

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

Defined Contribution Plans

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

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

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

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

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

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

NOTE 12. STOCK-BASED COMPENSATION (Entergy Corporation)

Entergy grants stock options, restricted stock, performance units, and restricted stock units to key employees of the Entergy subsidiaries under its equity plans which are shareholder-approved stock-based compensation plans. Effective May 3, 2019, Entergy's shareholders approved the 2019 Omnibus Incentive Plan (2019 Plan). The

maximum number of common shares that can be issued from the 2019 Plan for stock-based awards is 7,300,000 all of which are available for incentive stock option grants. The 2019 Plan applies to awards granted on or after May 3, 2019 and awards expire ten years from the date of grant. As of December 31, 2021, there were 4,711,095 authorized shares remaining for stock-based awards.

Stock Options

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

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

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

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

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

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

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

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

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

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

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

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

Restricted Stock Awards

Entergy grants restricted stock awards earned under its stock benefit plans in the form of stock units.

One-third of the restricted stock awards will vest upon each anniversary of the grant date and are expensed ratably over

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

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

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

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

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

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

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

Long-Term Performance Unit Program

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

In January 2021 the Board approved and Entergy granted 203,983 performance units under the 2019

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

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

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

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

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

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

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

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

Restricted Stock Unit Awards

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

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

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

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

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

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

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

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

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

Entergy's segment financial information was as follows:

2021	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
(In Thousands)					
Operating revenues	\$ 11,044,674	\$ 698,164	\$ 87	(\$ 29)	\$ 11,742,896
Asset write-offs, impairments, and related charges	\$ —	\$ 263,625	\$ —	\$ —	\$ 263,625
Depreciation, amortization, & decommissioning	\$ 1,823,389	\$ 164,602	\$ 2,706	\$ —	\$ 1,990,697
Interest and investment income	\$ 442,817	\$ 118,597	\$ 10,932	(\$ 141,880)	\$ 430,466
Interest expense	\$ 692,004	\$ 13,334	\$ 143,614	(\$ 14,258)	\$ 834,694
Income taxes	\$ 264,209	(\$ 25,381)	(\$ 47,454)	\$ —	\$ 191,374
Consolidated net income (loss)	\$ 1,488,487	(\$ 120,689)	(\$ 121,457)	(\$ 127,622)	\$ 1,118,719
Total assets	\$ 59,733,625	\$ 1,242,675	\$ 561,168	(\$ 2,083,226)	\$ 59,454,242
Cash paid for long-lived asset additions	\$ 6,409,855	\$ 12,100	\$ 157	\$ —	\$ 6,422,112

2020	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
(In Thousands)					
Operating revenues	\$ 9,170,714	\$ 942,869	\$ 78	(\$ 25)	\$ 10,113,636
Asset write-offs, impairments, and related charges	\$ —	\$ 26,623	\$ —	\$ —	\$ 26,623
Depreciation, amortization, & decommissioning	\$ 1,685,138	\$ 306,974	\$ 2,835	\$ —	\$ 1,994,947
Interest and investment income	\$ 299,004	\$ 234,194	\$ 19,563	(\$ 159,943)	\$ 392,818
Interest expense	\$ 648,851	\$ 22,432	\$ 146,730	(\$ 32,350)	\$ 785,663
Income taxes	(\$ 282,311)	\$ 104,937	\$ 55,868	\$ —	(\$ 121,506)
Consolidated net income (loss)	\$ 1,816,354	(\$ 62,763)	(\$ 219,344)	(\$ 127,594)	\$ 1,406,653
Total assets	\$ 55,940,153	\$ 3,800,378	\$ 552,632	(\$ 2,053,951)	\$ 58,239,212
Cash paid for long-lived asset additions	\$ 5,102,322	\$ 54,455	\$ 84	\$ —	\$ 5,156,861

2019	Utility	Entergy Wholesale Commodities	All Other	Eliminations	Consolidated
(In Thousands)					
Operating revenues	\$ 9,583,985	\$ 1,294,719	\$ 21	(\$ 52)	\$ 10,878,673
Asset write-offs, impairments, and related charges	\$ —	\$ 290,027	\$ —	\$ —	\$ 290,027
Depreciation, amortization, & decommissioning	\$ 1,493,167	\$ 384,707	\$ 2,944	\$ —	\$ 1,880,818
Interest and investment income	\$ 289,570	\$ 414,636	\$ 26,295	(\$ 182,589)	\$ 547,912
Interest expense	\$ 589,395	\$ 29,450	\$ 178,575	(\$ 54,995)	\$ 742,425
Income taxes	\$ 19,634	(\$ 161,295)	(\$ 28,164)	\$ —	(\$ 169,825)
Consolidated net income (loss)	\$ 1,425,643	\$ 148,870	(\$ 188,675)	(\$ 127,594)	\$ 1,258,244
Total assets	\$ 49,557,664	\$ 4,154,961	\$ 514,020	(\$ 2,502,733)	\$ 51,723,912
Cash paid for long-lived asset additions	\$ 4,527,045	\$ 104,300	\$ 160	\$ —	\$ 4,631,505

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

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

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

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

Entergy Wholesale Commodities

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

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

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

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

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

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

Geographic Areas

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

Registrant Subsidiaries

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

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

Acquisitions

Searcy Solar Facility

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

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

Hardin County Peaking Facility

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

Washington Parish Energy Center

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

Choctaw Generating Station

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

Dispositions

Indian Point Energy Center

In April 2019, Entergy entered into an agreement to sell, directly or indirectly, 100 % of the equity interests in the subsidiaries that own Indian Point 1, Indian Point 2, and Indian Point 3, after Indian Point 3 had been shut down and defueled, to a Holtec International subsidiary. In November 2020 the NRC approved the sale of the plant to Holtec. Indian Point 3 was shut down in April 2021 and defueled in May 2021. In May 2021 the New York State Public Service Commission approved the sale of the plant to Holtec. The transaction closed in May 2021. The sale included the transfer of the licenses, spent fuel, decommissioning liabilities, and nuclear decommissioning trusts for

the three units. The transaction resulted in a charge of \$ 340 million (\$ 268 million net-of-tax) in the second quarter of 2021. The disposition-date fair value of the nuclear decommissioning trust funds was approximately \$ 2,387 million and the disposition-date fair value of the asset retirement obligations was \$ 1,996 million. The transaction also included materials and supplies and prepaid assets.

Pilgrim

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

Vermont Yankee

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

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

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

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

The Vermont Yankee spent fuel disposal contract was assigned to NorthStar as part of the transaction. The Vermont Yankee transaction resulted in Entergy generating a net deferred tax asset in January 2019. The deferred tax asset could not be fully realized by Entergy in the first quarter of 2019; accordingly, Entergy accrued a net tax

expense of \$ 29 million on the disposition of Vermont Yankee. The transaction also resulted in other charges of \$ 5.4 million (\$ 4.2 million net-of-tax) in the first quarter 2019.

Impairment of Long-lived Assets**2019, 2020, and 2021 Impairments**

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

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

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

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

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

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

commodity price risk, particularly power price and fuel price risk.

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

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

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

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

Derivatives

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

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

Entergy used standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitated the netting of cash flows associated with a single counterparty and may have included collateral requirements. Cash, letters of credit, and parental/affiliate guarantees were obtained for gas

security from counterparties in order to mitigate credit risk. The collateral agreements required a counterparty to post cash or letters of credit in the event an exposure exceeded an established threshold. The threshold represented an unsecured credit limit, which may have been supported by a parental/affiliate guarantee, as determined in

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

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

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

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

31, 2021 and for Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas as of December 31, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Represents the gross amounts of recognized assets/liabilities

(b) Represents the netting of fair value balances with the same counterparty

(c) Represents the net amounts of assets/liabilities presented on the Registrant Subsidiaries' balance sheets

(d) As of December 31, 2021 letters of credit posted with MISO covered financial transmission rights exposure of \$ 0.2 million for Entergy Mississippi and \$ 0.1 million for Entergy Texas. As of December 31, 2020, letters of credit posted with MISO covered financial transmission rights exposure of \$ 0.3 million for Entergy Louisiana, \$ 0.2 million for Entergy Mississippi, \$ 0.2 million for Entergy New Orleans, and \$ 0.5 million for Entergy Texas.

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

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

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

Fair Values

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

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

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

The three levels of the fair value hierarchy are:

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

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or

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

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

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

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

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

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

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

representation of fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Entergy Arkansas

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

Entergy Louisiana

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

Entergy Mississippi

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

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

Entergy New Orleans

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

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

Entergy Texas

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

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

System Energy

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

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

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

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

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

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

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

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

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

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

Entergy records decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory

treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the 30 % interest in River Bend formerly owned by Cajun, Entergy Louisiana records an offsetting amount in other deferred credits for the unrealized trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for the Entergy Wholesale Commodities nuclear plants do not meet the criteria for regulatory accounting

treatment. Accordingly, unrealized gains/(losses) recorded on the equity securities in the trust funds are recognized in earnings. Unrealized gains recorded on the available-for-sale debt securities in the trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity. Unrealized losses (where cost exceeds fair market value) on the available-for-sale debt securities in the trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. A portion of Entergy's decommissioning trust funds were held in a wholly-owned registered investment company, and unrealized gains and losses on both the equity and debt securities held in the registered investment company were recognized in earnings. In December 2020, Entergy liquidated its interest in the registered investment company. Generally, Entergy records gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

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

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

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

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

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

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

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

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

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

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

Entergy Arkansas

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

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

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

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$ 163.2 million. The equity securities are generally held in funds that are

designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

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

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

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

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

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

Entergy Louisiana

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

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

The amortized cost of available-for-sale debt securities was \$ 766.3 million as of December 31, 2021 and \$ 581.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an

average coupon rate of approximately 3.30 %, an average duration of approximately 6.83 years, and an average maturity of approximately 12.29 years.

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The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$ 249.4 million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

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

	December 31, 2021		December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$ 206.9	\$ 1.4	\$ 36.4	\$ 0.5
More than 12 months	42.9	1.9	0.8	—
Total	\$ 249.8	\$ 3.3	\$ 37.2	\$ 0.5

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

	2021	2020
	(In Millions)	
Less than 1 year	\$ —	\$ —
1 year - 5 years	157.8	117.0
5 years - 10 years	173.0	159.4
10 years - 15 years	123.0	101.2
15 years - 20 years	80.2	66.9
20 years+	260.2	187.7
Total	\$ 794.2	\$ 632.2

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$ 303.4 million, \$ 159.7 million, and \$ 186 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$ 6.8 million, \$ 8.1 million, and \$ 4.8 million, respectively, and gross losses of \$ 4.1 million, \$ 0.7 million, and \$ 0.3 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

System Energy

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

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2021			
Debt Securities	\$ 524.5	\$ 11.8	\$ 2.9
2020			
Debt Securities	\$ 427.7	\$ 30.0	\$ 0.8

The amortized cost of available-for-sale debt securities was \$ 515.6 million as of December 31, 2021 and \$ 398.4 million as of December 31, 2020. As of December 31, 2021, the available-for-sale debt securities had an average coupon rate of approximately 2.33 %, an average duration of approximately 7.33 years, and an average maturity of approximately 10.15 years.

The unrealized gains/(losses) recognized during the year ended December 31, 2021 on equity securities still held as of December 31, 2021 were \$ 155.1 million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

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

	December 31, 2021		December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	\$ 276.6	\$ 2.3	\$ 28.9	\$ 0.8
More than 12 months	11.3	0.6	—	—
Total	\$ 287.9	\$ 2.9	\$ 28.9	\$ 0.8

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

	2021	2020
	(In Millions)	
Less than 1 year	\$ —	(\$ 1.1)
1 year - 5 years	156.8	134.7
5 years - 10 years	161.8	141.5
10 years - 15 years	58.6	31.5
15 years - 20 years	1.9	5.3
20 years+	145.4	115.8
Total	\$ 524.5	\$ 427.7

During the years ended December 31, 2021, 2020, and 2019, proceeds from the dispositions of available-for-sale securities amounted to \$ 513.8 million, \$ 252.2 million, and \$ 338.1 million, respectively. During the years ended December 31, 2021, 2020, and 2019, gross gains of \$ 9.3 million, \$ 11.5 million, and \$ 5.4 million, respectively, and gross losses of \$ 4.0 million, \$ 0.6 million, and \$ 0.7 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

Allowance for expected credit losses

Entergy implemented ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, effective January 1, 2020. In accordance with the new standard, 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 individual security is determined to be uncollectible it is written off against this allowance. Entergy's available-for-sale securities are held in trusts managed by third parties who operate

in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Specifically, available-for-sale securities are subject to credit worthiness restrictions, with requirements for both the average credit rating of the portfolio and minimum credit ratings for individual debt

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securities. As of December 31, 2021 and 2020, Entergy's allowance for expected credit losses related to available-for-sale securities were \$ 0.4 million and \$ 0.1 million, respectively. Entergy did not record any impairments of available-for-sale debt securities for the years ended December 31, 2021 and 2020.

Other-than-temporary impairments and unrealized gains and losses

Prior to the implementation of ASU 2016-13 on January 1, 2020, Entergy evaluated the available-for-sale debt securities in the Entergy Wholesale Commodities nuclear decommissioning trust funds with unrealized losses at the end of each period to determine whether an other-than-temporary impairment had occurred. The assessment of whether an investment in a debt security suffered an other-than-temporary impairment was based on whether Entergy had the intent to sell or more likely than not would have been required to sell the debt security before recovery of its amortized costs. Further, if Entergy did not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment was considered to have occurred and it was measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the year ended December 31, 2019.

NOTE 17. VARIABLE INTEREST ENTITIES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Under applicable authoritative accounting guidance, a variable interest entity (VIE) is an entity that conducts a business or holds property that possesses any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest), or where equity holders do not receive expected losses or returns. An entity may have an interest in a VIE through ownership or other contractual rights or obligations, and is required to consolidate a VIE if it is the VIE's primary beneficiary. The primary beneficiary of a VIE is the entity that has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and has the obligation to absorb losses or has the right to residual returns that would potentially be significant to the entity.

Entergy Arkansas, Entergy Louisiana, and System Energy consolidate the respective companies from which they lease nuclear fuel, usually in a sale and leaseback transaction. This is because Entergy directs the nuclear fuel companies with respect to nuclear fuel purchases, assists the nuclear fuel companies in obtaining financing, and, if financing cannot be arranged, the lessee (Entergy Arkansas, Entergy Louisiana, or System Energy) is responsible to repurchase nuclear fuel to allow the nuclear fuel company (the VIE) to meet its obligations. During the term of the arrangements, none of the Entergy operating companies have been required to provide financial support apart from their scheduled lease payments. See Note 4 to the financial statements for details of the nuclear fuel companies' credit facility and commercial paper borrowings and long-term debt that are reported by Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy. These amounts also represent Entergy's and the respective Registrant Subsidiary's maximum exposure to losses associated with their respective interests in the nuclear fuel companies.

Entergy Gulf States Reconstruction Funding I, LLC, and Entergy Texas Restoration Funding, LLC, companies wholly-owned and consolidated by Entergy Texas, are variable interest entities and Entergy Texas is the primary beneficiary. In June 2007, Entergy Gulf States Reconstruction Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Rita reconstruction costs. Although the principal amount was not due until June 2022, Entergy Gulf States Reconstruction Funding made principal payments on the bonds in 2021, after which the bonds were fully repaid. In November 2009, Entergy Texas Restoration Funding issued senior

secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs. With the proceeds, the variable interest entities purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated

Entergy Texas balance sheet. The creditors of Entergy Texas do not have recourse to the assets or revenues of the variable interest entities, including the transition property, and the creditors of the variable interest entities do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to the variable interest entities except to remit transition charge collections. See Note 5 to the financial statements for additional details regarding the securitization bonds.

Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, is a variable interest entity and Entergy Arkansas is the primary beneficiary. In August 2010, Entergy Arkansas Restoration Funding issued storm cost recovery bonds to finance Entergy Arkansas's January 2009 ice storm damage restoration costs. With the proceeds, Entergy Arkansas Restoration Funding purchased from Entergy Arkansas the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. Although the principal amount was not due until August 2021, Entergy Arkansas Restoration Funding made principal payments on the bonds in 2020, after which the bonds were fully repaid. Entergy Arkansas Restoration Funding, LLC was then legally dissolved in January 2021. See Note 5 to the financial statements for additional details regarding the storm cost recovery bonds.

Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, is a variable interest entity and Entergy Louisiana is the primary beneficiary. In September 2011, Entergy Louisiana Investment Recovery Funding issued investment recovery bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. With the proceeds, Entergy Louisiana Investment Recovery Funding purchased from Entergy Louisiana the investment recovery property, which is the right to recover from customers through an investment recovery charge amounts sufficient to service the bonds. Although the principal amount was not due until September 2023, Entergy Louisiana Investment Recovery Funding made principal payments on the bonds in 2021, after which the bonds were fully repaid. See Note 5 to the financial statements for additional details regarding the investment recovery bonds.

Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy New Orleans, is a variable interest entity, and Entergy New Orleans is the primary beneficiary. In July 2015, Entergy New Orleans Storm Recovery Funding issued storm cost recovery bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs, including carrying costs, the costs of funding and replenishing the storm recovery reserve, and up-front financing costs associated with the securitization. With the proceeds, Entergy New Orleans Storm Recovery Funding purchased from Entergy New Orleans the storm recovery property, which is the right to recover from customers through a storm recovery charge amounts sufficient to service the securitization bonds. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy New Orleans balance sheet. The creditors of Entergy New Orleans do not have recourse to the assets or revenues of Entergy New Orleans Storm Recovery Funding, including the storm recovery property, and the creditors of Entergy New Orleans Storm Recovery Funding do not have recourse to the assets or revenues of Entergy New Orleans. Entergy New Orleans has no payment obligations to Entergy New Orleans Storm Recovery Funding except to remit storm recovery charge collections. See Note 5 to the financial statements for additional details regarding the securitization bonds.

System Energy is considered to hold a variable interest in the lessor from which it leases an undivided interest in the Grand Gulf nuclear plant. System Energy is the lessee under this arrangement, which is described in more detail in Note 5 to the financial statements. System Energy made payments on its lease, including interest, of \$ 17.2 million in 2021, \$ 17.2 million in 2020, and \$ 17.2 million in 2019. The lessor is a bank acting in the capacity of owner trustee for the benefit of equity investors in the transaction pursuant to trust agreement entered solely for the purpose of facilitating the lease transaction. It is possible that System Energy may be considered as the primary beneficiary of the lessor, but it is unable to apply the authoritative accounting guidance with respect to this VIE because the lessor is not required to, and could not, provide the necessary financial information to consolidate the lessor. Because System Energy accounts for this leasing arrangement as a capital financing, however, System Energy

believes that consolidating the lessor would not materially affect the financial statements. In the unlikely event of default under a lease, remedies available to the lessor include payment by the lessee of the fair value of the

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undivided interest in the plant, payment of the present value of the basic rent payments, or payment of a predetermined casualty value. System Energy believes, however, that the obligations recorded on the balance sheet materially represent its potential exposure to loss.

AR Searcy Partnership, LLC, is a tax equity partnership that qualifies as a variable interest entity, which Entergy Arkansas is required to consolidate as it is the primary beneficiary. See Note 14 to the financial statements for additional discussion on the establishment of AR Searcy Partnership, LLC and the acquisition of the Searcy Solar facility. The entity is a VIE because the membership interests do not give Entergy Arkansas or the third party tax equity investor substantive kick out rights typical of equity owners. Entergy Arkansas is the primary beneficiary of the partnership because it is the managing member and has the right to a majority of the operating income of the partnership. See Note 1 to the financial statements for further discussion on the presentation of the third party tax equity partner's noncontrolling interest and the HLBV method of accounting used to account for Entergy Arkansas's investment in AR Searcy Partnership, LLC. As of December 31, 2021, AR Searcy Partnership, LLC recorded assets equal to \$ 140 million, primarily consisting of property, plant, and equipment, and the carrying value of Entergy Arkansas's ownership interest in the partnership was approximately \$ 107 million.

Entergy has also reviewed various lease arrangements, power purchase agreements, including agreements for renewable power, and other agreements that represent variable interests in other legal entities which have been determined to be variable interest entities. In these cases, Entergy has determined that it is not the primary beneficiary of the related VIE because it does not have the power to direct the activities of the VIE that most significantly affect the VIE's economic performance, or it does not have the obligation to absorb losses or the right to residual returns that would potentially be significant to the entity, or both.

NOTE 18. TRANSACTIONS WITH AFFILIATES (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Each Registrant Subsidiary purchases electricity from or sells electricity to the other Registrant Subsidiaries, or both, under rate schedules filed with the FERC. The Registrant Subsidiaries receive management, technical, advisory, operating, and administrative services from Entergy Services; and receive management, technical, and operating services from Entergy Operations. These transactions are on an "at cost" basis.

As described in Note 1 to the financial statements, all of System Energy's operating revenues consist of billings to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.

As described in Note 4 to the financial statements, the Registrant Subsidiaries participate in Entergy's money pool and earn interest income from the money pool. As described in Note 2 to the financial statements, Entergy Louisiana receives preferred membership interest distributions from Entergy Holdings Company.

The tables below contain the various affiliate transactions of the Utility operating companies, System Energy, and other Entergy affiliates.

Intercompany Revenues

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
2021	\$ 109.8	\$ 289.9	\$ 1.4	\$ —	\$ 64.3	\$ 545.6
2020	\$ 105.2	\$ 280.5	\$ 1.2	\$ —	\$ 40.4	\$ 520.7
2019	\$ 117.5	\$ 277.8	\$ 1.4	\$ —	\$ 51.6	\$ 584.1

Intercompany Operating Expenses

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
2021	\$ 559.7	\$ 755.2	\$ 299.8	\$ 287.8	\$ 275.0	\$ 190.8
2020	\$ 515.5	\$ 661.5	\$ 283.3	\$ 266.0	\$ 260.3	\$ 177.4
2019	\$ 534.0	\$ 665.4	\$ 306.7	\$ 292.1	\$ 255.0	\$ 156.2

Intercompany Interest and Investment Income

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
2021	\$ —	\$ 127.6	\$ —	\$ —	\$ —	\$ —
2020	\$ —	\$ 127.7	\$ 0.1	\$ —	\$ —	\$ 0.2
2019	\$ 0.4	\$ 128.5	\$ 0.4	\$ —	\$ 0.4	\$ 1.0

Transactions with Equity Method Investees

EWO Marketing, LLC, an indirect wholly-owned subsidiary of Entergy, paid capacity charges and gas transportation to RS Cogen in the amounts of \$ 24 million in 2021, \$ 26 million in 2020, and \$ 24.5 million in 2019.

Entergy's operating transactions with its other equity method investees were not significant in 2021, 2020, or 2019.

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NOTE 19. REVENUE (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Revenues from electric service and the sale of natural gas are recognized when services are transferred to the customer in an amount equal to what Entergy has the right to bill the customer because this amount represents the value of services provided to customers. Entergy's total revenues for the years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
	(In Thousands)		
Utility:			
Residential	\$ 3,981,846	\$ 3,550,317	\$ 3,531,500
Commercial	2,610,207	2,292,740	2,475,586
Industrial	2,942,370	2,331,170	2,541,287
Governmental	245,685	212,131	228,470
Total billed retail	9,780,108	8,386,358	8,776,843
Sales for resale (a)	601,895	295,810	285,722
Other electric revenues (b)	375,312	348,102	343,143
Revenues from contracts with customers	10,757,315	9,030,270	9,405,708
Other revenues (c)	116,680	16,373	24,270
Total electric revenues	10,873,995	9,046,643	9,429,978
Natural gas	170,610	124,008	153,954
Entergy Wholesale Commodities:			
Competitive businesses sales from contracts with customers (a)	672,493	771,360	1,164,552
Other revenues (c)	25,798	171,625	130,189
Total competitive businesses revenues	698,291	942,985	1,294,741
Total operating revenues	\$ 11,742,896	\$ 10,113,636	\$ 10,878,673

The Utility operating companies' total revenues for the year ended December 31, 2021 were as follows:

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
		\$ 1,484,612			
Residential	\$ 882,773		\$ 578,258	\$ 269,891	\$ 766,312
Commercial	480,401	1,055,825	439,950	208,104	425,927
Industrial	496,661	1,771,311	150,698	30,751	492,949
Governmental	19,112	82,503	46,248	71,584	26,238
Total billed retail	1,878,947	4,394,251	1,215,154	580,330	1,711,426
Sales for resale (a)	311,791	391,424	124,632	88,349	145,719
Other electric revenues (b)	130,443	148,304	58,357	1,813	41,805
Revenues from contracts with customers	2,321,181	4,933,979	1,398,143	670,492	1,898,950
Other revenues (c)	17,409	60,480	8,203	1,739	3,561
Total electric revenues	2,338,590	4,994,459	1,406,346	672,231	1,902,511
Natural gas	—	73,989	—	96,621	—
	\$ 2,338,590	\$ 5,068,448	\$ 1,406,346		\$ 1,902,511
Total operating revenues				\$ 768,852	

The Utility operating companies' total revenues for the year ended December 31, 2020 were as follows:

2020	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
		\$ 1,270,187			
Residential	\$ 841,162		\$ 523,379	\$ 243,502	\$ 672,087
Commercial	466,273	886,548	395,875	179,406	364,638
Industrial	461,907	1,314,234	145,100	24,248	385,681
Governmental	18,011	68,901	41,955	59,819	23,445
Total billed retail	1,787,353	3,539,870	1,106,309	506,975	1,445,851
Sales for resale (a)	173,115	333,594	77,530	33,213	100,273
Other electric revenues (b)	109,642	141,004	54,590	8,294	39,981
Revenues from contracts with customers	2,070,110	4,014,468	1,238,429	548,482	1,586,105
Other revenues (c)	14,384	4,595	9,425	12,150	1,020
Total electric revenues	2,084,494	4,019,063	1,247,854	560,632	1,587,125
Natural gas	—	50,799	—	73,209	—
	\$ 2,084,494	\$ 4,069,862	\$ 1,247,854		\$ 1,587,125
Total operating revenues				\$ 633,841	

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The Utility operating companies' total revenues for the year ended December 31, 2019 were as follows:

2019	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Thousands)					
Residential	\$ 795,269	\$ 1,270,478	\$ 562,219	\$ 245,081	\$ 658,453
Commercial	538,850	947,412	444,173	202,138	343,013
Industrial	520,958	1,450,966	164,491	31,824	373,048
Governmental	20,795	71,046	44,300	70,865	21,464
Total billed retail	1,875,872	3,739,902	1,215,183	549,908	1,395,978
Sales for resale (a)	257,864	333,395	39,295	38,626	59,074
Other electric revenues (b)	112,618	135,783	58,269	9,842	32,424
Revenues from contracts with customers	2,246,354	4,209,080	1,312,747	598,376	1,487,476
Other revenues (c)	13,240	13,947	10,296	(3,959)	1,479
Total electric revenues	2,259,594	4,223,027	1,323,043	594,417	1,488,955
Natural gas	—	62,148	—	91,806	—
	\$ 2,259,594	\$ 4,285,175	\$ 1,323,043		\$ 1,488,955
Total operating revenues				\$ 686,223	

- (a) Sales for resale and competitive businesses sales include day-ahead sales of energy in a market administered by an ISO. These sales represent financially binding commitments for the sale of physical energy the next day. These sales are adjusted to actual power generated and delivered in the real time market. Given the short duration of these transactions, Entergy does not consider them to be derivatives subject to fair value adjustments, and includes them as part of customer revenues.
- (b) Other electric revenues consist primarily of transmission and ancillary services provided to participants of an ISO-administered market and unbilled revenue.
- (c) Other revenues include the settlement of financial hedges, occasional sales of inventory, alternative revenue programs, provisions for revenue subject to refund, and late fees.

Electric Revenues

Entergy's primary source of revenue is from retail electric sales sold under tariff rates approved by regulators in its various jurisdictions. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy's Utility operating companies provide power to customers on demand throughout the month, measured by a meter located at the customer's property. Approved rates vary by customer class due to differing requirements of the customers and market factors involved in fulfilling those requirements. Entergy issues monthly bills to customers at rates approved by regulators for power and related services provided during the previous billing cycle.

To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies record an estimate for energy delivered since the latest billings. The Utility operating companies calculate

the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and market prices of power in the respective jurisdiction. The inputs are revised as needed to approximate actual usage and cost. Each month, estimated unbilled amounts are recorded as unbilled revenue and accounts receivable, and the prior month's estimate is reversed. Price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the other.

Entergy may record revenue based on rates that are subject to refund. Such revenues are reduced by estimated refund amounts when Entergy believes refunds are probable based on the status of rate proceedings as of the date financial statements are prepared. Because these refunds will be made through a reduction in future rates, and not as a reduction in bills previously issued, they are presented as other revenues in the table above.

System Energy's only source of revenue is the sale of electric power and capacity generated from its 90 % interest in the Grand Gulf nuclear plant to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy issues monthly bills to its affiliated customers equal to its actual operating costs plus a return on common equity approved by the FERC.

Entergy's Utility operating companies also sell excess power not needed for its own customers, primarily through transactions with MISO, a regional transmission organization that maintains functional control over the combined transmission systems of its members and manages one of the largest energy markets in the U.S. In the MISO market, Entergy offers its generation and bids its load into the market. MISO settles these offers and bids based on locational marginal prices. These represent pricing for energy at a given location based on a market clearing price that takes into account physical limitations on the transmission system, generation, and demand throughout the MISO region. MISO evaluates each market participant's energy offers and demand bids to economically and reliably dispatch the entire MISO system. Entergy nets purchases and sales within the MISO market and reports in operating revenues when in a net selling position and in operating expenses when in a net purchasing position.

Natural Gas

Entergy Louisiana and Entergy New Orleans also distribute natural gas to retail customers in and around Baton Rouge, Louisiana, and New Orleans, Louisiana, respectively. Gas transferred to customers is measured by a meter at the customer's property. Entergy issues monthly invoices to customers at rates approved by regulators for the volume of gas transferred to date.

Competitive Businesses Revenues

The Entergy Wholesale Commodities segment derives almost all of its revenue from sales of electric power and capacity produced by its operating plants to wholesale customers. The majority of Entergy Wholesale Commodities' 2021 revenues were from the Palisades nuclear power plant located in Michigan. Entergy issues monthly invoices to the counterparties for these electric sales at the respective contracted or ISO market rate of electricity and related services provided during the previous month.

Almost all of the Palisades nuclear plant output is sold under a 15-year PPA with Consumers Energy, executed as part of the acquisition of the plant in 2007 and expiring in April 2022. Prices under the original PPA range from \$ 43.50 /MWh in 2007 to \$ 61.50 /MWh in 2022, and the average price under the PPA is \$ 51 /MWh. Entergy executed an additional PPA to cover the period from the expiration of the original PPA through final shutdown in May 2022, at a price of \$ 24.14 /MWh. Entergy issues monthly invoices to Consumers Energy for electric sales based on the actual output of electricity and related services provided during the previous month at the contract price. The PPA was at below-market prices at the time of the acquisition and Entergy amortizes a liability to revenue over the life of the agreement. The amount amortized each period is based upon the present value, calculated at the date of acquisition, of each year's difference between revenue under the agreement and revenue based on estimated market prices. Amounts amortized to revenue were \$ 12 million in 2021, \$ 11 million in 2020, and \$ 10 million in 2019. Amounts to be amortized to revenue through the remaining life of the agreement will be approximately \$ 5 million in 2022.

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Practical Expedients and Exceptions

Entergy has elected not to disclose the value of unsatisfied performance obligations for contracts with an original expected term of one year or less, or for revenue recognized in an amount equal to what Entergy has the right to bill the customer for services performed.

Most of Entergy's contracts, except in a few cases where there are defined minimums or stated terms, are on demand. This results in customer bills that vary each month based on an approved tariff and usage. Entergy imposes monthly or annual minimum requirements on some customers primarily as credit and cost recovery guarantees and not as pricing for unsatisfied performance obligations. These minimums typically expire after the initial term or when specified costs have been recovered. The minimum amounts are part of each month's bill and recognized as revenue accordingly. Some of the subsidiaries within the Entergy Wholesale Commodities segment have operations and maintenance services contracts that have fixed components and terms longer than one year. The total fixed consideration related to these unsatisfied performance obligations, however, is not material to Entergy revenues.

Recovery of Fuel Costs

Entergy's Utility operating companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Where the fuel component of revenues is based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are based on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

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.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects Entergy's best estimate of expected losses on its accounts receivable balances. Due to the essential nature of utility services, Entergy has historically experienced a low rate of default on its accounts receivables. Due to the effect of the COVID-19 pandemic on customer receivables, however, Entergy recorded an increase in 2020 in its allowance for doubtful accounts, as shown below. The following tables set forth a reconciliation of changes in the allowance for doubtful accounts for the years ended December 31, 2021 and 2020.

	Entergy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
(In Millions)						
Balance as of December 31, 2020	\$ 117.7	\$ 18.3	\$ 45.7	\$ 19.5	\$ 17.4	\$ 16.8
Provisions (a)	56.2	30.4	16.7	0.7	7.3	1.1
Write-offs	(118.2)	(38.9)	(38.3)	(15.7)	(12.3)	(13.0)
Recoveries	12.9	3.3	5.1	2.7	0.9	0.9
Balance as of December 31, 2021	<u>\$ 68.6</u>	<u>\$ 13.1</u>	<u>\$ 29.2</u>	<u>\$ 7.2</u>	<u>\$ 13.3</u>	<u>\$ 5.8</u>

	Entergy	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)					
Balance as of December 31, 2019	\$ 7.4	\$ 1.2	\$ 1.9	\$ 0.6	\$ 3.2	\$ 0.5
Provisions (b)	109.0	16.2	43.7	18.8	14.1	16.2
Write-offs	(8.6)	(1.8)	(3.5)	(1.2)	(1.0)	(1.1)
Recoveries	9.9	2.7	3.6	1.3	1.1	1.2
Balance as of December 31, 2020	<u>\$ 117.7</u>	<u>\$ 18.3</u>	<u>\$ 45.7</u>	<u>\$ 19.5</u>	<u>\$ 17.4</u>	<u>\$ 16.8</u>

- (a) Provisions include estimated incremental bad debt expenses, and revisions to those estimates, resulting from the COVID-19 pandemic of \$ 30.4 million for Entergy, \$ 22.2 million for Entergy Arkansas, \$ 7.4 million for Entergy Louisiana, (\$ 2.4) million for Entergy Mississippi, \$ 4.3 million for Entergy New Orleans, and (\$ 1.1) million for Entergy Texas that have been deferred as regulatory assets. See Note 2 to the financial statements for discussion of the COVID-19 orders issued by retail regulators.
- (b) Provisions include estimated incremental bad debt expenses resulting from the COVID-19 pandemic of \$ 87.1 million for Entergy, \$ 10.5 million for Entergy Arkansas, \$ 36 million for Entergy Louisiana, \$ 15.5 million for Entergy Mississippi, \$ 12.2 million for Entergy New Orleans, and \$ 12.9 million for Entergy Texas that have been deferred as regulatory assets. See Note 2 to the financial statements for discussion of the COVID-19 orders issued by retail regulators.

The allowance for currently expected credit losses 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.

Item 1. Business**RISK FACTORS SUMMARY**

Entergy's business is subject to numerous risks and uncertainties that could affect its ability to successfully implement its business strategy and affect its financial results. Carefully consider all of the information in this report and, in particular, the following principal risks and all of the other specific factors described in Item 1A. of this report, "Risk Factors," before deciding whether to invest in Entergy or the Registrant Subsidiaries.

Utility Regulatory Risks

- The impacts of the COVID-19 pandemic and responsive measures taken are highly uncertain and cannot be predicted.
- The terms and conditions of service, including electric and gas rates, of the Utility operating companies and System Energy are determined through regulatory approval proceedings that can be lengthy and subject to appeal, potentially resulting in lengthy litigation and uncertainty as to ultimate results.
- The Utility operating companies recover fuel, purchased power, and associated costs through rate mechanisms that are subject to risks of delay or disallowance in regulatory proceedings.
- Entergy's business could experience adverse effects related to changes to state or federal legislation or regulation.
- The Utility operating companies are subject to risks associated with participation in the MISO markets and the allocation of transmission upgrade costs.
- A delay or failure in recovering amounts for storm restoration costs incurred as a result of severe weather (including from Hurricane Laura, Hurricane Delta, Hurricane Zeta, and Hurricane Ida) could have material effects on Entergy and those Utility operating companies affected by severe weather.

Nuclear Operating, Shutdown, and Regulatory Risks

- The results of operations, financial condition, and liquidity of Entergy Arkansas, Entergy Louisiana, System Energy, and Entergy Wholesale Commodities could be materially affected by the following:
 - failure to consistently operate their nuclear power plants at high capacity factors;
 - refueling outages that last longer than anticipated or unplanned outages;
 - risks related to the purchase of uranium fuel (and its conversion, enrichment, and fabrication);
 - the risk that the NRC will change or modify its regulations, suspend or revoke their licenses, or increase oversight of their nuclear plants;
 - risks and costs related to operating and maintaining their nuclear power plants;
 - the costs associated with the storage of the spent nuclear fuel, as well as the costs of and their ability to fully decommission their nuclear power plants;
 - the potential requirement to pay substantial retrospective premiums imposed under the Price-Anderson Act and/or from Nuclear Electric Insurance Limited (NEIL) in the event of a nuclear incident, and losses not covered by insurance;
 - the risk that the decommissioning trust fund assets for the nuclear power plants may not be adequate to meet decommissioning obligations if market performance and other changes decrease the value of assets in the decommissioning trusts; and
 - new or existing safety concerns regarding operating nuclear power plants and nuclear fuel.
- The Entergy Wholesale Commodities business is subject to substantial governmental regulation and may be adversely affected by legislative, regulatory, or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

General Business Risks

- Entergy and the Utility operating companies depend on access to the capital markets and, at times, may face potential liquidity constraints, which could make it more difficult to handle future contingencies. Disruptions in the capital and credit markets may adversely affect Entergy's and its subsidiaries' ability to meet liquidity needs, access capital and operate and grow their businesses, and the cost of capital.
- A downgrade in Entergy Corporation's or its subsidiaries' credit ratings could, among other things, negatively affect Entergy Corporation's and its subsidiaries' ability to access capital.
- Changes in tax legislation and taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity.
- Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete capital projects, other capital improvements, and strategic transactions is subject to significant risks, and, as a result, they may be unable to achieve some or all of the anticipated results of such strategies.
- Failure to attract, retain, and manage an appropriately qualified workforce could negatively affect Entergy or its subsidiaries' results of operations.
- The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs (i) to fulfill their obligations related to environmental and other matters or (ii) related to reliability standards.
- Weather, economic conditions, technological developments, and other factors may have a material impact on electricity and gas usage and otherwise materially affect the Utility operating companies' results of operations.
- Entergy could be negatively affected by the effects of climate change, including transition and physical risks, and environmental and regulatory obligations intended to compel greenhouse gas emission reductions or increase clean or renewable energy requirements or to place a price on greenhouse gas emissions.
- Entergy is dependent on the continued and future availability and quality of water for cooling, process, and sanitary uses.
- Entergy and its subsidiaries may not be adequately hedged against changes in commodity prices.
- The Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties may not meet their obligations.
- Market performance and other changes may decrease the value of benefit plan assets, which then could require additional funding and result in increased benefit plan costs.
- The litigation environment in the states in which certain Entergy subsidiaries operate poses a significant risk to those businesses.
- Terrorist attacks, cyber attacks, system failures, or data breaches of Entergy's and its subsidiaries' or its suppliers' technology systems may adversely affect Entergy's results of operations.
- Significant increases in commodity prices, other materials and supplies, and operation and maintenance expenses may adversely affect Entergy's results of operations, financial condition, and liquidity.
- The effect of higher purchased gas cost charges to customers taking gas service may adversely affect Entergy New Orleans's results of operations and liquidity.
- System Energy owns and, through an affiliate, operates a single nuclear generating facility, and it is dependent on sales to affiliated companies for all of its revenues. Certain contractual arrangements relating to System Energy, the affiliated companies, and these revenues are the subject of ongoing litigation and regulatory proceedings.
- As a holding company, Entergy Corporation depends on cash distributions from its subsidiaries to meet its debt service and other financial obligations and to pay dividends on its common stock.

ENTERGY'S BUSINESS

Entergy is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 26,000 MW of electric generating capacity, including approximately 6,000 MW of nuclear power. Entergy delivers electricity to 3 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy had annual revenues of \$11.7 billion in 2021 and had more than 12,000 employees as of December 31, 2021.

Entergy operates primarily through two business segments: Utility and Entergy Wholesale Commodities.

- The **Utility** business segment includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business.
- The **Entergy Wholesale Commodities** business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. See “**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business**” for discussion of the operation and planned shutdown and sale of each of the Entergy Wholesale Commodities nuclear power plants, including the planned shutdown of Palisades, the only remaining operating plant in Entergy Wholesale Commodities' merchant nuclear fleet.

See Note 13 to the financial statements for financial information regarding Entergy's business segments.

Strategy

Entergy's strategy is to operate and grow its utility business, creating sustainable value for its customers, employees, communities, and owners. Entergy's strategy to achieve its stakeholder objectives has a few key aspects. First, Entergy invests in the Utility for the benefit of its customers, which supports steady, predictable growth in earnings and dividends. Second, Entergy manages risks by ensuring its Utility investments are customer-centric, supported by progressive regulatory constructs, and executed with disciplined project management. Third, Entergy is committed to delivering sustainable outcomes for all of its stakeholders by focusing on continually improving key elements of Environmental, Social, and Governance (ESG), including reducing carbon emissions for Entergy and its customers. Entergy is also executing the wind down of the Entergy Wholesale Commodities merchant nuclear generation business, which is expected to be effectively complete by the end of 2022.

Utility

The Utility business segment includes five retail electric utility subsidiaries: Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas. These companies generate, transmit, distribute, and sell electric power to retail and wholesale customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy Louisiana and Entergy New Orleans also provide natural gas utility services to customers in and around Baton Rouge, Louisiana, and New Orleans, Louisiana, respectively. Also included in the Utility is System Energy, a wholly-owned subsidiary of Entergy Corporation that owns or leases 90 percent of Grand Gulf. System Energy sells its power and capacity from Grand Gulf at wholesale to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The five retail utility subsidiaries are each regulated by the FERC and by

state utility commissions, or, in the case of Entergy New Orleans, the City Council. System Energy is regulated by the FERC because all of its transactions are at wholesale. The overall generation portfolio of the Utility, which relies heavily on natural gas and nuclear generation, is consistent with Entergy's strong support for the environment.

Customers

As of December 31, 2021, the Utility operating companies provided retail electric and gas service to customers in Arkansas, Louisiana, Mississippi, and Texas, as follows:

	Area Served	Electric Customers		Gas Customers	
		(In Thousands)	(%)	(In Thousands)	(%)
Entergy Arkansas	Portions of Arkansas	728	24 %		
Entergy Louisiana	Portions of Louisiana	1,100	37 %	96	47 %
Entergy Mississippi	Portions of Mississippi	461	16 %		
Entergy New Orleans	City of New Orleans	209	7 %	110	53 %
Entergy Texas	Portions of Texas	486	16 %		
Total customers		2,984	100 %	206	100 %

Electric Energy Sales

The electric energy sales of the Utility operating companies are subject to seasonal fluctuations, with the peak sales period normally occurring during the third quarter of each year. On August 23, 2021, Entergy reached a 2021 peak demand of 22,051 MWh, compared to the 2020 peak of 21,340 MWh recorded on August 10, 2020. Selected electric energy sales data is shown in the table below:

Selected 2021 Electric Energy Sales Data

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy	Entergy (a)
	(In GWh)						
Sales to retail customers	22,280	54,634	12,745	5,406	19,679	—	114,744
Sales for resale:							
Affiliates	2,254	4,950	—	—	1,364	10,593	—
Others	6,151	2,764	4,364	2,369	1,008	—	16,656
Total	30,685	62,348	17,109	7,775	22,051	10,593	131,400
Average use per residential customer (kWh)	13,390	14,139	14,555	12,032	14,601	—	13,947

(a) Includes the effect of intercompany eliminations.

The following table illustrates the Utility operating companies' 2021 combined electric sales volume as a percentage of total electric sales volume, and 2021 combined electric revenues as a percentage of total 2021 electric revenue, each by customer class.

Customer Class	% of Sales Volume	% of Revenue
Residential	27.1	36.6
Commercial	20.4	24.0
Industrial (a)	37.9	27.0
Governmental	1.9	2.3
Wholesale/Other	12.7	10.1

- (a) Major industrial customers are primarily in the petroleum refining and chemical industries.

Selected 2021 Natural Gas Sales Data

Entergy New Orleans and Entergy Louisiana provide both electric power and natural gas to retail customers. Entergy New Orleans and Entergy Louisiana sold 10,686,659 and 7,409,278 Mcf, respectively, of natural gas to retail customers in 2021. In 2021, 99% of Entergy Louisiana's operating revenue was derived from the electric utility business, and only 1% from the natural gas distribution business. For Entergy New Orleans, 87% of operating revenue was derived from the electric utility business and 13% from the natural gas distribution business in 2021.

Following is data concerning Entergy New Orleans's 2021 retail operating revenue sources.

Customer Class	Electric Operating Revenue	Natural Gas Operating Revenue
Residential	47%	50%
Commercial	36%	24%
Industrial	5%	19%
Governmental/Municipal	12%	7%

Retail Rate Regulation

General (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, System Energy)

Each Utility operating company regularly participates in retail rate proceedings. The status of material retail rate proceedings is described in Note 2 to the financial statements. Certain aspects of the Utility operating companies' retail rate mechanisms are discussed below.

	Rate base (in billions)	Current authorized return on common equity	Weighted average cost of capital (after-tax)	Equity ratio	Regulatory construct
					- forward test year formula rate plan
Entergy Arkansas	\$8.7 (a)	9.15% - 10.15%	5.17%	37.6%	- riders: MISO, capacity, Grand Gulf, tax adjustment, energy efficiency, fuel and purchased power
					- formula rate plan through 2022 test year
Entergy Louisiana (electric)	\$13.6 (b)	9.0% - 10.0%	6.74%	49.98%	- riders/specific recovery: MISO, capacity, transmission, fuel, distribution
					- gas rate stabilization plan
Entergy Louisiana (gas)	\$0.09 (c)	9.3% - 10.3%	6.97%	49.31%	- rider: gas infrastructure

Entergy Mississippi	\$3.6 (d)	9.03% - 11.08%	6.85%	48.63%	- formula rate plan with forward-looking features - riders: power management, Grand Gulf, fuel, MISO, unit power cost, storm damage, ad valorem tax adjustment, vegetation, grid modernization, restructuring credit
Entergy New Orleans (electric)	\$1.1 (e)	9.35%	6.89%	51%	- formula rate plan with forward-looking features - riders/specific recovery: fuel and purchased power, MISO, energy efficiency, environmental
Entergy New Orleans (gas)	\$0.2 (e)	9.35%	6.89%	51%	- formula rate plan with forward-looking features - rider: purchased gas
Entergy Texas	\$2.4 (f)	9.65%	7.73%	50.90%	- rate case - riders: fuel, capacity, cost recovery (distribution, transmission, and generation), rate case expenses, AMI surcharge, tax reform, among others
System Energy	\$1.55 (g)	10.94% (h)	8.26 %	65% (h)	- monthly cost of service

(a) Based on 2022 test year.

(b) Based on December 31, 2020 test year and excludes approximately \$800 million for the Lake Charles Power Station and \$300 million for the Washington Parish Energy Center, each included in the capacity rider, and \$400 million of transmission plant, included in the transmission rider.

(c) Based on September 30, 2020 test year.

(d) Based on 2021 forward test year.

(e) Based on December 31, 2020 test year and known and measurables through December 31, 2021.

(f) Based on December 31, 2017 test year and excludes \$1.4 billion in cost recovery riders.

(g) Based on calculation as of December 31, 2021.

(h) See Note 2 to the financial statements for discussion of ongoing proceedings at the FERC challenging System Energy's authorized return on common equity and capital structure.

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*Entergy Arkansas*Formula Rate Plan

Between base rate cases, Entergy Arkansas is able to adjust base rates annually, subject to certain caps, through formula rate plans that utilize a forward test year. Entergy Arkansas is subject to a maximum rate change of 4% of the filing year total retail revenue. In addition, Entergy Arkansas is subject to a true-up of projection to actuals netted with future projection. In response to Entergy Arkansas's application for a general change in rates in 2015, the APSC approved the formula rate plan tariff proposed by Entergy Arkansas including its use of a projected year test period and an initial five-year term. The initial five-year term expired in 2021. Entergy Arkansas obtained APSC approval of the extension of the formula rate plan tariff for an additional five-year term, through 2026. If Entergy Arkansas's formula rate plan were terminated, Entergy Arkansas could file an application for a general change in rates that may include a request for continued regulation under a formula rate review mechanism.

Fuel and Purchased Power Cost Recovery

Entergy Arkansas's rate schedules include an energy cost recovery rider to recover fuel and purchased power costs in monthly bills. The rider utilizes prior calendar year energy costs and projected energy sales for the twelve-month period commencing on April 1 of each year to develop an energy cost rate, which is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery, including carrying charges, of the energy cost for the prior calendar year. The energy cost recovery rider tariff also allows an interim rate request depending upon the level of over- or under-recovery of fuel and purchased energy costs. In December 2007 the APSC issued an order stating that Entergy Arkansas's energy cost recovery rider will remain in effect, and any future termination of the rider would be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

Production Cost Allocation Rider

Entergy Arkansas has in place an APSC-approved production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of System Agreement proceedings.

*Entergy Louisiana*Formula Rate Plan

Entergy Louisiana historically sets electric base rates annually through a formula rate plan using a historic test year. The form of the formula rate plan, on a combined basis, was approved in connection with the business combination of Entergy Louisiana and Entergy Gulf States Louisiana and largely followed the formula rate plans that were approved by the LPSC in connection with the full electric base rate cases filed by those companies in February 2013. The formula rate plan was most recently extended through the test year 2022; certain modifications were made in that extension, including a decrease to the allowed return on equity, narrowing of the earnings "dead band" around the mid-point allowed return on equity, elimination of sharing above and below the earnings "dead band," and the addition of a distribution cost recovery mechanism. The formula rate plan continues to include exceptions from the rate cap and sharing requirements for certain large capital investment projects, including acquisition or construction of generating facilities and purchase power agreements approved by the LPSC, certain transmission investment, and most recently, certain distribution investments, among other items. In the event that the electric formula rate plan is not renewed or extended or otherwise replaced, Entergy Louisiana would revert to the more traditional rate case

environment.

Fuel Recovery

Entergy Louisiana's rate schedules include a fuel adjustment clause designed to recover the cost of fuel and purchased power costs. The fuel adjustment clause contains a surcharge or credit for deferred fuel expense and related carrying charges arising from the monthly reconciliation of actual fuel costs incurred with fuel cost revenues billed to customers, including carrying charges. See Note 2 to the financial statements for a discussion of proceedings related to audits of Entergy Louisiana's fuel adjustment clause filings.

To help stabilize electricity costs, Entergy Louisiana received approval from the LPSC to hedge its exposure to natural gas price volatility through the use of financial instruments. Entergy Louisiana historically hedged approximately one-third of the projected exposure to natural gas price changes for the gas used to serve its native electric load for all months of the year. The hedge quantity was reviewed on an annual basis. In January 2018, Entergy Louisiana filed an application with the LPSC to suspend these seasonal hedging programs and implement financial hedges with terms up to five years for a portion of its natural gas exposure, which was approved in November 2018.

Entergy Louisiana's gas rates include a purchased gas adjustment clause based on estimated gas costs for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

Retail Rates - Gas

In accordance with the settlement of Entergy Gulf States Louisiana's gas rate stabilization plan for the test year ended September 30, 2012, in August 2014, Entergy Gulf States Louisiana submitted for consideration a proposal for implementation of an infrastructure rider to recover expenditures associated with strategic plant investment and relocation projects mandated by local governments. After review by the LPSC staff and inclusion of certain customer safeguards required by the LPSC staff, in December 2014, Entergy Gulf States Louisiana and the LPSC staff submitted a joint settlement for implementation of an accelerated gas pipe replacement program providing for the replacement of approximately 100 miles of pipe over the next ten years, as well as relocation of certain existing pipe resulting from local government-related infrastructure projects, and for a rider to recover the investment associated with these projects. The rider allows for recovery of approximately \$65 million over ten years. The rider recovery will be adjusted on a quarterly basis to include actual investment incurred for the prior quarter and is subject to the following conditions, among others: a ten-year term; application of any earnings in excess of the upper end of the earnings band as an offset to the revenue requirement of the infrastructure rider; adherence to a specified spending plan, within plus or minus 20% annually; annual filings comparing actual versus planned rider spending with actual spending and explanation of variances exceeding 10%; and an annual true-up. The joint settlement was approved by the LPSC in January 2015. Implementation of the infrastructure rider commenced with bills rendered on and after the first billing cycle of April 2015.

Storm Cost Recovery

See Note 2 to the financial statements for a discussion of Entergy Louisiana's filings to recover storm-related costs.

Other

In March 2016 the LPSC opened two dockets to examine, on a generic basis, issues that it identified in connection with its review of Cleco Corporation's acquisition by third party investors. The first docket is captioned

“In re: Investigation of double leveraging issues for all LPSC-jurisdictional utilities,” and the second is captioned “In re: Investigation of tax structure issues for all LPSC-jurisdictional utilities.” In April 2016 the LPSC clarified that the concerns giving rise to the two dockets arose as a result of its review of the structure of the Cleco-Macquarie transaction and that the specific intent of the directives is to seek more information regarding intra-

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Entergy Corporation, Utility operating companies, and System Energy

corporate debt financing of a utility's capital structure as well as the use of investment tax credits to mitigate the tax obligation at the parent level of a consolidated entity. No schedule has been set for either docket, and limited discovery has occurred.

In December 2019 an LPSC commissioner issued an unopposed directive to staff to research customer-centered options for all customer classes, as well as other regulatory environments, and recommend a plan for how to ensure customers are the focus. There was no opposition to the directive from other commissioners but several remarked that the intent of the directive was not initiated to pursue retail open access. In furtherance of the directive, the LPSC issued a notice of the opening of a docket to conduct a rulemaking to research and evaluate customer-centered options for all electric customer classes as well as other regulatory environments in January 2020.

*Entergy Mississippi*Formula Rate Plan

Since the conclusion in 2015 of Entergy Mississippi's most recent base rate case, Entergy Mississippi has set electric base rates annually through a formula rate plan. Between base rate cases, Entergy Mississippi is able to adjust base rates annually, subject to certain caps, through formula rate plans that utilize forward-looking features. In addition, Entergy Mississippi is subject to an annual "look-back" evaluation. Entergy Mississippi is allowed a maximum rate increase of 4% of each test year's retail revenue. Any increase above 4% requires a base rate case. If Entergy Mississippi's formula rate plan were terminated without replacement, it would revert to the more traditional rate case environment or seek approval of a new formula rate plan.

In August 2012 the MPSC opened inquiries to review whether the current formulaic methodology used to calculate the return on common equity in both Entergy Mississippi's formula rate plan and Mississippi Power Company's annual formula rate plan was still appropriate or could be improved to better serve the public interest. The intent of this inquiry and review was for informational purposes only; the evaluation of any recommendations for changes to the existing methodology would take place in a general rate case or in the existing formula rate plan proceeding. In March 2013 the Mississippi Public Utilities Staff filed its consultant's report which noted the return on common equity estimation methods used by Entergy Mississippi and Mississippi Power Company are commonly used throughout the electric utility industry. The report suggested ways in which the methods used by Entergy Mississippi and Mississippi Power Company might be improved, but did not recommend specific changes in the return on common equity formulas or calculations at that time. In June 2014 the MPSC expanded the scope of the August 2012 inquiry to study the merits of adopting a uniform formula rate plan that could be applied, where possible in whole or in part, to both Entergy Mississippi and Mississippi Power Company in order to achieve greater consistency in the plans. The MPSC directed the Mississippi Public Utilities Staff to investigate and review Entergy Mississippi's formula rate plan rider schedule and Mississippi Power Company's Performance Evaluation Plan by considering the merits and deficiencies and possibilities for improvement of each and then to propose a uniform formula rate plan that, where possible, could be applicable to both companies. No procedural schedule has been set. In October 2014 the Mississippi Public Utilities Staff conducted a public technical conference to discuss performance benchmarking and its potential application to the electric utilities' formula rate plans. The docket remains open.

Fuel Recovery

Entergy Mississippi's rate schedules include energy cost recovery riders to recover fuel and purchased power costs. The energy cost rate for each calendar year is redetermined annually and includes a true-up adjustment reflecting the over-recovery or under-recovery of the energy costs as of the 12-month period ended September 30. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the

MPSC. The energy cost recovery riders allow interim rate adjustments depending on the level over- or under-recovery of fuel and purchased energy costs.

To help stabilize electricity costs, Entergy Mississippi received approval from the MPSC to hedge its exposure to natural gas price volatility through the use of financial instruments. Entergy Mississippi hedges approximately one-third of the projected exposure to natural gas price changes for the gas used to serve its native electric load for all months of the year. The hedge quantity is reviewed on an annual basis.

Storm Cost Recovery

See Note 2 to the financial statements for a discussion of proceedings regarding recovery of Entergy Mississippi's storm-related costs.

Entergy New Orleans

Formula Rate Plan

As part of its determination of rates in the base rate case filed by Entergy New Orleans in 2018, in November 2019, the City Council issued a resolution resolving the rate case, with rates to become effective retroactive to August 2019. The resolution allows Entergy New Orleans to implement a three-year formula rate plan, beginning with the 2019 test year as adjusted for forward-looking known and measurable changes, with the filing for the first test year to be made in 2020. As part of a settlement of Entergy New Orleans' appeal of the Council's decision in its 2018 base rate case, Entergy New Orleans agreed to postpone the filing of its first test year formula rate plan to 2021 and, in return, to be provided an additional test year for the three-year cycle. Accordingly, in July 2021, Entergy New Orleans submitted its formula rate plan filing and rates were implemented in November 2021. See Note 2 to the financial statements for further discussion.

Fuel Recovery

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

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

To help stabilize gas costs, Entergy New Orleans seeks approval annually from the City Council to continue implementation of its natural gas hedging program consistent with the City Council's stated policy objectives. The program uses financial instruments to hedge exposure to volatility in the wholesale price of natural gas purchased to serve Entergy New Orleans gas customers. Entergy New Orleans hedges up to 25% of actual gas sales made during the winter months.

Storm Cost Recovery

See Note 2 to the financial statements for a discussion of Entergy New Orleans's efforts to recover storm-related costs.

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*Entergy Texas*Base Rates

The base rates of Entergy Texas are established largely in traditional base rate case proceedings. Between base rate proceedings, Entergy Texas has available rate riders to recover the revenue requirements associated with certain incremental costs. Entergy Texas is required to file full base rate case proceedings every four years and within eighteen months of utilizing its generation cost recovery rider for investments above \$200 million.

Fuel Recovery

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, that are not included in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT every three years, at a minimum. In the course of this reconciliation, the PUCT determines whether eligible fuel and fuel-related expenses and revenues are necessary and reasonable, and makes a prudence finding for each of the fuel-related contracts entered into during the reconciliation period. The PUCT fuel cost proceedings are discussed in Note 2 to the financial statements.

At the PUCT's April 2013 open meeting, the PUCT Commissioners discussed their view that a purchased power capacity rider was good public policy. The PUCT issued an order in May 2013 adopting the rule allowing for a purchased power capacity rider, subject to an offsetting adjustment for load growth. The rule, as adopted, also includes a process for obtaining pre-approval by the PUCT of purchased power agreements. No Texas utility, including Entergy Texas, has exercised the option to recover capacity costs under the new rider mechanism, but Entergy Texas will continue to evaluate the benefits of utilizing the rider to recover future capacity costs.

Other Cost Recovery

As discussed above, Entergy Texas has available rate riders to recover the revenue requirements associated with certain incremental costs. These riders include a transmission cost recovery factor rider mechanism for the recovery of transmission-related capital investments, a distribution cost recovery factor rider mechanism for the recovery of distribution-related capital investment, and a generation cost recovery rider mechanism for the recovery of generation-related capital investments.

In June 2009 a law was enacted in Texas containing provisions that allow Entergy Texas to take advantage of a cost recovery mechanism that permits annual filings for the recovery of reasonable and necessary expenditures for transmission infrastructure improvement and changes in wholesale transmission charges. This mechanism was previously available to other non-ERCOT Texas utility companies, but not to Entergy Texas.

In September 2011 the PUCT adopted a proposed rule implementing a distribution cost recovery factor to recover capital and capital-related costs related to distribution infrastructure. The distribution cost recovery factor permits utilities once per year to implement an increase or decrease in rates above or below amounts reflected in base rates to reflect distribution-related depreciation expense, federal income tax and other taxes, and return on investment. The distribution cost recovery factor rider may be changed a maximum of four times between base rate cases.

In September 2019 the PUCT initiated a rulemaking to promulgate a generation cost recovery rider rule, implementing legislation passed in the 2019 Texas legislative session intended to allow electric utilities to recover generation investments between base rate proceedings. The PUCT approved the final rule in July 2020.

Electric Industry Restructuring

In June 2009, a law was enacted in Texas that required Entergy Texas to cease all activities relating to Entergy Texas's transition to competition. The law allows Entergy Texas to remain a part of the SERC Reliability Corporation (SERC) Region, although it does not prevent Entergy Texas from joining another power region. The law provides that proceedings to certify a power region that Entergy Texas belongs to as a qualified power region can be initiated by the PUCT, or on motion by another party, when the conditions supporting such a proceeding exist. Under the law, the PUCT may not approve a transition to competition plan for Entergy Texas until the expiration of four years from the PUCT's certification of a qualified power region for Entergy Texas.

The law further amended already existing law that had required Entergy Texas to propose for PUCT approval a tariff to allow eligible customers the ability to contract for competitive generation. The amending language in the law provides, among other things, that: 1) the tariff shall not be implemented in a manner that harms the sustainability or competitiveness of manufacturers who choose not to participate in the tariff; 2) Entergy Texas shall "purchase competitive generation service, selected by the customer, and provide the generation at retail to the customer;" and 3) Entergy Texas shall provide and price transmission service and ancillary services under that tariff at a rate that is unbundled from its cost of service. The law directs that the PUCT may not issue an order on the tariff that is contrary to an applicable decision, rule, or policy statement of a federal regulatory agency having jurisdiction. The PUCT determined that unrecovered costs that may be recovered through the rider consist only of those costs necessary to implement and administer the competitive generation program and do not include lost revenues or embedded generation costs. The amount of customer load that may be included in the competitive generation service program is limited to 115 MW.

*System Energy*Cost of Service

The rates of System Energy are established by the FERC, and the costs allowed to be charged pursuant to these rates are, in turn, passed through to the participating Utility operating companies through the Unit Power Sales Agreement, which has monthly billings that reflect the current operating costs of, and investment in, Grand Gulf. Retail regulators and other parties may seek to initiate proceedings at FERC to investigate the prudence of costs included in the rates charged under the Unit Power Sales Agreement and examine, among other things, the reasonableness or prudence of the operation and maintenance practices, level of expenditures, allowed rates of return and rate base, and previously incurred capital expenditures. The Unit Power Sales Agreement is currently the subject of several litigation proceedings at the FERC, including a challenge with respect to System Energy's uncertain tax positions, sale leaseback arrangement, authorized return on equity and capital structure, and a separate proceeding for a broader investigation of rates under the Unit Power Sales Agreement. In addition, certain of the Utility operating companies' retail regulators have filed a complaint at FERC challenging the 2012 extended power uprate of Grand Gulf and the operation and management of the plant, particularly during the time period 2016 - 2020. Entergy cannot predict the outcome of any of these proceedings, and an adverse outcome in any of them could have a material adverse effect on Entergy's or System Energy's results of operations, financial condition, or liquidity. See Note 2 to the financial statements for further discussion of the proceedings. Beginning in 2021, System Energy has implemented billing protocols to provide retail regulators with information regarding rates billed under the Unit Power Sales Agreement.

Franchises

Entergy Arkansas holds exclusive franchises to provide electric service in approximately 308 incorporated

cities and towns in Arkansas. These franchises are unlimited in duration and continue unless the municipalities purchase the utility property. In Arkansas franchises are considered to be contracts and, therefore, are terminable pursuant to the terms of the franchise agreement and applicable statutes.

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Entergy Louisiana holds non-exclusive franchises to provide electric service in approximately 175 incorporated municipalities and in the unincorporated areas of approximately 59 parishes of Louisiana. Entergy Louisiana holds non-exclusive franchises to provide natural gas service to customers in the City of Baton Rouge and in East Baton Rouge Parish. Municipal franchise agreement terms range from 25 to 60 years while parish franchise terms range from 25 to 99 years.

Entergy Mississippi has received from the MPSC certificates of public convenience and necessity to provide electric service to areas within 45 counties, including a number of municipalities, in western Mississippi. Under Mississippi statutory law, such certificates are exclusive. Entergy Mississippi may continue to serve in such municipalities upon payment of a statutory franchise fee, regardless of whether an original municipal franchise is still in existence.

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to indeterminate permits set forth in city ordinances. These ordinances contain a continuing option for the City of New Orleans to purchase Entergy New Orleans's electric and gas utility properties.

Entergy Texas holds a certificate of convenience and necessity from the PUCT to provide electric service to areas within approximately 27 counties in eastern Texas, and holds non-exclusive franchises to provide electric service in approximately 69 incorporated municipalities. Entergy Texas typically obtains 25-year franchise agreements as existing agreements expire. Entergy Texas's electric franchises expire over the period 2022-2058.

The business of System Energy is limited to wholesale power sales. It has no distribution franchises.

Property and Other Generation Resources

Owned Generating Stations

The total capability of the generating stations owned and leased by the Utility operating companies and System Energy as of December 31, 2021, is indicated below:

Company	Owned and Leased Capability MW(a)					
	Total	Gas/Oil	Nuclear	Coal	Hydro	Solar
Entergy Arkansas	5,175	2,091	1,819	1,193	72	—
Entergy Louisiana	10,741	8,261	2,140	340	—	—
Entergy Mississippi	3,252	2,938	—	312	—	2
Entergy New Orleans	666	639	—	—	—	27
Entergy Texas	3,256	3,004	—	252	—	—
System Energy	1,263	—	1,263	—	—	—
Total	24,353	16,933	5,222	2,097	72	29

- (a) "Owned and Leased 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.

Summer peak load for the Utility has averaged 21,557 MW over the previous decade.

The Utility operating companies' load and capacity projections are reviewed periodically to assess the need

and timing for additional generating capacity and interconnections. These reviews consider existing and projected demand, the availability and price of power, the location of new load, the economy, Entergy's clean energy and other public policy goals, environmental regulations, and the age and condition of Entergy's existing infrastructure.

The Utility operating companies' long-term resource strategy (Portfolio Transformation Strategy) calls for the bulk of capacity needs to be met through long-term resources, whether owned or contracted. Over the past decade, the Portfolio Transformation Strategy has resulted in the addition of about 9,243 MW of new long-term resources and the deactivation of about 4,353 MW of legacy generation. As MISO market participants, the Utility operating companies also participate in MISO's Day Ahead and Real Time Energy and Ancillary Services markets to economically dispatch generation and purchase energy to serve customers reliably and at the lowest reasonable cost.

Other Generation Resources

RFP Procurements

The Utility operating companies from time to time issue requests for proposals (RFP) to procure supply-side resources from sources other than the spot market to meet the unique regional needs of the Utility operating companies. The RFPs issued by the Utility operating companies have sought resources needed to meet near-term MISO reliability requirements as well as long-term requirements through a broad range of wholesale power products, including long-term contractual products and asset acquisitions. The RFP process has resulted in selections or acquisitions, including, among other things:

- Entergy Louisiana's construction of the 980 MW, combined-cycle, gas turbine J. Wayne Leonard Power Station (previously referred to as the St. Charles generating facility) at its existing Little Gypsy electric generating station. The facility began commercial operation in May 2019;
- Entergy Louisiana's construction of the 994 MW, combined-cycle, gas turbine Lake Charles generating facility at its existing Nelson electric generating station site. The facility began commercial operation in March 2020;
- Entergy Texas's construction of the 993 MW, combined-cycle, gas turbine Montgomery County Power Station at its existing Lewis Creek electric generating station. The facility began commercial operation in January 2021;
- In December 2020, Entergy Texas selected the self-build alternative, Orange County Advanced Power Station, out of the 2020 Entergy Texas combined-cycle, gas turbine RFP. The self-build alternative will be constructed upon receipt of regulatory approvals. The facility is expected to be in service by mid-2026;
- Entergy New Orleans received regulatory approval in August 2019 to construct the New Orleans Solar Station (a 20 MW self-build solar project) located at the NASA Michoud Facility. The facility was placed in service in December 2020;
- In March 2019, Entergy Arkansas signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 800 acres in White County near Searcy, Arkansas. Entergy Arkansas received regulatory approval from the APSC in April 2020, and closed on the acquisition, through use of a tax equity partnership, in December 2021. The facility was placed in service in January 2022;
- In October 2018, Entergy Mississippi signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 1,000 acres in Sunflower County, Mississippi. Entergy Mississippi received regulatory approval from the MPSC in April 2020, and the facility is scheduled to be in service by mid-2022;
- In June 2020, Entergy Arkansas signed an agreement for the purchase of an approximately 100 MW to-be-constructed solar photovoltaic energy facility that will be sited on approximately 1,000 acres in Lee County, Arkansas. In July 2021, the APSC issued an order approving the acquisition of the facility. Closing was targeted 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;
- In September 2020, Entergy Arkansas signed an agreement for the purchase of an approximately 180 MW

to-be-constructed solar photovoltaic energy facility that will be sited on approximately 1,500 acres in

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Crittenden County, Arkansas. In October 2021, the APSC issued an order approving the acquisition of the facility. Closing is expected to occur in 2023; and

- In November 2021, Entergy Louisiana signed an agreement for the purchase of an approximately 150 MW to-be-constructed solar photovoltaic energy facility that will be sited in St. James Parish near Vacherie, Louisiana. In November 2021, Entergy Louisiana filed a petition with the LPSC seeking a finding that the transaction is in the public interest and requesting all necessary approvals. Closing is expected to occur in 2024.

The RFP process has also resulted in the selection, or confirmation of the economic merits of, long-term purchased power agreements (PPAs), including, among others:

- River Bend's 30% life-of-unit PPA between Entergy Louisiana and Entergy New Orleans for 100 MW related to Entergy Louisiana's unregulated portion of the River Bend nuclear station, which portion was formerly owned by Cajun;
- Entergy Arkansas's wholesale base load capacity life-of-unit PPAs executed in 2003 totaling approximately 220 MW between Entergy Arkansas and Entergy Louisiana (110 MW) and between Entergy Arkansas and Entergy New Orleans (110 MW) related to the sale of a portion of Entergy Arkansas's coal and nuclear base load resources (which had not been included in Entergy Arkansas's retail rates);
- In May 2011, Entergy Texas and Calpine Energy Services, L.P. executed a 10-year agreement for 485 MW from the Carville Energy Center located in St. Gabriel, Louisiana. Entergy Louisiana purchases 50% of the facility's capacity and energy from Entergy Texas. In November 2019, LS Power sold and transferred the Carville Energy Center and facility to Argo Infrastructure Partners, which included the power purchase agreement;
- In September 2012, Entergy Gulf States Louisiana executed a 20-year agreement for 28 MW, with the potential to purchase an additional 9 MW when available, from Rain CII Carbon LLC's petroleum coke calcining facility in Sulphur, Louisiana. The facility began commercial operation in May 2013. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, now holds the agreement with the facility;
- In March 2013, Entergy Gulf States Louisiana executed a 20-year agreement for 8.5 MW from Agrilectric Power Partners, LP's refurbished rice hull-fueled electric generation facility located in Lake Charles, Louisiana. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, now holds the agreement with Agrilectric;
- In September 2013, Entergy Louisiana executed a 10-year agreement with TX LFG Energy, LP, a wholly-owned subsidiary of Montauk Energy Holdings, LLC, to purchase approximately 3 MW from its landfill gas-fueled power generation facility located in Cleveland, Texas;
- Entergy Mississippi's cost-based purchase, beginning in January 2013, of 90 MW from Entergy Arkansas's share of Grand Gulf (only 60 MW of this PPA came through the RFP process). Cost recovery for the 90 MW was approved by the MPSC in January 2013;
- In April 2015, Entergy Arkansas and Stuttgart Solar, LLC executed a 20-year agreement for 81 MW from a solar photovoltaic electric generation facility located near Stuttgart, Arkansas. The APSC approved the project and deliveries pursuant to that agreement commenced in June 2018;
- In November 2016, Entergy Louisiana and LS Power executed a 10-year agreement for 485 MW from the Carville Energy Center located in St. Gabriel, Louisiana. In November 2019, LS Power sold and transferred the Carville Energy Center and facility to Argo Infrastructure Partners, which included the power purchase agreement;
- In November 2016, Entergy Louisiana and Occidental Chemical Corporation executed a 10-year agreement for 500 MW from the Taft Cogeneration facility located in Hahnville, Louisiana. The transaction received regulatory approval and began in June 2018;
- In June 2017, Entergy Arkansas and Chicot Solar, LLC executed a 20-year agreement for 100 MW from a

solar photovoltaic electric generating facility located in Chicot County, Arkansas. The transaction received regulatory approval and the PPA began in November 2020;

- In February 2018, Entergy Louisiana and LA3 West Baton Rouge, LLC (Capital Region Solar project) executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in West Baton Rouge Parish, Louisiana. The transaction received regulatory approval in February 2019 and the PPA began in October 2020;
- In July 2018, Entergy New Orleans and St. James Solar, LLC executed a 20-year agreement for 20 MW from a solar photovoltaic electric generating facility located in St. James Parish, Louisiana. The transaction received regulatory approval in July 2019 and is targeting commercial operation in October 2022;
- In August 2018, Entergy Louisiana and South Alexander Development I, LLC executed a 5-year agreement for 5 MW from a solar photovoltaic electric generating facility located in Livingston Parish, Louisiana. The PPA began in December 2020 and received regulatory approval in January 2021;
- In February 2019, Entergy New Orleans and Iris Solar, LLC executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in Washington Parish, Louisiana. The transaction received regulatory approval in July 2019 and is targeting commercial operation in August 2022;
- In August 2020, Entergy Texas and Umbriel Solar, LLC executed a 20-year agreement for 150 MW from a solar photovoltaic electric generating facility located in Polk County, Texas. The PPA is expected to start when the facility reaches commercial operation in 2023;
- In June 2021, Entergy Louisiana and Sunlight Road Solar, LLC executed a 20-year agreement for 50 MW from a solar photovoltaic electric generating facility located in Washington Parish, Louisiana. In November 2021, Entergy Louisiana signed an amended and re-stated PPA and filed a petition with the LPSC requesting all necessary approvals. The facility is expected to reach commercial operation in February 2024;
- In June 2021, Entergy Louisiana and St. James Solar II, LLC and Vacherie Solar Energy Center, LLC executed a 20-year agreement for 150 MW from a solar photovoltaic electric generating facility located in St. James Parish, Louisiana. In November 2021, Entergy Louisiana signed the PPA and filed a petition with the LPSC requesting all necessary approvals. The facility is expected to reach commercial operation in May 2024; and
- In November 2021, Entergy Louisiana signed a PPA for approximately 125 MW from a to-be-constructed solar photovoltaic energy facility in Allen, Louisiana. Following execution of the agreement, Entergy Louisiana filed a petition with the LPSC requesting all necessary approvals. The facility is expected to reach commercial operation in February 2024.

In March 2021, Entergy Services, on behalf of Entergy Louisiana, issued an RFP for solar photovoltaic resources. The RFP is seeking up to 600 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Louisiana customers.

In July 2021, Entergy Services, on behalf of Entergy Texas, issued an RFP for solar generation resources. The RFP is seeking a target of 400 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Texas customers. Evaluations are currently in progress.

In August 2021, Entergy Services, on behalf of Entergy Arkansas, issued an RFP for solar photovoltaic and wind resources. The RFP is seeking up to 500 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Arkansas customers.

In January 2022, Entergy Mississippi issued an RFP for solar photovoltaic and wind resources. The RFP is seeking up to 500 MW through a combination of build-own-transfer agreements, self-build alternatives, and power purchase agreements that can provide cost-effective energy supply, fuel diversity, and other benefits to Entergy Mississippi customers.

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Other Procurements From Third Parties

The Utility operating companies have also made resource acquisitions outside of the RFP process, including Entergy Mississippi's January 2006 acquisition of the 480 MW, combined-cycle, gas-fired Attala power plant; Entergy Gulf States Louisiana's March 2008 acquisition of the 322 MW, simple-cycle, gas-fired Calcasieu Generating Facility; Entergy Louisiana's April 2011 acquisition of the 580 MW, combined-cycle, gas-fired Acadia Energy Center Unit 2; Entergy Arkansas's (Power Block 2), Entergy Louisiana's (Power Blocks 3 and 4), and Entergy New Orleans's (Power Block 1) March 2016 acquisitions of the 1,980 MW (summer rating), natural gas-fired, combined-cycle gas turbine Union Power Station power blocks, each rated at 495 MW (summer rating); and Entergy Mississippi's October 2019 acquisition of the 810 MW, combined-cycle, natural gas-fired Choctaw Generating Station. The Utility operating companies have also entered into various limited- and long-term contracts in recent years as a result of bilateral negotiations.

The Washington Parish Energy Center is a 361 MW natural gas-fired peaking power plant approximately 60 miles north of New Orleans on a site Entergy Louisiana purchased from Calpine in 2019. In May 2018, Entergy Louisiana received LPSC approval of its certification application for this simple-cycle power plant to be developed pursuant to an agreement between Calpine and Entergy Louisiana. Calpine began construction on the plant in early 2019 and Entergy Louisiana purchased the plant upon completion in November 2020.

The Hardin County Peaking Facility, an existing 147 MW simple-cycle gas-fired peaking power plant in Kountze, Texas, previously owned by East Texas Electric Cooperative, was acquired by Entergy Texas in June 2021. The facility has been in operation since January 2010.

Power Through Programs

In December 2020, Entergy Texas filed an application with the PUCT to amend its certificate of convenience and necessity to own and operate up to 75 MW of natural gas-fired distributed generation to be installed at commercial and industrial customer premises. If approved, Entergy Texas would own and operate a fleet of generators ranging from 100 kW to 10 MW that would supply a portion of Entergy Texas's long-term resource needs and enhance the resiliency of Entergy Texas's electric grid. This fleet of generators would also be available to customers during outages to supply backup electric service as part of a program known as "Power Through." In its 2021 session, the Texas legislature modified the Texas Utilities Code to exempt generators under 10 megawatts from the requirement to obtain a certificate of convenience and necessity. In addition, the PUCT announced an intent to conduct a broad rulemaking related to distributed generation and recommended that utilities with pending applications addressing distributed generation withdraw them. Accordingly, Entergy Texas withdrew its application for a certificate of convenience and necessity and associated tariff from the PUCT without prejudice to refile. Entergy Texas continues to deploy certain customer-sited distributed generators under an existing PUCT-approved tariff and is evaluating when to file a new application for a distributed generation-related tariff.

In August 2021, Entergy Arkansas filed with the APSC an application for authority to deploy natural gas-fired distributed generation. The application was supported by a number of letters of interest from Entergy Arkansas customers. In December 2021 the APSC general staff requested briefing, which Entergy Arkansas opposed. In January 2022, Entergy Arkansas filed to support the establishment of a procedural schedule with a hearing in April 2022. Also in January 2022, the APSC granted the general staff's request for briefing but on an expedited schedule; briefing concluded in February 2022.

In July 2021, Entergy Louisiana filed with the LPSC an application for authority to deploy natural gas-fired distributed generation. The application was supported by a number of letters of interest from Entergy Louisiana

customers. In October 2021, a procedural schedule was established with a hearing in April 2022. Staff and certain intervenors filed direct testimony in December 2021, and cross-answering testimony was filed in January 2022. Entergy Louisiana filed rebuttal testimony in February 2022.

Interconnections

The Utility operating companies' generating units are interconnected to a transmission system operating at various voltages up to 500 kV. These generating units consist of steam-electric production facilities, combustion-turbine generators, reciprocating internal combustion engine generators, pressurized and boiling water nuclear reactors, and inverter-based technologies integrating both solar resources and energy storage devices that operate in the MISO energy and ancillary services market. Entergy's Utility operating companies are MISO market participants and the companies' transmission systems are interconnected with those of many neighboring utilities. MISO is an essential link in the safe, cost-effective delivery of electric power across all or parts of 15 U.S. states and the Canadian province of Manitoba. In addition, the Utility operating companies are members of SERC Reliability Corporation (SERC), the Regional Entity with delegated authority from the North American Electric Reliability Corporation (NERC) for the purpose of proposing and enforcing Bulk Electric System reliability standards within 16 central and southeastern states.

Gas Property

As of December 31, 2021, Entergy New Orleans distributed and transported natural gas for distribution within New Orleans, Louisiana, through approximately 2,600 miles of gas pipeline. As of December 31, 2021, the gas properties of Entergy Louisiana, which are located in and around Baton Rouge, Louisiana, were not material to Entergy Louisiana's financial position.

Title

The Utility operating companies' generating stations are generally located on properties owned in fee simple. Most of the substations and transmission and distribution lines are constructed on private property or public rights-of-way pursuant to easements, servitudes, or appropriate franchises. Some substation properties are owned in fee simple. The Utility operating companies generally have the right of eminent domain, whereby they may perfect title to, or secure easements or servitudes on, private property for their utility operations.

Substantially all of the physical properties and assets owned by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy are subject to the liens of mortgages securing bonds issued by those companies. The Lewis Creek generating station of Entergy Texas was acquired by merger with a subsidiary of Entergy Texas and is currently not subject to the lien of the Entergy Texas indenture.

Fuel Supply

The sources of generation and average fuel cost per kWh for the Utility operating companies and System Energy for the years 2019-2021 were:

Year	Natural Gas		Nuclear		Coal		Purchased Power		MISO Purchases	
	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh
2021	46	3.75	30	0.56	6	2.48	6	5.82	12	4.08
2020	47	1.92	29	0.57	3	2.54	8	4.36	13	2.48
2019	40	2.33	28	0.73	6	2.31	8	4.86	18	2.71

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Actual 2021 and projected 2022 sources of generation for the Utility operating companies and System Energy, including certain power purchases from affiliates under life of unit power purchase agreements, including the Unit Power Sales Agreement, are:

	Natural Gas		Nuclear		Coal		Solar		Purchased Power (c)		MISO Purchases (d)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Entergy Arkansas (a)	26 %	17 %	52 %	60 %	16 %	20 %	—	1 %	1 %	2 %	5 %	—
Entergy Louisiana	50 %	48 %	27 %	33 %	2 %	5 %	—	—	8 %	14 %	13 %	—
Entergy Mississippi	61 %	56 %	24 %	31 %	6 %	11 %	—	2 %	—	—	9 %	—
Entergy New Orleans	45 %	42 %	43 %	50 %	2 %	3 %	—	1 %	1 %	4 %	9 %	—
Entergy Texas	48 %	57 %	10 %	17 %	4 %	10 %	—	—	16 %	16 %	22 %	—
System Energy (b)	—	—	100 %	100 %	—	—	—	—	—	—	—	—
Utility (a)	46 %	42 %	30 %	39 %	6 %	10 %	—	—	6 %	9 %	12 %	—

- (a) Hydroelectric power provided less than 1% of Entergy Arkansas's generation in 2021 and is expected to provide less than 1% of its generation in 2022.
- (b) Capacity and energy from System Energy's interest in Grand Gulf is allocated as follows under the Unit Power Sales Agreement: Entergy Arkansas - 36%; Entergy Louisiana - 14%; Entergy Mississippi - 33%; and Entergy New Orleans - 17%. Pursuant to purchased power agreements, Entergy Arkansas is selling a portion of its owned capacity and energy from Grand Gulf to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.
- (c) Excludes MISO purchases.
- (d) In December 2013, Entergy integrated its transmission system into the MISO RTO. Entergy offers all of its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the MISO energy market to serve the demand of its customers, with MISO making dispatch decisions. The MISO purchases metric provided for 2021 is not projected for 2022.

Some of the Utility's gas-fired plants are also capable of using fuel oil, if necessary. Although based on current economics the Utility does not expect fuel oil use in 2022, it is possible that various operational events including weather or pipeline maintenance may require the use of fuel oil.

Natural Gas

The Utility operating companies have long-term firm and short-term interruptible gas contracts for both supply and transportation. Over 50% of the Utility operating companies' power plants maintain some level of long-term firm transportation. Short-term contracts and spot-market purchases satisfy additional gas requirements. Entergy Texas owns a gas storage facility and Entergy Louisiana has a firm storage service agreement that provide reliable and flexible natural gas service to certain generating stations.

Many factors, including wellhead deliverability, storage, pipeline capacity, and demand requirements of end users, influence the availability and price of natural gas supplies for power plants. Demand is primarily tied to weather conditions as well as to the prices and availability of other energy sources. Pursuant to federal and state regulations, gas supplies to power plants may be interrupted during periods of shortage. To the extent natural gas supplies are disrupted or natural gas prices significantly increase, the Utility operating companies may in some