The sale will include the transfer of the nuclear decommissioning trust and obligation for spent fuel management and plant decommissioning. In February 2020 the parties signed an amendment to the purchase and sale agreement to remove the closing condition that the nuclear decommissioning trust fund must have a specified amount and Entergy agreed to contribute \$20 million to the nuclear decommissioning trust fund at closing, among other amendments. Pursuant to a subsequent agreement the \$20 million was paid to Holtec in September 2021. At the closing of the sale transaction, the Holtec subsidiary will pay \$1,000 (subject to adjustment for net liabilities and other amounts) for the equity interests in the subsidiary that owns Palisades and the Big Rock Point Site.

The Palisades transaction is subject to certain closing conditions, including: the permanent shutdown of Palisades and the transfer of all nuclear fuel from the reactor vessel to the spent nuclear fuel pool; NRC regulatory approval for the transfer of the Palisades and Big Rock Point operating and independent spent fuel storage installation licenses; receipt of a favorable private letter ruling from the IRS; and, the Pilgrim transaction having closed. In December 2020, Entergy and Holtec submitted a license transfer application to the NRC requesting approval to transfer the Palisades and Big Rock Point licenses from Entergy to Holtec. In February 2021 several parties filed with the NRC petitions to intervene and requests for hearing challenging the license transfer application. In March 2021, Entergy and Holtec filed answers opposing the petitions to intervene and hearing requests, and the petitioners filed replies. In March 2021 an additional party also filed a petition to intervene and request for hearing. Entergy and Holtec filed an answer to the March 2021 petition in April 2021. The NRC issued an order approving the application in December 2021, subject to the NRC's authority to condition, revise, or rescind the approval order based on the resolution of four pending requests for hearing. In January 2022, Holtec submitted a supplement to the approved license transfer application to the NRC to reflect changes to Holtec's planned decommissioning organizational structure for Palisades.

Subject to the above conditions, the Palisades transaction is expected to close in mid-2022. As of December 31, 2021, Entergy's adjusted net investment in Palisades was (\$50) million. The primary variables in the ultimate loss or gain that Entergy will incur on the transaction are the values of the nuclear decommissioning trust and the asset retirement obligations at closing, the financial results from plant operations until the closing, and the level of any unrealized deferred tax balances at closing. Palisades completed its final refueling outage in October 2020.

Costs Associated with Exit of the Entergy Wholesale Commodities Business

Entergy incurred approximately \$12 million in costs in 2021, \$71 million in costs in 2020, and \$91 million in

costs in 2019 associated with management's strategy to exit the Entergy Wholesale Commodities merchant power business, primarily employee retention and severance expenses and other benefits-related costs, and contracted economic development contributions. Entergy expects to incur employee retention and severance

[Table of Contents](#)

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

expenses of approximately \$5 million in 2022 associated with the exit from the merchant power business. See Note 13 to the financial statements for further discussion of these costs.

Entergy Wholesale Commodities incurred \$5 million in 2021, \$19 million in 2020, and \$100 million in 2019 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, expenditures for capital assets, and asset retirement obligation revisions. These costs were charged to expense as incurred as a result of the impaired value of certain 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 14 to the financial statements for further discussion of the impairment charges.

Liquidity and Capital Resources

This section discusses Entergy's capital structure, capital spending plans and other uses of capital, sources of capital, and the cash flow activity presented in the cash flow statement.

Capital Structure

Entergy's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio is primarily due to the net issuance of debt in 2021. See Note 5 to the financial statements for a discussion of long-term debt.

	December 31, 2021	December 31, 2020
Debt to capital	69.5%	68.3%
Effect of excluding securitization bonds	(0.1%)	(0.2%)
Debt to capital, excluding securitization bonds (a)	69.4%	68.1%
Effect of subtracting cash	(0.3%)	(1.7%)
Net debt to net capital, excluding securitization bonds (a)	69.1%	66.4%

- (a) Calculation excludes the New Orleans and Texas securitization bonds, which are non-recourse to Entergy New Orleans and Entergy Texas, respectively.

As of December 31, 2021, 22.2% of the debt outstanding is at the parent company, Entergy Corporation, 77.3% is at the Utility, and 0.5% is at Entergy Wholesale Commodities. Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable and commercial paper, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, common shareholders' equity, and subsidiaries' preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy's financial condition because the securitization bonds are non-recourse to Entergy, as more fully described in Note 5 to the financial statements. Entergy also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition because net debt indicates Entergy's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

The Utility operating companies and System Energy seek to optimize their capital structures in accordance with regulatory requirements and to control their cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that their operating cash flows are in excess of planned

investments, cash may be used to reduce outstanding debt or may be paid as a dividend to their parent, or both, in appropriate amounts to maintain the capital structure. To the extent that their operating cash flows are insufficient to support planned investments, the Utility operating companies and System Energy may issue

incremental debt or reduce dividends, or both, to maintain their capital structures. In addition, Entergy may make equity contributions to the Utility operating companies and System Energy to maintain their capital structures in certain circumstances such as financing of large transactions or payments that would materially alter the capital structure if financed entirely with debt and reduced dividends.

Long-term debt, including the currently maturing portion, makes up most of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2021. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2021. The amounts below include payments on System Energy's Grand Gulf sale-leaseback transaction, which are included in long-term debt on the balance sheet.

Long-term debt maturities and estimated interest payments	2022	2023	2024	2025-2026	after 2026
(In Millions)					
Utility	\$1,017	\$3,141	\$2,929	\$3,345	\$22,112
Entergy Wholesale Commodities	141	—	—	—	—
Parent and Other	763	99	99	1,896	3,171
Total	<u>\$1,921</u>	<u>\$3,240</u>	<u>\$3,028</u>	<u>\$5,241</u>	<u>\$25,283</u>

Note 5 to the financial statements provides more detail concerning long-term debt outstanding.

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.

As of December 31, 2021, amounts outstanding and capacity available under the \$3.5 billion credit facility are:

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

A covenant in Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio, as defined, of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility is different than the calculation of the debt to capital ratio above. Entergy is currently in compliance with the covenant and expects to remain in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy 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 Entergy Corporation credit facility's 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%.

[Table of Contents](#)

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Finance lease obligations are a minimal part of Entergy's overall capital structure. Following are Entergy's payment obligations under those leases.

	2022	2023	2024	2025-2026	after 2026
	(In Millions)				
Finance lease payments	\$15	\$15	\$13	\$22	\$16

Leases are discussed in Note 10 to the financial statements.

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

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2021	Letters of Credit Outstanding as of December 31, 2021
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.

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:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2021 (a) (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 in MISO letters of credit, Entergy Mississippi has \$1 million in non-MISO letters of credit outstanding under this facility.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition, results of operations, or cash flows. Following are Entergy's payment obligations as of December 31, 2021 on non-cancelable operating leases with a term over one year:

	2022	2023	2024	2025-2026	after 2026
	(In Millions)				
Operating lease payments	\$65	\$56	\$48	\$44	\$15

Leases are discussed in Note 10 to the financial statements.

Other Obligations

Entergy currently expects to contribute approximately \$200 million to its pension plans and approximately \$42.8 million to other postretirement plans in 2022, although 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. See “**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**” below and Note 11 for a discussion of qualified pension and other postretirement benefits funding.

Entergy has \$712 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, the Registrant Subsidiaries enter into fuel and purchased power agreements that contain minimum purchase obligations. The Registrant Subsidiaries each have rate mechanisms in place to recover fuel,

purchased power, and associated costs incurred under these purchase obligations.

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2022 through 2024.

Planned construction and capital investments	2022	2023	2024
	(In Millions)		
Utility:			
Generation	\$1,105	\$1,235	\$1,580
Transmission	755	765	795
Distribution	1,285	1,535	1,620
Utility Support	580	440	310
Total	3,725	3,975	4,305
Entergy Wholesale Commodities and Other	10	—	—
Total	<u>\$3,735</u>	<u>\$3,975</u>	<u>\$4,305</u>

In addition to the planned spending in the table above, the Utility also expects to pay for \$885 million of capital investments in 2022 related to Hurricane Ida restoration work that has been accrued as of December 31, 2021.

Planned construction and capital investments refer to amounts Entergy plans to spend on routine capital projects that are necessary to support reliability of its service, equipment, or systems and to support normal customer growth. In addition to routine capital projects, they also refer to amounts Entergy plans to spend on non-routine capital investments for which Entergy is either contractually obligated, has Board approval, or otherwise expects to make to satisfy regulatory or legal requirements. Amounts include the following types of construction and capital investments:

- Investments in generation projects to modernize, decarbonize, and diversify Entergy's portfolio, including the Sunflower Solar Facility, Walnut Bend Solar Facility, West Memphis Solar Facility, Orange County Advanced Power Station, St. Jacques Louisiana Solar, and potential construction of additional generation.
- Investments in Entergy's Utility nuclear fleet.
- Transmission spending to drive reliability and resilience while also supporting renewables expansion.
- Distribution and Utility Support spending to improve reliability, resilience, and customer experience through projects focused on asset renewals and enhancements and grid stability.

For the next several years, the Utility's owned generating capacity is projected to be adequate to meet MISO reserve requirements; however, in the longer-term additional supply resources will be needed, and its supply plan initiative will continue to seek to transform its generation portfolio with new generation resources. Opportunities resulting from the supply plan initiative, including new projects or the exploration of alternative financing sources, could result in increases or decreases in the capital expenditure estimates given above. Estimated capital expenditures are also subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints and requirements, environmental regulations, business opportunities, market volatility, economic trends, changes in project plans, and the ability to access capital.

RenewablesSunflower Solar Facility

In November 2018, Entergy Mississippi announced that it signed an agreement for the purchase of an approximately 100 MW solar photovoltaic facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. The estimated base purchase price is approximately \$138.4 million. The estimated total investment, including the base purchase price and other related costs, for Entergy Mississippi to acquire the Sunflower Solar Facility is approximately \$153.2 million. The purchase is contingent upon, among other things, obtaining necessary approvals, including full cost recovery, from applicable federal and state regulatory and permitting agencies. The project is being built by Sunflower County Solar Project, LLC, an indirect subsidiary of Recurrent Energy, LLC. Entergy Mississippi will purchase the facility upon mechanical completion and after the other purchase contingencies have been met. In December 2018, Entergy Mississippi filed a joint petition with Sunflower Solar Project with the MPSC for Sunflower Solar Project to construct and for Entergy Mississippi to acquire and thereafter own, operate, improve, and maintain the solar facility. Entergy Mississippi proposed revisions to its formula rate plan that would provide for a mechanism, the interim capacity rate adjustment mechanism, in the formula rate plan to recover the non-fuel related costs of additional owned capacity acquired by Entergy Mississippi, including the annual ownership costs of the Sunflower Solar Facility. In December 2019 the MPSC approved Entergy Mississippi's proposed revisions to its formula rate plan to provide for an interim capacity rate adjustment mechanism. Recovery through the interim capacity rate adjustment requires MPSC approval for each new resource. In August 2019 consultants retained by the Mississippi Public Utilities Staff filed a report expressing concerns regarding the project economics. In March 2020, Entergy Mississippi filed supplemental testimony addressing questions and observations raised by the consultants retained by the Mississippi Public Utilities Staff and proposing an alternative structure for the transaction that would reduce its cost. A hearing before the MPSC was held in March 2020. In April 2020 the MPSC issued an order approving certification of the Sunflower Solar Facility and its recovery through the interim capacity rate adjustment mechanism, subject to certain conditions including: (i) that Entergy Mississippi pursue a partnership structure through which the partnership would acquire and own the facility under the build-own-transfer agreement and (ii) that if Entergy Mississippi does not consummate the partnership structure under the terms of the order, there will be a cap of \$136 million on the level of recoverable costs. Closing is targeted to occur by the end of the second quarter 2022.

Walnut Bend Solar Facility

In October 2020, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the 100 MW Walnut Bend Solar Facility is in the public interest. Entergy Arkansas primarily requested cost recovery through the formula rate plan rider. In July 2021 the APSC granted Entergy Arkansas's petition and approved the acquisition of the resource and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. In January 2022, Entergy Arkansas filed its tax equity partnership status report and will file subsequent reports until a tax equity partnership is obtained. Entergy Arkansas views the progress of the outreach to potential tax equity investors and the current status of the discussions as consistent with its expectations for the timeline for achieving a tax equity partnership. Closing was expected to occur in 2022. The counter-party has notified Entergy Arkansas that it is seeking changes to certain terms of the build-own-transfer agreement, including both cost and schedule. Negotiations are ongoing, but at this time the project is not expected to achieve commercial operation in 2022.

West Memphis Solar Facility

In January 2021, Entergy Arkansas filed a petition with the APSC seeking a finding that the purchase of the

180 MW West Memphis Solar Facility is in the public interest. In October 2021 the APSC granted Entergy Arkansas's petition and approved the acquisition of the West Memphis Solar Facility and cost recovery through the formula rate plan rider. In addition, the APSC directed Entergy Arkansas to file a report within 180 days detailing its efforts to obtain a tax equity partnership. Closing is expected to occur in 2023.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

2021 Solar Certification and the Geaux Green Option

In November 2021, Entergy Louisiana filed an application with the LPSC seeking certification of and approval for the addition of four new solar photovoltaic resources with a nameplate capacity of 475 megawatts (the 2021 Solar Portfolio) and the implementation of a new green tariff, the Geaux Green Option (Rider GGO). The 2021 Solar Portfolio consists of four resources that are expected to provide \$242 million in net benefits to Entergy Louisiana's customers. These resources, all of which would be constructed in Louisiana, include (i) Vacherie Solar Energy Center, a 150 megawatt resource in St. James Parish; (ii) Sunlight Road Solar, a 50 megawatt resource in Washington Parish; (iii) St. Jacques Louisiana Solar, a 150 megawatt resource in St. James; and (iv) Elizabeth Solar Facility, a 125 megawatt resource in Allen Parish. St. Jacques Louisiana Solar would be acquired through a build-own-transfer agreement; the remaining resources involve power purchase agreements. The filing proposes to recover the costs of the power purchase agreements through the fuel adjustment clause and the acquisition costs through the formula rate plan.

The proposed Rider GGO is a voluntary rate schedule that would enhance Entergy Louisiana's ability to help customers meet their sustainability goals by allowing customers to align some or all of their electricity requirements with renewable energy from the resources. Because subscription fees from Rider GGO participants would help to offset the cost of the resources, the design of Rider GGO also preserves the benefits of the 2021 Solar Portfolio for non-participants by providing them with the reliability and capacity benefits of locally-sited solar generation at a discounted price.

The LPSC has established a procedural schedule that is expected to result in an LPSC decision by the end of 2022. Discovery is currently underway.

Other Generation

Orange County Advanced Power Station

In September 2021, Entergy Texas filed an application seeking PUCT approval to amend Entergy Texas's certificate of convenience and necessity to construct, own, and operate the Orange County Advanced Power Station, a new 1,215 MW combined-cycle combustion turbine facility to be located in Bridge City, Texas at an expected total cost of \$1.2 billion inclusive of the estimated costs of the generation facilities, transmission upgrades, contingency, an allowance for funds used during construction, and necessary regulatory expenses, among others. The project includes combustion turbine technology with dual fuel capability, able to co-fire up to 30% hydrogen by volume upon commercial operation and upgradable to support 100% hydrogen operations in the future. In December 2021 the PUCT referred the proceeding to the State Office of Administrative Hearings. A hearing on the merits is scheduled for April 2022. A final order by the PUCT is expected in September 2022. Subject to receipt of required regulatory approvals and other conditions, the facility is expected to be in-service by May 2026.

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its January 2022 meeting, the Board declared a dividend of \$1.01 per share. Entergy paid \$775 million in 2021, \$748 million in 2020, and \$712 million in 2019 in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plans, Entergy periodically grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plans, these shares can be newly issued shares, treasury

stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans.

In addition to the authority to fund grant exercises, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. 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. The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities, or if limitations in the credit markets continue for a prolonged period.

Sources of Capital

Entergy's sources to meet its capital requirements and to fund potential investments include:

- internally generated funds;
- cash on hand (\$443 million as of December 31, 2021);
- storm reserve escrow accounts;
- debt and equity issuances in the capital markets, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- bank financing under new or existing facilities or commercial paper; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In addition to the financings necessary to meet capital requirements and contractual obligations, the Registrant Subsidiaries expect to continue, when economically feasible, to retire higher-cost debt and replace it with lower-cost debt if market conditions permit.

Provisions within the organizational documents relating to preferred stock or membership interests of certain of Entergy Corporation's subsidiaries could restrict the payment of cash dividends or other distributions on their common and preferred equity. All debt and preferred equity issuances by the Registrant Subsidiaries require prior regulatory approval and their debt issuances are also subject to issuance tests set forth in bond indentures and other agreements. Entergy believes that the Registrant Subsidiaries have sufficient capacity under these tests to meet foreseeable capital needs for the next twelve months and beyond.

The FERC has jurisdiction over securities issuances by the Utility operating companies and System Energy. The City Council has concurrent jurisdiction over Entergy New Orleans's securities issuances with maturities longer than one year. The APSC has concurrent jurisdiction over Entergy Arkansas's issuances of securities secured by Arkansas property, including first mortgage bond issuances. No regulatory approvals are necessary for Entergy Corporation to issue securities. The current FERC-authorized short-term borrowing limits and long-term financing authorization for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are effective through October 2023. Entergy Arkansas has obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2022. Entergy New Orleans also has obtained long-term financing authorization from the City Council that extends through December 2023. Entergy Arkansas, Entergy Louisiana, and System Energy each has obtained long-term financing authorization from the FERC that extends through October 2023 for issuances by the nuclear fuel company variable interest entities. In addition to borrowings from commercial banks, the Registrant Subsidiaries 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 Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short-term borrowings combined may not exceed the FERC-authorized limits. See Notes 4 and 5 to the financial statements for further discussion of Entergy's borrowing limits, authorizations, and amounts outstanding.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Equity Issuances and 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 also 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. In 2021, Entergy utilized the at the market equity distribution program and sold nearly \$500 million, approximately \$300 million of which has not been settled and is subject to adjustment pursuant to the forward sale agreements. In addition to settlement of existing forward sales agreements, Entergy Corporation currently expects to issue approximately \$700 million of equity through 2024. Entergy is considering various methods, including, among others, at the market distributions, block trades, and preferred equity issuances. See Note 7 to the financial statements for discussion of the forward sales agreements and common stock issuances and sales under the equity distribution program.

Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida (Entergy Louisiana)

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

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

In February 2021 two winter storms (collectively, Winter Storm Uri) brought freezing rain and ice to Louisiana. Ice accumulation sagged or downed trees, limbs and power lines, causing damage to Entergy Louisiana's transmission and distribution systems. The additional weight of ice caused trees and limbs to fall into power lines and other electric equipment. When the ice melted, it affected vegetation and electrical equipment, causing additional outages. As discussed in the "Fuel and purchased power recovery" section of Note 2 to the financial statements, Entergy Louisiana recovered the incremental fuel costs associated with Winter Storm Uri over a five-month period from April 2021 through August 2021.

In April 2021, Entergy Louisiana filed an application with the LPSC relating to Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Winter Storm Uri restoration costs and in July 2021, Entergy Louisiana made a supplemental filing updating the total restoration costs. Total restoration costs for the repair and/or replacement of Entergy Louisiana's electric facilities damaged by these storms are currently estimated to be approximately \$2.06 billion, including approximately \$1.68 billion in capital costs and approximately \$380 million in non-capital costs. Including carrying costs through January 2022, Entergy Louisiana is seeking an LPSC determination that

\$2.11 billion was prudently incurred and, therefore, is eligible for recovery from customers. Additionally, Entergy Louisiana is requesting that the LPSC determine that re-establishment of a storm escrow account to the previously authorized amount of \$290 million is appropriate. In July 2021, Entergy Louisiana supplemented the application

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

Hurricane Laura, Hurricane Delta, and Winter Storm Uri (Entergy Texas)

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

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

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(In Millions)		
Cash and cash equivalents at beginning of period	\$1,759	\$426	\$481
Net cash provided by (used in):			
Operating activities	2,301	2,690	2,817
Investing activities	(6,179)	(4,772)	(4,510)
Financing activities	2,562	3,415	1,638
Net increase (decrease) in cash and cash equivalents	(1,316)	1,333	(55)
Cash and cash equivalents at end of period	\$443	\$1,759	\$426

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased by \$389 million in 2021 primarily due to:

- increased fuel costs, including those related to Winter Storm Uri. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- an increase of approximately \$220 million in storm spending in 2021. See Note 2 to the financial statements for discussion of recent storms;
- income tax payments of \$98 million in 2021 compared to income tax refunds of \$31 million in 2020. Entergy had net income tax payments in 2021 related to state income taxes and federal estimated taxes, offset by federal income tax refunds received associated with the completion of the 2014-2015 IRS audit. Entergy had income tax refunds in 2020 as a result of an overpayment on a prior year state income tax return;
- lower Entergy Wholesale Commodities revenues in 2021;
- an increase of \$65 million in severance and retention payments in 2021 as compared to 2020. See Note 13 to the financial statements for a discussion of the severance and retention payments related to Entergy Wholesale Commodities. See “ **Entergy Wholesale Commodities Exit from the Merchant Power Business** ” above for a discussion of management's strategy to exit the Entergy Wholesale Commodities merchant power business;
- a decrease of \$55 million in proceeds received from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- an increase of \$40 million in pension contributions in 2021 as compared to 2020. See “ **Critical Accounting Estimates** ” below and Note 11 to the financial statements for a discussion of qualified pension and other postretirement benefits funding.

The decrease was partially offset by higher collections from Utility customers and a decrease in spending of \$52 million on nuclear refueling outages in 2021 as compared to prior period.

Investing Activities

Net cash flow used in investing activities increased by \$1,407 million in 2021 primarily due to:

- an increase of \$1,278 million in distribution construction expenditures primarily due to higher capital expenditures for storm restoration in 2021 and increased spending on the reliability and infrastructure of the distribution system, partially offset by lower spending in 2021 on advanced metering infrastructure;
- an increase of \$366 million in transmission construction expenditures primarily due to higher capital expenditures for storm restoration in 2021;
- a decrease of \$212 million in net receipts from storm reserve escrow accounts; and
- the purchase of the Hardin County Peaking Facility by Entergy Texas in June 2021 for approximately \$37 million and the purchase of the Searcy Solar facility by the Entergy Arkansas tax equity partnership in December 2021 for approximately \$132 million. See Note 14 to the financial statements for discussion of the Hardin County Peaking Facility and the Searcy Solar facility purchases.

The increase was partially offset by:

- the purchase of Washington Parish Energy Center by Entergy Louisiana in November 2020 for approximately \$222 million. See Note 14 to the financial statements for further discussion of the Washington Parish Energy Center purchase;
- a decrease of \$208 million in non-nuclear generation construction expenditures primarily due to higher spending in 2020 on the Montgomery County Power Station, Lake Charles Power Station, New Orleans Power Station, and New Orleans Solar Station projects, partially offset by a higher scope of work performed during outages in 2021 as compared to 2020;
- a decrease of \$102 million in decommissioning trust fund investment activity;
- a decrease of \$49 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, materials and services deliveries, and the timing of cash payments during the nuclear fuel cycle;
- a decrease of \$26 million in information technology construction expenditures primarily due to decreased spending on various technology projects in 2021, including advanced metering infrastructure; and
- \$25 million in plant upgrades for the Choctaw Generating Station in March 2020.

Financing Activities

Net cash flow provided by financing activities decreased by \$854 million in 2021 primarily due to:

- long-term debt activity providing approximately \$3,481 million of cash in 2021 compared to providing approximately \$4,467 million in 2020;
- an increase of \$107 million in net repayments of commercial paper in 2021 compared to 2020; and
- a decrease of \$37 million in proceeds received from treasury stock issuances in 2021 due to a larger amount of previously repurchased Entergy Corporation common stock issued in 2020 to satisfy stock option exercises.

The decrease was partially offset by:

- net sales proceeds of \$201 million from the issuance of common stock in 2021 under the at the market equity distribution program. See Note 7 to the financial statements for discussion of the equity distribution

program;

- capital contributions of \$51 million received in 2021 from the noncontrolling tax equity investor in AR Searcy Partnership, LLC and used by the partnership to acquire the Searcy Solar facility. See Note 14 to the financial statements for discussion of the Searcy Solar facility purchase; and

[Table of Contents](#)

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

- an increase of \$50 million primarily due to higher prepaid deposits related to contributions-in-aid-of-construction generation interconnection agreements in 2021 as compared to 2020.

For the details of Entergy's commercial paper program, see Note 4 to the financial statements. See Note 5 to the financial statements for details of long-term debt.

2020 Compared to 2019

See “ **MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Cash Flow Activity** ” in Item 7 of Entergy's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 26, 2021 for discussion of operating, investing, and financing cash flow activities for 2020 compared to 2019.

Rate, Cost-recovery, and Other Regulation**State and Local Rate Regulation and Fuel-Cost Recovery**

The rates that the Utility operating companies charge for their services significantly influence Entergy's financial position, results of operations, and liquidity. These companies are regulated and the rates charged to their customers are determined in regulatory proceedings. Governmental agencies, including the APSC, the LPSC, the MPSC, the City Council, and the PUCT, are primarily responsible for approval of the rates charged to customers. Following is a summary of the Utility operating companies' authorized returns on common equity:

<u>Company</u>	<u>Authorized Return on Common Equity</u>
Entergy Arkansas	9.15% - 10.15%
Entergy Louisiana	9.0% - 10.0% Electric; 9.3% - 10.3% Gas
Entergy Mississippi	9.03% - 11.08%
Entergy New Orleans	8.85% - 9.85%
Entergy Texas	9.65%

The Utility operating companies' base rate, fuel and purchased power cost recovery, and storm cost recovery proceedings are discussed in Note 2 to the financial statements.

Federal Regulation

The FERC regulates wholesale sales of electricity rates and interstate transmission of electricity, including rates for System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. The current return on equity and capital structure of System Energy are currently the subject of complaints filed by certain of the operating companies' retail regulators. The current return on equity under the Unit Power Sales Agreement is 10.94%. Prior to each operating company's termination of participation in the System Agreement (Entergy Arkansas in December 2013, Entergy Mississippi in November 2015, and Entergy Louisiana, Entergy New Orleans, and Entergy Texas, each in August 2016), the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which was a rate schedule approved by the FERC. Certain of the Utility operating companies' retail regulators are pursuing litigation involving the System Agreement at the FERC and in federal courts. See Note 2 to the financial statements for discussion of the complaints filed with the FERC challenging System Energy's return on equity and capital structure, System Energy's

treatment of uncertain tax positions and the Grand Gulf sale leaseback arrangement, rates charged under the Unit Power Sales Agreement, and the prudence of Grand Gulf's operations and 2012 extended power uprate.

Market and Credit Risk Sensitive Instruments

Market risk is the risk of changes in the value of commodity and financial instruments, or in future net income or cash flows, in response to changing market conditions. Entergy holds commodity and financial instruments that are exposed to the following significant market risks.

- The commodity price risk associated with the sale of electricity by the Entergy Wholesale Commodities business.
- The interest rate and equity price risk associated with Entergy's investments in pension and other postretirement benefit trust funds. See Note 11 to the financial statements for details regarding Entergy's pension and other postretirement benefit trust funds.
- The interest rate and equity price risk associated with Entergy's investments in nuclear plant decommissioning trust funds, particularly in the Entergy Wholesale Commodities business. See Note 16 to the financial statements for details regarding Entergy's decommissioning trust funds.
- The interest rate risk associated with changes in interest rates as a result of Entergy's outstanding indebtedness. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

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 commodity and financial 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.

Entergy's commodity and financial instruments are also exposed to credit risk. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract or agreement. Entergy is also exposed to a potential demand on liquidity due to credit support requirements within its supply or sales agreements.

Commodity Price Risk**Power Generation**

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. See “ **Entergy Wholesale Commodities Exit from the Merchant Power Business** ” above for a discussion of management's strategy to shut down and sell all remaining plants in the Entergy Wholesale Commodities merchant nuclear fleet. As of December 31, 2021, Palisades is the only remaining operating plant in the Entergy Wholesale Commodities merchant nuclear fleet. Almost all of the Palisades output is sold under a power purchase agreement that is scheduled to expire in 2022. Planned generation currently under contract from the Palisades plant is 99% for 2022, all of which is sold under normal purchase/normal sale contracts. Total planned generation for 2022 is 2.8 TWh.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Entergy Wholesale Commodities Portfolio

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. Cash and letters of credit are also acceptable forms of credit support. At December 31, 2021, based on power prices at that time, Entergy had liquidity exposure of \$29 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$8 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of December 31, 2021, Entergy would have been required to provide approximately \$30 million of additional cash or letters of credit under some of the agreements. As of December 31, 2021, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by an insignificant amount for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of December 31, 2021, substantially all of the credit exposure associated with the planned energy output under contract for the Palisades plant through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

Entergy's Utility and Entergy Wholesale Commodities businesses include the ownership and operation of nuclear generating plants and are, therefore, subject to the risks related to such ownership and operation. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems to position Entergy's nuclear fleet to meet its operational goals; the performance and capacity factors of these nuclear plants; the risk of an adverse outcome to an expected challenge to the prudence of operations at Grand Gulf; the implementation of plans to exit the Entergy Wholesale Commodities merchant nuclear power business in 2022; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license amendments, and decommissioning; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident.

NRC Reactor Oversight Process

The NRC's Reactor Oversight Process is a program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response. The NRC evaluates plant performance by analyzing two distinct inputs: inspection findings resulting from the NRC's inspection program and performance indicators reported by the licensee. The evaluations result in the placement of each plant in one of the NRC's Reactor Oversight Process Action Matrix columns: "licensee response column," or Column 1, "regulatory response column," or Column 2, "degraded cornerstone column," or Column 3, and "multiple/repetitive degraded cornerstone column," or Column 4, and "unacceptable performance," or Column 5. Plants in Column 1 are subject to normal NRC inspection activities. Plants in Column 2, Column 3, or Column 4 are subject to progressively increasing levels of inspection by the NRC with, in general, progressively increasing levels of associated costs. Continued plant operation is not permitted for plants in Column 5. All of the nuclear generating plants owned and operated by Entergy's Utility and Entergy Wholesale Commodities businesses are currently in Column 1.

In March 2021 the NRC placed Grand Gulf in Column 3 based on the incidence of five unplanned plant scrams during calendar year 2020, some of which were related to upgrades made to the plant's turbine control system during the spring 2020 refueling outage. The NRC conducted a supplemental inspection of Grand Gulf in accordance with its inspection procedures for nuclear plants in Column 3 and, in October 2021, notified Entergy that all inspection objectives were met. The NRC issued its report in November 2021 and Grand Gulf was returned to Column 1.

Critical Accounting Estimates

The preparation of Entergy's financial statements in conformity with generally accepted accounting principles requires management to apply appropriate accounting policies and to make estimates and judgments that can have a significant effect on reported financial position, results of operations, and cash flows. Management has identified the following accounting estimates as critical because they are based on assumptions and measurements that involve a high degree of uncertainty, and the potential for future changes in these assumptions and measurements could produce estimates that would have a material effect on the presentation of Entergy's financial position, results of operations, or cash flows.

Nuclear Decommissioning Costs

Entergy subsidiaries own nuclear generation facilities in both the Utility and Entergy Wholesale Commodities operating segments. Regulations require Entergy subsidiaries to decommission the nuclear power plants after each facility is taken out of service, and cash is deposited in trust funds during the facilities' operating lives in order to provide for this obligation. Entergy conducts periodic decommissioning cost studies to estimate the costs that will be incurred to decommission the facilities. The following key assumptions have a significant effect on these estimates.

- **Timing** - In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated for those plants that do not have an announced shutdown date. The estimate may include assumptions regarding the possibility that the plant may have an operating life shorter than the operating license expiration. Second, an assumption must be made regarding whether all decommissioning activity will proceed immediately upon plant retirement, or whether the plant will be placed in SAFSTOR status. SAFSTOR is decommissioning a facility by placing it in a safe, stable condition that is maintained until it is subsequently decontaminated and dismantled to levels that permit license termination, normally within 60 years from permanent cessation of operations. A change of assumption regarding either the period of continued operation, the use of a SAFSTOR period, or whether Entergy will continue to hold the plant or the plant is held for sale can change the present value of the asset retirement obligation.
- **Cost Escalation Factors** - Entergy's current decommissioning cost studies include an assumption that decommissioning costs will escalate over present cost levels by factors ranging from approximately 2% to 3% annually. A 50-basis point change in this assumption could change the estimated present value of the decommissioning liabilities by approximately 6% to 18%. The timing assumption influences the significance of the effect of a change in the estimated inflation or cost escalation rate because the effect increases with the length of time assumed before decommissioning activity ends.
- **Spent Fuel Disposal** - Federal law requires the DOE to provide for the permanent storage of spent nuclear fuel, and legislation has been passed by Congress to develop a repository at Yucca Mountain, Nevada. The DOE has not yet begun accepting spent nuclear fuel and is in non-compliance with federal law. The DOE continues to delay meeting its obligation and Entergy's nuclear plant owners are continuing to pursue damage claims against the DOE for its failure to provide timely spent fuel storage. Until a federal site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which

can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities during the decommissioning period can have a significant effect (as much as an average of 20% to 30% of total estimated decommissioning costs).

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Entergy's decommissioning studies include cost estimates for spent fuel storage. These estimates could change in the future, however, based on the expected timing of when the DOE begins to fulfill its obligation to receive and store spent nuclear fuel. See Note 8 to the financial statements for further discussion of Entergy's spent nuclear fuel litigation.

- Technology and Regulation - Over the past several years, more practical experience with the actual decommissioning of nuclear facilities has been gained and that experience has been incorporated into Entergy's current decommissioning cost estimates. Given the long duration of decommissioning projects, additional experience, including technological advancements in decommissioning, could be gained and affect current cost estimates. In addition, if regulations regarding nuclear decommissioning were to change, this could affect cost estimates.
- Interest Rates - The estimated decommissioning costs that are the basis for the recorded decommissioning liability are discounted to present value using a credit-adjusted risk-free rate. When the decommissioning liability is revised, increases in cash flows are discounted using the current credit-adjusted risk-free rate. Decreases in estimated cash flows are discounted using the credit-adjusted risk-free rate used previously in estimating the decommissioning liability that is being revised. Therefore, to the extent that a revised cost study results in an increase in estimated cash flows, a change in interest rates from the time of the previous cost estimate will affect the calculation of the present value of the revised decommissioning liability.

Revisions of estimated decommissioning costs that decrease the liability also result in a decrease in the asset retirement cost asset. Revisions of estimated decommissioning costs that increase the liability result in an increase in the asset retirement cost asset, which is then depreciated over the asset's remaining economic life. See Note 14 to the financial statements for further discussion of impairment of long-lived assets and Note 9 to the financial statements for further discussion of asset retirement obligations.

Utility Regulatory Accounting

Entergy's Utility operating companies and System Energy are subject to retail regulation by their respective state and local regulators and to wholesale regulation by the FERC. Because these regulatory agencies set the rates the Utility operating companies and System Energy are allowed to charge customers based on allowable costs, including a reasonable return on equity, the Utility operating companies and System Energy apply accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. Regulatory assets represent incurred costs that have been deferred because they are probable of future recovery from customers through regulated rates. Regulatory liabilities represent the excess recovery of costs that have been deferred because it is probable such amounts will be returned to customers through future regulated rates. See Note 2 to the financial statements for a discussion of rate and regulatory matters, including details of Entergy's and the Registrant Subsidiaries' regulatory assets and regulatory liabilities.

For each regulatory jurisdiction in which they conduct business, the Utility operating companies and System Energy assess whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. If the assessments made by the Utility operating companies and System Energy are ultimately different than actual regulatory outcomes, it could materially affect the results of operations, financial position, and cash flows of Entergy or the Registrant Subsidiaries.

Impairment of Long-lived Assets

Entergy has significant investments in long-lived assets in both of its operating segments, and Entergy

evaluates these assets against the market economics and under the accounting rules for impairment when there are indications that the carrying amount of an asset or asset group may not be recoverable. This evaluation involves a significant degree of estimation and uncertainty. In the Entergy Wholesale Commodities business, Entergy's

investments in merchant generation assets are subject to impairment if adverse market or regulatory conditions arise, particularly if it leads to a decision or an expectation that Entergy will operate or own a plant for a shorter period than previously expected; if there is a significant adverse change in the physical condition of a plant; or, if capital investment in a plant significantly exceeds previously-expected amounts.

If an asset is considered held for use, and Entergy concludes that events and circumstances are present indicating that an impairment analysis should be performed under the accounting standards, the sum of the expected undiscounted future cash flows from the asset are compared to the asset's carrying value. The carrying value of the asset includes any capitalized asset retirement cost associated with the decommissioning liability; therefore, changes in assumptions that affect the decommissioning liability can increase or decrease the carrying value of the asset subject to impairment for those assets for which a decommissioning liability is recorded. If the expected undiscounted future cash flows exceed the carrying value, no impairment is recorded. If the expected undiscounted future cash flows are less than the carrying value and the carrying value exceeds the fair value, Entergy is required to record an impairment charge to write the asset down to its fair value. If an asset is considered held for sale, an impairment is required to be recognized if the fair value (less costs to sell) of the asset is less than its carrying value.

The expected future cash flows are based on a number of key assumptions, including:

- Future power and fuel prices - Electricity and gas prices can be very volatile. This volatility increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.
- Market value of generation assets - Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, these transactions are relatively infrequent, the market for such assets is volatile, and the value of individual assets is affected by factors unique to those assets.
- Future operating costs - Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant effect on operations could cause a significant change in these assumptions.
- Timing and the life of the asset - Entergy assumes an expected life of the asset. A change in the timing assumption, whether due to management decisions regarding operation of the plant, the regulatory process, or operational or other factors, could have a significant effect on the expected future cash flows and result in a significant effect on operations.

See Note 14 to the financial statements for a discussion of impairment conclusions related to the Entergy Wholesale Commodities nuclear plants.

Taxation and Uncertain Tax Positions

Management exercises significant judgment in evaluating the potential tax effects of Entergy's operations, transactions, and other events. Entergy accounts for uncertain income tax positions using a recognition model under a two-step approach with a more likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Management evaluates each tax position based on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether available information supports the assertion that the recognition threshold has been met. Additionally, measurement of unrecognized tax benefits to be recorded in the consolidated financial statements is based on the probability of different potential outcomes. Income tax expense and tax positions recorded could be significantly affected by events such as additional transactions contemplated or consummated by Entergy as well as

audits by taxing authorities of the tax positions taken in transactions. Management believes that the financial statement tax balances are accounted for and adjusted appropriately each quarter as necessary in accordance with applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable effects on the consolidated financial statements. Entergy's income

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

taxes, including unrecognized tax benefits, open audits, and other significant tax matters are discussed in Note 3 to the financial statements.

Included in the IRS examination of Entergy's 2015 tax returns is the tax effect of the October 2015 combination of two Entergy utility companies, Entergy Gulf States Louisiana and Entergy Louisiana. Entergy Louisiana maintained a carryover tax basis in the assets received and the tax consequences provided for an increase in tax basis as well. This resulted in recognition in 2015 of a \$334 million permanent difference and income tax benefit, net of the uncertain tax position recorded on the transaction. As discussed in Note 3 to the financial statements, the IRS completed its examination of the 2014 and 2015 tax years and issued its 2014-2015 Revenue Agent Report in November 2020. Entergy Louisiana reversed the provision for uncertain tax positions with respect to the business combination. See additional discussion of the 2014 and 2015 IRS audit in Note 3 to the financial statements.

In addition, as discussed in Note 3 to the financial statements, in 2015, System Energy and Entergy Louisiana adopted a new method of accounting for income tax return purposes in which nuclear decommissioning liabilities are 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 Entergy Louisiana in 2015. In the third quarter 2020 the IRS issued Notices of Proposed Adjustment concerning this uncertain 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. The Notices of Proposed Adjustment will not be appealed.

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 in 2020. System Energy also recorded federal and state taxes payable of \$402 million in 2020; on a consolidated basis, however, Entergy utilized tax loss carryovers to offset the federal taxable income adjustment and accordingly did not record federal taxes payable as a result of the outcome of this uncertain tax position. The state taxes due were paid in 2021.

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 in 2020. 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 the 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 which were recorded in 2020. Additionally, both System Energy and Entergy Louisiana, in 2020, recorded a reduction to their balances of unrecognized tax benefits for federal and state taxes of \$461 million and \$1.1 billion, respectively.

See Note 3 to the financial statements for discussion of the effects of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017.

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified, defined benefit pension plans, including cash balance plans and final average pay plans. Generally, plan participation is determined based on the employee's most recent date of hire and collective bargaining agreement where applicable. Additionally, Entergy currently provides other postretirement health care and life insurance benefits for substantially all full-time employees whose most recent date of hire or rehire is before July

1, 2014 and who reach retirement age and meet certain eligibility requirements while still working for Entergy.

Entergy's reported costs of providing these benefits, as described in Note 11 to the financial statements, are affected by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate for the Utility and Entergy Wholesale Commodities segments.

Assumptions

Key actuarial assumptions utilized in determining qualified pension and other postretirement health care and life insurance costs include discount rates, projected healthcare cost rates, expected long-term rate of return on plan assets, rate of increase in future compensation levels, retirement rates, expected timing and form of payments, and mortality rates.

Annually, Entergy reviews and, when necessary, adjusts the assumptions for the pension and other postretirement plans. Every three-to-five years, a formal actuarial assumption experience study that compares assumptions to the actual experience of the pension and other postretirement health care and life insurance plans is conducted. The interest rate environment over the past few years and volatility in the financial equity markets have affected Entergy's funding and reported costs for these benefits.

Discount rates

In selecting an assumed discount rate to calculate benefit obligations, Entergy uses a yield curve based on high-quality corporate debt with cash flows matching the expected plan benefit payments. In estimating the service cost and interest cost components of net periodic benefit cost, Entergy discounts the expected cash flows by the applicable spot rates.

Projected health care cost trend rates

Entergy's health care cost trend is affected by both medical cost inflation, and with respect to capped costs under the plan, the effects of general inflation. Entergy reviews actual recent cost trends and projected future trends in establishing its health care cost trend rates.

Expected long-term rate of return on plan assets

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 of its investment managers. Entergy conducts periodic asset/liability studies in order to set its target asset allocations.

In 2017, Entergy confirmed its liability-driven investment strategy for its pension assets, which recommended that the target asset allocation adjust dynamically over time, based on the funded status of the plan, to an ultimate allocation of 35% equity securities and 65% fixed income securities. The ultimate asset allocation is expected to be attained when the plan is 100% funded. The target pension asset allocation for 2021 was 58% equity and 42% fixed income securities. In 2022, Entergy expects to adjust its asset allocation strategy for pension assets, which will target an overall shift to less fixed income securities and more equity securities.

In 2017, Entergy implemented a new asset allocation strategy for its non-taxable and taxable other postretirement assets, based on the funded status of each sub-account within each trust. The new strategy no longer

focuses on targeting an overall asset allocation for each trust, but rather a target asset allocation for each sub-account within each trust that adjusts dynamically based on the funded status. The 2021 weighted average target postretirement asset allocation is 42% equity and 58% fixed income securities. See Note 11 to the financial statements for discussion of the current asset allocations for Entergy's pension and other postretirement assets.

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Costs and Sensitivities

The estimated 2022 and actual 2021 qualified pension and other postretirement costs and related underlying assumptions and sensitivities are shown below:

Costs	Estimated 2022	2021
	(In millions)	
Qualified pension cost	\$183	\$471.8 (a)
Other postretirement income	(\$12.6)	(\$25.9)
Assumptions	2022	2021
Discount rates		
Qualified pension		
Service cost	3.07%	2.81%
Interest cost	2.49%	2.08%
Other postretirement		
Service cost	3.20%	2.98%
Interest cost	2.31%	1.86%
Expected long-term rates of return		
Qualified pension assets	6.75%	6.75%
Other postretirement - non-taxable assets	5.75% - 6.75%	6.00% - 6.75%
Other postretirement - taxable assets - after tax rate	4.75%	5.00%
Weighted-average rate of increase in future compensation	3.98% - 4.40%	3.98% - 4.40%
Assumed health care cost trend rates		
Pre-65 retirees	5.65%	5.87%
Post-65 retirees	5.90%	6.31%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond		
Pre-65 retirees	2032	2030
Post-65 retirees	2032	2028

(a) In 2021 qualified pension cost included settlement costs of \$205.9 million.

Actual asset returns have an effect on Entergy's qualified pension and other postretirement costs. In 2021, Entergy's actual annual return on qualified pension assets was approximately 11% and for other postretirement assets was approximately 8%, as compared with the 2021 expected long-term rates of return discussed above.

The following chart reflects the sensitivity of qualified pension cost and qualified pension projected benefit obligation to changes in certain actuarial assumptions (dollars in millions):

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$13	\$236
Rate of return on plan assets	(0.25%)	\$15	\$ —
Rate of increase in compensation	0.25%	\$9	\$41

The following chart reflects the sensitivity of postretirement benefit cost and accumulated postretirement benefit obligation to changes in certain actuarial assumptions (dollars in millions):

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	\$2	\$37
Health care cost trend	0.25%	\$2	\$25

Each fluctuation above assumes that the other components of the calculation are held constant.

Accounting Mechanisms

In accordance with pension accounting standards, Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into expense only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees or the average remaining life expectancy of plan participants if almost all are inactive, as is the case for certain qualified pension plans in which some companies within the Entergy Wholesale Commodities segment participate. Additionally, accounting standards allow for the deferral of prior service costs/credits arising from plan amendments that attribute an increase or decrease in benefits to employee service in prior periods. Prior service costs/credits are then amortized into expense over the average future working life of active employees. Certain decisions, including workforce reductions, plan amendments, and plant shutdowns may significantly reduce the expense amortization period and result in immediate recognition of certain previously-deferred costs and gains/losses in the form of curtailment gains or losses. Similarly, payments made to settle benefit obligations, including lump sum benefit payments, can also result in accelerated recognition in the form of settlement losses or gains.

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 uses fair value.

Accounting standards require an employer to recognize in its balance sheet the funded status of its benefit plans. See Note 11 to the financial statements for a further discussion of Entergy's funded status.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Employer Contributions

Entergy contributed \$356 million to its qualified pension plans in 2021. Entergy estimates pension contributions will be approximately \$200 million in 2022; although 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.

Minimum required funding calculations as determined under Pension Protection Act guidance, as amended by the American Rescue Plan Act of 2021, are performed annually as of January 1 of each year and are based on measurements of the assets and funding liabilities as measured at that date. Any excess of the funding liability over the calculated fair market value of assets results in a funding shortfall that must be funded over a fifteen-year rolling period. The Pension Protection Act also imposes certain plan limitations if the funded percentage, which is based on calculated fair market values of assets divided by funding liabilities, does not meet certain thresholds. For funding purposes, asset gains and losses are smoothed in to the calculated fair market value of assets. The funding liability is based upon a weighted average 24-month corporate bond rate published by the U.S. Treasury which is generally subject to a corridor of the 25-year average of prior segment rates. Periodic changes in asset returns and interest rates can affect funding shortfalls and future cash contributions.

Entergy contributed \$32.8 million to its postretirement plans in 2021 and plans to contribute \$42.8 million in 2022.

Other Contingencies

As a company with multi-state utility operations, Entergy is subject to a number of federal and state laws and regulations and other factors and conditions in the areas in which it operates, which potentially subjects it to environmental, litigation, and other risks. Entergy periodically evaluates its exposure for such risks and records a provision for those matters which are considered probable and estimable in accordance with generally accepted accounting principles.

Environmental

Entergy must comply with environmental laws and regulations applicable to air emissions, water discharges, solid waste (including coal combustion residuals), hazardous waste, toxic substances, protected species, and other environmental matters. Under these various laws and regulations, Entergy could incur substantial costs to comply or address any impacts to the environment. Entergy conducts studies to determine the extent of any required remediation and has recorded liabilities based upon its evaluation of the likelihood of loss and expected dollar amount for each issue. Additional sites or issues could be identified which require environmental remediation or corrective action for which Entergy could be liable. The amounts of environmental liabilities recorded can be significantly affected by the following external events or conditions.

- Changes to existing federal, state, or local regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.
- The identification of additional impacts, sites, issues, or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.
- The resolution or progression of existing matters through the court system or resolution by the EPA or relevant state or local authority.

Litigation

Entergy is regularly named as a defendant in a number of lawsuits involving employment, customers, and injuries and damages issues, among other matters. Entergy periodically reviews the cases in which it has been named as defendant and assesses the likelihood of loss in each case as probable, reasonably possible, or remote and records liabilities for cases that have a probable likelihood of loss and the loss can be estimated. Given the environment in which Entergy operates, and the unpredictable nature of many of the cases in which Entergy is named as a defendant, the ultimate outcome of the litigation to which Entergy is exposed has the potential to materially affect the results of operations, financial position, and cash flows of Entergy or the Registrant Subsidiaries.

New Accounting Pronouncements

See Note 1 to the financial statements for discussion of new accounting pronouncements.

ENTERGY CORPORATION AND SUBSIDIARIES REPORT OF MANAGEMENT

Management of Entergy Corporation and its subsidiaries has prepared and is responsible for the financial statements and related financial information included in this document. To meet this responsibility, management establishes and maintains a system of internal controls over financial reporting designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles. This system includes communication through written policies and procedures, an employee Code of Entegrity, and an organizational structure that provides for appropriate division of responsibility and training of personnel. This system is also tested by a comprehensive internal audit program.

Entergy management assesses the design and effectiveness of Entergy's internal control over financial reporting on an annual basis. In making this assessment, management uses the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. The 2013 COSO Framework was utilized for management's assessment. Management acknowledges, however, that all internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Entergy Corporation's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Entergy Corporation's internal control over financial reporting as of December 31, 2021.

In addition, the Audit Committee of the Board of Directors, composed solely of independent Directors, meets with the independent auditors, internal auditors, management, and internal accountants periodically to discuss internal controls, and auditing and financial reporting matters. The Audit Committee appoints the independent auditors annually, seeks shareholder ratification of the appointment, and reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present, providing free access to the Audit Committee.

Based on management's assessment of internal controls using the 2013 COSO criteria, management believes that Entergy and each of the Registrant Subsidiaries maintained effective internal control over financial reporting as of December 31, 2021. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's and each of the Registrant Subsidiaries' financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

LEO P. DENAULT
Chairman of the Board and Chief Executive Officer of
Entergy Corporation

ANDREW S. MARSH
Executive Vice President and Chief Financial Officer of
Entergy Corporation, Entergy Arkansas, LLC, Entergy
Louisiana, LLC, Entergy Mississippi, LLC, Entergy New
Orleans, LLC, Entergy Texas, Inc., and System Energy
Resources, Inc.

LAURA R. LANDREAUX
Chair of the Board, President, and Chief Executive
Officer of Entergy Arkansas, LLC

PHILLIP R. MAY, JR.
Chairman of the Board, President, and Chief Executive
Officer of Entergy Louisiana, LLC

HALEY R. FISACKERLY
Chairman of the Board, President, and Chief Executive
Officer of Entergy Mississippi, LLC

DEANNA D. RODRIGUEZ
Chair of the Board, President, and Chief Executive
Officer of Entergy New Orleans, LLC

ELIECER VIAMONTES
Chairman of the Board, President, and Chief Executive
Officer of Entergy Texas, Inc.

RODERICK K. WEST
Chairman of the Board, President, and Chief Executive
Officer of System Energy Resources, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Entergy Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2021, and the related notes (collectively, referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2022, expressed an unqualified opinion on the Corporation’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on the Corporation’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Rate and Regulatory Matters —Entergy Corporation and Subsidiaries—Refer to Note 2 to the financial statement

Critical Audit Matter Description

The Corporation is subject to rate regulation by the Arkansas Public Service Commission, Louisiana Public Service Commission, Mississippi Public Service Commission, City Council of New Orleans, Louisiana, and Public Utility

Commission of Texas (the “Commissions”), which have jurisdiction with respect to the rates of electric companies in Arkansas, Louisiana, Mississippi, Texas, and the City of New Orleans, and to wholesale rate regulation by the Federal Energy Regulatory Commission (“FERC”). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying

the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

The Corporation's rates are subject to regulatory rate-setting processes and annual earnings oversight. Because the Commissions and the FERC set the rates, the Corporation is allowed to charge customers based on allowable costs, including a reasonable return on equity, and the Corporation applies accounting standards that require the financial statements to reflect the effects of rate regulation, including the recording of regulatory assets and liabilities. The Corporation assesses whether the regulatory assets and regulatory liabilities continue to meet the criteria for probable future recovery or settlement at each balance sheet date and when regulatory events occur. This assessment includes consideration of recent rate orders, historical regulatory treatment for similar costs, and factors such as changes in applicable regulatory and political environments. While the Corporation has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions and the FERC will not approve: (1) full recovery of the costs of providing utility service or (2) full recovery of amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the (1) likelihood of recovery in future rates of incurred costs, including major storm restoration costs, (2) likelihood of refunds to customers, and (3) ongoing complaints filed with the FERC against System Energy Resources, Inc. ("SERI"). Auditing management's judgments regarding the outcome of future decisions by the Commissions and the FERC involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate-setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions and the FERC included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets; and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Corporation's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions and the FERC for the Corporation and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Corporation's filings with the Commissions and the FERC, including the annual formula rate plan filings, base rate case filings, major storm restoration cost filings and open complaints filed with the FERC against SERI, including the Return on Equity, Capital Structure, Grand Gulf Sale-Leaseback Renewal, Unit Power Sales Agreement and Prudence complaints, and considered the filings with the Commissions and the FERC by intervenors that may impact the Corporation's future rates, for any evidence that might contradict management's assertions.

- We obtained an analysis from management and support from the Corporation's internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including major storm restoration

costs incurred and the complaints filed with the FERC against SERI, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

Uncertain Tax Positions—Entergy Wholesale Commodities—Refer to Note 3 to the financial statement

Critical Audit Matter Description

The Corporation accounts for uncertain income tax positions under a two-step approach with a more likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement. The Corporation has uncertain tax positions which require management to make significant judgments and assumptions to determine whether available information supports the assertion that the recognition threshold is met, particularly related to the technical merits and facts and circumstances of each position, as well as the probability of different potential outcomes. These uncertain tax positions could be significantly affected by events such as additional transactions contemplated or consummated by the Corporation as well as audits by taxing authorities of the tax positions. The net unrecognized tax benefit of \$712 million at December 31, 2021, includes uncertain tax positions related to Entergy Wholesale Commodities.

Given the subjectivity of estimating these uncertain tax positions, auditing the uncertain tax positions involved especially subjective judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertain tax positions included the following, among others:

- We tested the effectiveness of controls related to uncertain tax positions, including those over the recognition and measurement of the income tax benefits.
- We evaluated the Corporation's disclosures, and the balances recorded, related to uncertain tax positions.
- We evaluated the methods and assumptions used by management to estimate the uncertain tax positions by testing the underlying data that served as the basis for the uncertain tax position.
- With the assistance of our income tax specialists, we tested the technical merits of the uncertain tax positions and management's key estimates and judgments made by:
 - Assessing the technical merits of the uncertain tax positions by comparing to similar cases filed with the Internal Revenue Service.
 - Evaluating the reasonableness and consistency of the probabilities applied to the uncertain tax position by comparing to probabilities used on similar uncertain tax positions.
 - Considering the impact of changes or settlements in the tax environment on management's methods and assumptions used to estimate the uncertain tax positions.

Nuclear Decommissioning Costs—Entergy Wholesale Commodities—Refer to Note 9 to the financial statement

Critical Audit Matter Description

The Corporation owns nuclear generation facilities in the Entergy Wholesale Commodities operating segment where regulation requires the Corporation to decommission its nuclear power plants after each facility is taken out of service. The Corporation periodically conducts decommissioning cost studies, which requires management to make significant judgments and assumptions, specifically related to future dismantlement, site restoration, spent fuel

management, and license termination costs. The liability for Entergy Wholesale Commodities nuclear decommissioning was \$682 million at December 31, 2021.

Auditing management's judgments regarding the nuclear decommissioning costs, including estimates for future dismantlement, site restoration, spent fuel management, and license termination costs, involved especially subjective judgment in evaluating the appropriateness of the estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the underlying costs for nuclear decommissioning included the following, among others:

- We tested the effectiveness of the control over nuclear decommissioning where management evaluates whether estimates and assumptions need to be updated for each of the nuclear power plants.
- We evaluated the Corporation's disclosures related to the estimated nuclear decommissioning costs, including the balances recorded.
- We evaluated management's ability to accurately estimate the costs for nuclear decommissioning by comparing the cost estimates to actual nuclear decommissioning costs of similar asset retirement obligations at the Corporation.
- With the assistance of our environmental specialists, we completed a search of environmental regulations to evaluate any regulatory changes that may affect the nuclear decommissioning cost estimates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

We have served as the Corporation's auditor since 2001.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Electric	\$ 10,873,995	\$ 9,046,643	\$ 9,429,978
Natural gas	170,610	124,008	153,954
Competitive businesses	698,291	942,985	1,294,741
TOTAL	11,742,896	10,113,636	10,878,673
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	2,458,096	1,564,371	2,029,638
Purchased power	1,271,677	904,268	1,192,860
Nuclear refueling outage expenses	172,636	184,157	204,927
Other operation and maintenance	2,968,621	3,002,626	3,272,381
Asset write-offs, impairments, and related charges	263,625	26,623	290,027
Decommissioning	306,411	381,861	400,802
Taxes other than income taxes	660,290	652,840	643,745
Depreciation and amortization	1,684,286	1,613,086	1,480,016
Other regulatory charges (credits) - net	111,628	14,609	(26,220)
TOTAL	9,897,270	8,344,441	9,488,176
OPERATING INCOME	1,845,626	1,769,195	1,390,497
OTHER INCOME			
Allowance for equity funds used during construction	70,473	119,430	144,974
Interest and investment income	430,466	392,818	547,912
Miscellaneous - net	(201,778)	(210,633)	(252,539)
TOTAL	299,161	301,615	440,347
INTEREST EXPENSE			
Interest expense	863,712	837,981	807,382
Allowance for borrowed funds used during construction	(29,018)	(52,318)	(64,957)
TOTAL	834,694	785,663	742,425
INCOME BEFORE INCOME TAXES	1,310,093	1,285,147	1,088,419
Income taxes	191,374	(121,506)	(169,825)
CONSOLIDATED NET INCOME	1,118,719	1,406,653	1,258,244
Preferred dividend requirements of subsidiaries and noncontrolling interest	227	18,319	17,018
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	\$ 1,118,492	\$ 1,388,334	\$ 1,241,226
Earnings per average common share:			
Basic	\$ 5.57	\$ 6.94	\$ 6.36
Diluted	\$ 5.54	\$ 6.90	\$ 6.30
Basic average number of common shares outstanding			
	200,941,511	200,106,945	195,195,858
Diluted average number of common shares outstanding			
	201,873,024	201,102,220	196,999,284

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
Net Income	\$ 1,118,719	\$ 1,406,653	\$ 1,258,244
Other comprehensive income (loss)			
Cash flow hedges net unrealized gain (loss)			
(net of tax expense (benefit) of (\$ 7,935), (\$ 14,776), and \$ 28,516)	(29,754)	(55,487)	115,026
Pension and other postretirement liabilities			
(net of tax expense (benefit) of \$ 55,161 , \$ 5,600 , and (\$ 6,539))	195,929	22,496	(25,150)
Net unrealized investment gain (loss)			
(net of tax expense (benefit) of (\$ 28,435), \$ 17,586 , and \$ 14,023)	(49,496)	30,704	27,183
Other comprehensive income (loss)	116,679	(2,287)	117,059
Comprehensive Income	1,235,398	1,404,366	1,375,303
Preferred dividend requirements of subsidiaries and noncontrolling interest	227	18,319	17,018
Comprehensive Income Attributable to Entergy Corporation	<u>\$ 1,235,171</u>	<u>\$ 1,386,047</u>	<u>\$ 1,358,285</u>

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Consolidated net income	\$ 1,118,719	\$ 1,406,653	\$ 1,258,244
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	2,242,944	2,257,750	2,182,313
Deferred income taxes, investment tax credits, and non-current taxes accrued	248,719	(131,114)	193,950
Asset write-offs, impairments, and related charges	263,599	26,379	226,678
Changes in working capital:			
Receivables	(84,629)	(139,296)	(101,227)
Fuel inventory	18,359	(27,458)	(28,173)
Accounts payable	269,797	137,457	(71,898)
Taxes accrued	(21,183)	207,556	(20,784)
Interest accrued	(10,640)	7,662	937
Deferred fuel costs	(466,050)	(49,484)	172,146
Other working capital accounts	(53,883)	(143,451)	(3,108)
Changes in provisions for estimated losses	(85,713)	(291,193)	19,914
Changes in other regulatory assets	(536,707)	(784,494)	(545,559)
Changes in other regulatory liabilities	43,631	238,669	(14,781)
Changes in pension and other postretirement liabilities	(897,167)	50,379	187,124
Other	250,917	(76,149)	(639,149)
Net cash flow provided by operating activities	2,300,713	2,689,866	2,816,627
INVESTING ACTIVITIES			
Construction/capital expenditures	(6,087,296)	(4,694,076)	(4,197,667)
Allowance for equity funds used during construction	70,473	119,430	144,862
Nuclear fuel purchases	(166,512)	(215,664)	(128,366)
Payment for purchase of plant or assets	(168,304)	(247,121)	(305,472)
Net proceeds from sale of assets	17,421	—	28,932
Insurance proceeds received for property damages	—	—	7,040
Changes in securitization account	13,669	5,099	3,298
Payments to storm reserve escrow account	(25)	(2,273)	(8,038)
Receipts from storm reserve escrow account	83,105	297,588	—
Decrease (increase) in other investments	2,343	(12,755)	30,319
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	49,236	72,711	2,369
Proceeds from nuclear decommissioning trust fund sales	5,553,629	3,107,812	4,121,351
Investment in nuclear decommissioning trust funds	(5,547,015)	(3,203,057)	(4,208,870)
Net cash flow used in investing activities	(6,179,276)	(4,772,306)	(4,510,242)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	\$ 8,308,427	\$ 12,619,201	\$ 9,304,396
Preferred stock of subsidiary	—	—	33,188
Treasury stock	5,977	42,600	93,862
Common stock	200,776	—	607,650
Retirement of long-term debt	(4,827,827)	(8,152,378)	(7,619,380)
Repurchase / redemptions of preferred stock	—	—	(50,000)
Changes in credit borrowings and commercial paper - net	(426,312)	(319,238)	4,389
Capital contributions from noncontrolling interest	51,202	—	—
Other	43,221	(7,524)	(7,732)
Dividends paid:			
Common stock	(775,122)	(748,342)	(711,573)
Preferred stock	(18,319)	(18,502)	(16,438)
Net cash flow provided by financing activities	2,562,023	3,415,817	1,638,362
Net increase (decrease) in cash and cash equivalents	(1,316,540)	1,333,377	(55,253)
Cash and cash equivalents at beginning of period	1,759,099	425,722	480,975
Cash and cash equivalents at end of period	\$ 442,559	\$ 1,759,099	\$ 425,722
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 843,228	\$ 803,923	\$ 778,209
Income taxes	\$ 98,377	(\$ 31,228)	(\$ 40,435)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$ 44,944	\$ 128,851
Temporary cash investments	397,615	1,630,248
Total cash and cash equivalents	442,559	1,759,099
Accounts receivable:		
Customer	786,866	833,478
Allowance for doubtful accounts	(68,608)	(117,794)
Other	231,843	135,208
Accrued unbilled revenues	420,255	434,835
Total accounts receivable	1,370,356	1,285,727
Deferred fuel costs	324,394	4,380
Fuel inventory - at average cost	154,575	172,934
Materials and supplies - at average cost	1,041,515	962,185
Deferred nuclear refueling outage costs	133,422	179,150
Prepayments and other	156,774	196,424
TOTAL	3,623,595	4,559,899
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	5,514,016	7,253,215
Non-utility property - at cost (less accumulated depreciation)	357,576	343,328
Other	159,455	214,222
TOTAL	6,031,047	7,810,765
PROPERTY, PLANT, AND EQUIPMENT		
Electric	64,263,250	59,696,443
Natural gas	658,989	610,768
Construction work in progress	1,511,966	2,012,030
Nuclear fuel	577,006	601,281
TOTAL PROPERTY, PLANT, AND EQUIPMENT	67,011,211	62,920,522
Less - accumulated depreciation and amortization	24,767,051	24,067,745
PROPERTY, PLANT, AND EQUIPMENT - NET	42,244,160	38,852,777
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$ 49,579 as of December 31, 2021 and \$ 119,238 as of December 31, 2020)	6,613,256	6,076,549
Deferred fuel costs	240,953	240,422
Goodwill	377,172	377,172
Accumulated deferred income taxes	54,186	76,289
Other	269,873	245,339
TOTAL	7,555,440	7,015,771
TOTAL ASSETS		
	\$ 59,454,242	\$ 58,239,212

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31,	
	2021	2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$ 1,039,329	\$ 1,164,015
Notes payable and commercial paper	1,201,177	1,627,489
Accounts payable	2,610,132	2,739,437
Customer deposits	395,184	401,512
Taxes accrued	419,828	441,011
Interest accrued	191,151	201,791
Deferred fuel costs	7,607	153,113
Pension and other postretirement liabilities	68,336	61,815
Current portion of unprotected excess accumulated deferred income taxes	53,385	63,683
Other	204,613	206,640
TOTAL	6,190,742	7,060,506
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	4,706,797	4,361,772
Accumulated deferred investment tax credits	211,975	212,494
Regulatory liability for income taxes-net	1,255,692	1,521,757
Other regulatory liabilities	2,643,845	2,323,851
Decommissioning and asset retirement cost liabilities	4,757,084	6,469,452
Accumulated provisions	157,122	242,835
Pension and other postretirement liabilities	1,949,325	2,853,013
Long-term debt (includes securitization bonds of \$ 83,639 as of December 31, 2021 and \$ 174,635 as of December 31, 2020)	24,841,572	21,205,761
Other	815,284	807,219
TOTAL	41,338,696	39,998,154
Commitments and Contingencies		
Subsidiaries ’ preferred stock without sinking fund	219,410	219,410
EQUITY		
Preferred stock, no par value, authorized 1,000,000 shares in 2021 and 0 shares in 2020; issued shares in 2021 and 2020 - none	—	—
Common stock, \$ 0.01 par value, authorized 499,000,000 shares in 2021 and 500,000,000 shares in 2020; issued 271,965,510 shares in 2021 and 270,035,180 shares in 2020	2,720	2,700
Paid-in capital	6,766,239	6,549,923
Retained earnings	10,240,552	9,897,182
Accumulated other comprehensive loss	(332,528)	(449,207)
Less - treasury stock, at cost (69,312,326 shares in 2021 and 69,790,346 shares in 2020)	5,039,699	5,074,456
Total common shareholders' equity	11,637,284	10,926,142
Subsidiaries ’ preferred stock without sinking fund and noncontrolling interest	68,110	35,000
TOTAL	11,705,394	10,961,142
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
	\$ 59,454,242	\$ 58,239,212

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Subsidiaries' Preferred Stock and Noncontrolling Interest	Common Shareholders' Equity					Total
		Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
(In Thousands)							
Balance at December 31, 2018	\$ —	\$ 2,616	(\$ 5,273,719)	\$ 5,951,431	\$ 8,721,150	(\$ 557,173)	\$ 8,844,305
Implementation of accounting standards					6,806	(6,806)	—
Balance at January 1, 2019	\$ —	\$ 2,616	(\$ 5,273,719)	\$ 5,951,431	\$ 8,727,956	(\$ 563,979)	\$ 8,844,305
Consolidated net income (a)	17,018	—	—	—	1,241,226	—	1,258,244
Other comprehensive income	—	—	—	—	—	117,059	117,059
Settlement of equity forwards through common stock issuance	—	84	—	607,566	—	—	607,650
Common stock issuance costs	—	—	—	(7)	—	—	(7)
Common stock issuances related to stock plans	—	—	119,569	5,446	—	—	125,015
Common stock dividends declared	—	—	—	—	(711,573)	—	(711,573)
Subsidiaries' capital stock redemptions	35,000	—	—	—	—	—	35,000
Preferred dividend requirements of subsidiaries (a)	(17,018)	—	—	—	—	—	(17,018)
Balance at December 31, 2019	\$ 35,000	\$ 2,700	(\$ 5,154,150)	\$ 6,564,436	\$ 9,257,609	(\$ 446,920)	\$ 10,258,675
Implementation of accounting standards	—	—	—	—	(419)	—	(419)
Balance at January 1, 2020	\$ 35,000	\$ 2,700	(\$ 5,154,150)	\$ 6,564,436	\$ 9,257,190	(\$ 446,920)	\$ 10,258,256
Consolidated net income (a)	18,319	—	—	—	1,388,334	—	1,406,653
Other comprehensive loss	—	—	—	—	—	(2,287)	(2,287)
Common stock issuances related to stock plans	—	—	79,694	(14,513)	—	—	65,181
Common stock dividends declared	—	—	—	—	(748,342)	—	(748,342)
Preferred dividend requirements of subsidiaries (a)	(18,319)	—	—	—	—	—	(18,319)
Balance at December 31, 2020	\$ 35,000	\$ 2,700	(\$ 5,074,456)	\$ 6,549,923	\$ 9,897,182	(\$ 449,207)	\$ 10,961,142
Consolidated net income (a)	227	—	—	—	1,118,492	—	1,118,719
Other comprehensive income	—	—	—	—	—	116,679	116,679
Common stock issuances and sales under the at the market equity distribution program	—	20	—	204,194	—	—	204,214
Common stock issuance costs	—	—	—	(3,438)	—	—	(3,438)
Common stock issuances related to stock plans	—	—	34,757	15,560	—	—	50,317
Common stock dividends declared	—	—	—	—	(775,122)	—	(775,122)
Capital contributions from noncontrolling interest	51,202	—	—	—	—	—	51,202
Preferred dividend requirements of subsidiaries (a)	(18,319)	—	—	—	—	—	(18,319)
Balance at December 31, 2021	\$ 68,110	\$ 2,720	(\$ 5,039,699)	\$ 6,766,239	\$ 10,240,552	(\$ 332,528)	\$ 11,705,394

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries include \$ 16 million for 2021, 2020, and 2019 of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

ENTERGY CORPORATION AND SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)**

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

Use of Estimates in the Preparation of Financial Statements

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

Revenues and Fuel Costs

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

Property, Plant, and Equipment

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

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

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Notes to Financial Statements

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

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

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

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

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

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

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

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

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Millions)						
Production						
Nuclear	\$ 1,775	\$ 3,941	\$ —	\$ —	\$ —	\$ 1,908
Other	931	3,631	882	411	1,250	—
Transmission	2,065	4,237	1,383	114	1,743	35
Distribution	2,801	5,629	1,879	702	1,866	—
Other	534	1,042	342	349	273	24
Construction work in progress	241	848	95	22	184	98
Nuclear fuel	182	209	—	—	—	171
Property, plant, and equipment - net	<u>\$ 8,529</u>	<u>\$ 19,537</u>	<u>\$ 4,581</u>	<u>\$ 1,598</u>	<u>\$ 5,316</u>	<u>\$ 2,236</u>
2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Millions)						
Production						
Nuclear	\$ 1,622	\$ 3,980	\$ —	\$ —	\$ —	\$ 1,891
Other	803	3,660	868	416	523	—
Transmission	2,053	3,756	1,235	111	1,566	37
Distribution	2,666	4,130	1,651	576	1,782	—
Other	506	984	325	326	273	26
Construction work in progress	234	667	135	12	880	60
Nuclear fuel	163	210	—	—	—	175
Property, plant, and equipment - net	<u>\$ 8,047</u>	<u>\$ 17,388</u>	<u>\$ 4,214</u>	<u>\$ 1,441</u>	<u>\$ 5,023</u>	<u>\$ 2,189</u>

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

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

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

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

Table of Contents

Entergy Corporation and Subsidiaries

Notes to Financial Statements

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

Jointly-Owned Generating Stations

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

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

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

Table of Contents

Entergy Corporation and Subsidiaries
Notes to Financial Statements

- (b) Ouachita Units 1 and 2 are owned 100 % by Entergy Arkansas and Ouachita Unit 3 is owned 100 % by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the common facilities and not for the generating units.
- (c) Union Unit 1 is owned 100 % by Entergy New Orleans, Union Unit 2 is owned 100 % by Entergy Arkansas, Union Units 3 and 4 are owned 100 % by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the specified common facilities and not for the generating units.
- (d) Includes a leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 5 to the financial statements.

Nuclear Refueling Outage Costs

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

Allowance for Funds Used During Construction (AFUDC)

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

Income Taxes

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

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

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

Earnings per Share

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

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

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

Stock-based Compensation Plans

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

Accounting for the Effects of Regulation

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

An enterprise that ceases to meet the three criteria for all or part of its operations should report that event in its financial statements. In general, the enterprise no longer meeting the criteria should eliminate from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a

Table of Contents

Entergy Corporation and Subsidiaries
Notes to Financial Statements

regulated enterprise is no longer recovering all of its costs, it is possible that an impairment may exist that could require further write-offs of plant assets.

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

Regulatory Asset or Liability for Income Taxes

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

Cash and Cash Equivalents

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

Securitization Recovery Trust Accounts

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

Allowance for Doubtful Accounts

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

Investments

Entergy records decommissioning trust funds on the balance sheet at their fair value. Unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds are recorded in earnings as they occur rather than in other comprehensive income. Because of the ability of the Registrant Subsidiaries to

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

Equity Method Investments

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

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

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

Because of this disproportionate allocation, Entergy Arkansas accounts for its earnings in the partnership using the HLBV method of accounting. Under the HLBV method, the amounts of income and loss attributable to

both Entergy Arkansas and the tax equity investor reflect changes in the amount each would hypothetically receive at the balance sheet date under the respective liquidation provisions of the limited liability company agreement, assuming the net assets of the partnership were liquidated at book value, after consideration of contributions and

Table of Contents

Entergy Corporation and Subsidiaries

Notes to Financial Statements

distributions, between Entergy Arkansas and the tax equity investor. Once the tax equity investor reaches its target return in the hypothetical liquidation, the remaining proceeds are primarily allocated to Entergy Arkansas. This allocation may result in fluctuations of income on a periodic basis that differ significantly from what would otherwise be recognized if the earnings were allocated under the relative ownership percentages between Entergy Arkansas and the tax equity investor. Entergy Arkansas has determined these differences are primarily due to timing, and the APSC has approved that, for purposes of ratemaking, Entergy Arkansas reflect its interest in the partnership using its relative ownership percentage and disregard the effects of the HLBV method of accounting. Because of this, Entergy Arkansas recorded a regulatory liability of \$ 18.1 million in 2021 for the difference between the earnings allocated to it under the HLBV method of accounting and the earnings that would have been allocated to it under its respective ownership percentage in the partnership.

Derivative Financial Instruments and Commodity Derivatives

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

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

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

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

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments other than those instruments held by the Entergy Wholesale Commodities business are reflected in future rates and therefore do not affect net

income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. See Note 15 to the financial statements for further discussion of fair value.

Impairment of Long-lived Assets

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

River Bend AFUDC

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

Reacquired Debt

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

Taxes Imposed on Revenue-Producing Transactions

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

New Accounting Pronouncements

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

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Notes to Financial Statements

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

Regulatory Assets and Regulatory Liabilities

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

Other Regulatory Assets

Entergy

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

Entergy Arkansas

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

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Notes to Financial Statements

Entergy Louisiana

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

Entergy Mississippi

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

Entergy New Orleans

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

Entergy Texas

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

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Notes to Financial Statements

System Energy

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

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

Hurricane Ida

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

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

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

through securitization.

Other Regulatory LiabilitiesEntergy

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

Entergy Arkansas

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

[Table of Contents](#)

Entergy Corporation and Subsidiaries
Notes to Financial Statements

Entergy Louisiana

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

Entergy Mississippi

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

Entergy Texas

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

System Energy

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

(a) Offset by related asset.

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

Regulatory activity regarding the Tax Cuts and Jobs Act

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

Entergy Arkansas

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

As discussed below, in July 2018, Entergy Arkansas made its formula rate plan filing to set its formula rate for the 2019 calendar year. A hearing was held in May 2018 regarding the APSC's inquiries into the effects of the Tax Act, including Entergy Arkansas's proposal to utilize its formula rate plan rider for its customers to realize the remaining benefits of the Tax Act. Entergy Arkansas's formula rate plan rider included a netting adjustment that compared actual annual results to the allowed rate of return on common equity. In July 2018 the APSC issued an order agreeing with Entergy Arkansas's proposal to have the effects of the Tax Act on current income tax expense flow through Entergy Arkansas's formula rate plan rider and with Entergy Arkansas's treatment of protected

unprotected excess accumulated deferred income taxes. The APSC also directed Entergy Arkansas to submit in the tax adjustment rider proceeding, discussed above, the adjustments to all other riders affected by the Tax Act and to include an amendment for a true up mechanism where a rider affected by the Tax Act does not already contain a