instances use alternate fuels, such as oil when available, or rely to a larger extent on coal, nuclear generation, and purchased power.

Coal

Entergy Arkansas has committed to six one- to three-year contracts that will supply approximately 85% of the total coal supply needs in 2022. These contracts are staggered in term so that not all contracts have to be renewed the same year. The remaining 15% of total coal requirements will be satisfied by contracts with a term of less than one year. Based on continued improved Powder River Basin (PRB) coal deliveries by rail and the high cost of alternate sources and modes of transportation, no alternative coal consumption is expected at Entergy Arkansas during 2022. Coal will be transported to Arkansas via a Union Pacific transportation agreement that is expected to provide all of Entergy Arkansas's rail transportation requirements for the first half of 2022. A new long-term transportation agreement is anticipated to be executed to meet Entergy Arkansas's rail transportation requirements for the second half of 2022.

Entergy Louisiana has committed to two one- to three-year contracts that will supply approximately 90% of Nelson Unit 6 coal needs in 2022. If needed, additional PRB coal will be purchased through contracts with a term of less than one year to provide the remaining supply needs. For the same reasons as for Entergy Arkansas's plants, no alternative coal consumption is expected at Nelson Unit 6 during 2022. Coal will be transported to Nelson primarily via an existing transportation agreement that is expected to provide all of Entergy Louisiana's rail transportation requirements for 2022.

For the year 2021, coal transportation delivery rates to Entergy Arkansas- and Entergy Louisiana-operated coal-fired units became constrained and were unable to fully meet supply needs and obligations beginning in August 2021. The rate of deliveries has begun to improve and is expected to normalize later in 2022. Both Entergy Arkansas and Entergy Louisiana control a sufficient number of railcars to satisfy the rail transportation requirement.

The operator of Big Cajun 2 - Unit 3, Louisiana Generating, LLC, has advised Entergy Louisiana and Entergy Texas that it has adequate rail car and barge capacity to meet the volumes of PRB coal requested for 2022. Entergy Louisiana's and Entergy Texas's coal nomination requests to Big Cajun 2 - Unit 3 are made on an annual basis.

Nuclear Fuel

The nuclear fuel cycle consists of the following:

- mining and milling of uranium ore to produce a concentrate;
- conversion of the concentrate to uranium hexafluoride gas;
- enrichment of the uranium hexafluoride gas;
- fabrication of nuclear fuel assemblies for use in fueling nuclear reactors; and
- disposal of spent fuel.

The Registrant Subsidiaries that own nuclear plants, Entergy Arkansas, Entergy Louisiana, and System Energy, are responsible through a shared regulated uranium pool for contracts to acquire nuclear material to be used in fueling Entergy's Utility nuclear units. These companies own the materials and services in this shared regulated uranium pool on a pro rata fractional basis determined by the nuclear generation capability of each company. Any liabilities for obligations of the pooled contracts are on a several but not joint basis. The shared regulated uranium pool maintains inventories of nuclear materials during the various stages of processing. The Registrant Subsidiaries purchase enriched uranium hexafluoride for their nuclear plant reload requirements at the average inventory cost from the shared regulated uranium pool. Entergy Operations, Inc. contracts separately for the fabrication of nuclear fuel as agent on behalf of each of the Registrant Subsidiaries that owns a nuclear plant. All contracts for the disposal

of spent nuclear fuel are between the DOE and the owner of a nuclear power plant.

Based upon currently planned fuel cycles, the Utility nuclear units have a diversified portfolio of contracts and inventory that provides substantially adequate nuclear fuel materials and conversion and enrichment services at

what Entergy believes are reasonably predictable or fixed prices through most of 2027. Entergy's ability to purchase nuclear fuel at reasonably predictable prices, however, depends upon the performance reliability of uranium miners, including their ability to work through supply disruptions caused by global events, such as the COVID-19 pandemic, or national events, such as political disruption. There are a number of possible supply alternatives that may be accessed to mitigate any supplier performance failure, including potentially drawing upon Entergy's inventory intended for later generation periods depending upon its risk management strategy at that time, although the pricing of any alternate uranium supply from the market will be dependent upon the market for uranium supply at that time. In addition, some nuclear fuel contracts are on a non-fixed price basis subject to prevailing prices at the time of delivery.

The effects of market price changes may be reduced and deferred by risk management strategies, such as negotiation of floor and ceiling amounts for long-term contracts, buying for inventory or entering into forward physical contracts at fixed prices when Entergy believes it is appropriate and useful. Entergy buys uranium from a diversified mix of sellers located in a diversified mix of countries, and from time to time purchases from nearly all qualified reliable major market participants worldwide that sell into the U.S.

Entergy's ability to assure nuclear fuel supply also depends upon the performance reliability of conversion, enrichment, and fabrication services providers. There are fewer of these providers than for uranium. For conversion and enrichment services, like uranium, Entergy diversifies its supply by supplier and country and may take special measures as needed to ensure supply of enriched uranium for the reliable fabrication of nuclear fuel. For fabrication services, each plant is dependent upon the effective performance of the fabricator of that plant's nuclear fuel, therefore, Entergy provides additional monitoring, inspection, and oversight for the fabrication process to assure reliability and quality.

Entergy Arkansas, Entergy Louisiana, and System Energy each have made arrangements to lease nuclear fuel and related equipment and services. The lessors, which are consolidated in the financial statements of Entergy and the applicable Registrant Subsidiary, finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These credit facilities are subject to periodic renewal, and the notes are issued periodically, typically for terms between three and seven years.

Natural Gas Purchased for Resale

Entergy New Orleans has several suppliers of natural gas. Its system is interconnected with one interstate and three intrastate pipelines. Entergy New Orleans has a "no-notice" service gas purchase contract with Symmetry Energy Solutions which guarantees Entergy New Orleans gas delivery at specific delivery points and at any volume within the minimum and maximum set forth in the contract amounts. The Symmetry Energy Solutions gas supply is transported to Entergy New Orleans pursuant to a transportation service agreement with Gulf South Pipeline Co. This service is subject to FERC-approved rates. Entergy New Orleans also makes interruptible spot market purchases.

Entergy Louisiana purchased natural gas for resale in 2021 under a firm contract from Sequent Energy Management L.P. The gas is delivered through a combination of intrastate and interstate pipelines.

As a result of the implementation of FERC-mandated interstate pipeline restructuring in 1993, curtailments of interstate gas supply could occur if Entergy Louisiana's or Entergy New Orleans's suppliers failed to perform their obligations to deliver gas under their supply agreements. Gulf South Pipeline Co. could curtail transportation capacity only in the event of pipeline system constraints.

Federal Regulation of the Utility

State or local regulatory authorities, as described above, regulate the retail rates of the Utility operating companies. The FERC regulates wholesale sales of electricity rates and interstate transmission of electricity,

including System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement. See Note 2 to the financial statements for further discussion of federal regulation proceedings.

System Agreement (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Prior to each operating company's termination of participation in the System Agreement (Entergy Arkansas in December 2013, Entergy Mississippi in November 2015, and Entergy Louisiana, Entergy New Orleans, and Entergy Texas each in August 2016), the Utility operating companies engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which was a rate schedule approved by the FERC. Under the terms of the System Agreement, generating capacity and other power resources were jointly operated by the Utility operating companies that were participating in the System Agreement. The System Agreement provided, among other things, that parties having generating reserves greater than their allocated share of reserves (long companies) would receive payments from those parties having generating reserves that were less than their allocated share of reserves (short companies). Such payments were at amounts sufficient to cover certain of the long companies' costs for intermediate and peaking oil/gas-fired generation, including operating expenses, fixed charges on debt, dividend requirements on preferred equity, and a fair rate of return on common equity investment. Under the System Agreement, the rates used to compensate long companies were based on costs associated with the long companies' steam electric generating units fueled by oil or gas and having an annual average heat rate above 10,000 Btu/kWh. In addition, for all energy exchanged among the Utility operating companies under the System Agreement, the companies purchasing exchange energy were required to pay the cost of fuel consumed in generating such energy plus a charge to cover other associated costs.

Although the System Agreement has terminated, certain of the Utility operating companies' and their retail regulators are pursuing litigation involving the System Agreement at the FERC and in federal courts. The proceedings include challenges to the allocation of costs as defined by the System Agreement and other matters. See Note 2 to the financial statements for discussion of legal proceedings at the FERC and in federal courts involving the System Agreement.

Transmission and MISO Markets

In December 2013 the Utility operating companies integrated into the MISO RTO. Although becoming a member of MISO did not affect the ownership by the Utility operating companies of their transmission facilities or the responsibility for maintaining those facilities, MISO maintains functional control over the combined transmission systems of its members and administers wholesale energy and ancillary services markets for market participants in the MISO region, including the Utility operating companies. MISO also exercises functional control of transmission planning and congestion management and provides schedules and pricing for the commitment and dispatch of generation that is offered into MISO's markets, as well as pricing for load that bids into the markets. The Utility operating companies sell capacity, energy, and ancillary services on a bilateral basis to certain wholesale customers and offer available electricity production of their generating facilities into the MISO day-ahead and real-time energy markets pursuant to the MISO tariff and market rules. Each Utility operating company has its own transmission pricing zone and a formula rate template (included as Attachment O to the MISO tariff) used to establish transmission rates within MISO. The terms and conditions of the MISO tariff, including provisions related to the design and implementation of wholesale markets and the allocation of transmission upgrade costs, are subject to regulation by the FERC.

System Energy and Related Agreements

System Energy recovers costs related to its interest in Grand Gulf through rates charged to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans for capacity and energy under the Unit Power Sales Agreement (described below). In July 2001 a rate proceeding commenced by System Energy at the

FERC in 1995 became final, with the FERC approving a prospective 10.94% return on equity. In 1998 the FERC approved requests by Entergy Arkansas and Entergy Mississippi to accelerate a portion of their Grand Gulf purchased power obligations. Entergy Arkansas's and Entergy Mississippi's acceleration of Grand Gulf purchased power obligations ceased effective July 2001 and July 2003, respectively, as approved by the FERC. See Note 2 to the financial statements for discussion of complaints filed with the FERC regarding System Energy's return on equity.

Unit Power Sales Agreement

The Unit Power Sales Agreement allocates capacity, energy, and the related costs from System Energy's ownership and leasehold interests in Grand Gulf to Entergy Arkansas (36%), Entergy Louisiana (14%), Entergy Mississippi (33%), and Entergy New Orleans (17%). Each of these companies is obligated to make payments to System Energy for its entitlement of capacity and energy on a full cost-of-service basis regardless of the quantity of energy delivered. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenue. The financial condition of System Energy depends upon the continued commercial operation of Grand Gulf and the receipt of such payments. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans generally recover payments made under the Unit Power Sales Agreement through rates charged to their customers.

In the case of Entergy Arkansas and Entergy Louisiana, payments are also recovered through sales of electricity from their respective retained shares of Grand Gulf. Under a settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas retains 22% of its 36% share of Grand Gulf-related costs and recovers the remaining 78% of its share in rates. In the event that Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided cost, which is currently less than Entergy Arkansas's cost from its retained share. Entergy Arkansas has life-of-resources purchased power agreements with Entergy Louisiana and Entergy New Orleans that sell a portion of the output of Entergy Arkansas's retained share of Grand Gulf to those companies, with the remainder of the retained share being sold to Entergy Mississippi through a separate life-of-resources purchased power agreement. In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted cost recovery with respect to costs associated with Entergy Louisiana's share of capacity and energy from Grand Gulf, subject to certain terms and conditions. Entergy Louisiana retains and does not recover from retail ratepayers 18% of its 14% share of the costs of Grand Gulf capacity and energy and recovers the remaining 82% of its share in rates. Entergy Louisiana is allowed to recover through the fuel adjustment clause at 4.6 cents per kWh for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to non-affiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval. Entergy Arkansas also has a life-of-resources purchased power agreement with Entergy Mississippi to sell a portion of the output of Entergy Arkansas's non-retained share of Grand Gulf. Entergy Mississippi was granted cost recovery for those purchases by the MPSC through its annual unit power cost rate mechanism.

Availability Agreement

The Availability Agreement among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans was entered into in 1974 in connection with the financing by System Energy of Grand Gulf. The Availability Agreement provides that System Energy make available to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans all capacity and energy available from System Energy's share of Grand Gulf.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans also agreed severally to pay System Energy monthly for the right to receive capacity and energy from Grand Gulf in amounts that (when

added to any amounts received by System Energy under the Unit Power Sales Agreement) would at least equal System Energy's total operating expenses for Grand Gulf (including depreciation at a specified rate and expenses incurred in a permanent shutdown of Grand Gulf) and interest charges.

The allocation percentages under the Availability Agreement are fixed as follows: Entergy Arkansas - 17.1%; Entergy Louisiana - 26.9%; Entergy Mississippi - 31.3%; and Entergy New Orleans - 24.7%. The allocation percentages under the Availability Agreement would remain in effect and would govern payments made under such agreement in the event of a shortfall of funds available to System Energy from other sources, including payments under the Unit Power Sales Agreement.

System Energy has assigned its rights to payments and advances from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Availability Agreement as security for its two outstanding series of first mortgage bonds. In these assignments, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans further agreed that, in the event they were prohibited by governmental action from making payments under the Availability Agreement (for example, if the FERC reduced or disallowed such payments as constituting excessive rates), they would then make subordinated advances to System Energy in the same amounts and at the same times as the prohibited payments. System Energy would not be allowed to repay these subordinated advances so long as it remained in default under the related indebtedness or in other similar circumstances.

Each of the assignment agreements relating to the Availability Agreement provides that Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans will make payments directly to System Energy. However, if there is an event of default, those payments must be made directly to the holders of indebtedness that are the beneficiaries of such assignment agreements. The payments must be made pro rata according to the amount of the respective obligations secured.

The obligations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to make payments under the Availability Agreement are subject to the receipt and continued effectiveness of all necessary regulatory approvals. Sales of capacity and energy under the Availability Agreement would require that the Availability Agreement be submitted to the FERC for approval with respect to the terms of such sale. No such filing with the FERC has been made because sales of capacity and energy from Grand Gulf are being made pursuant to the Unit Power Sales Agreement. If, for any reason, sales of capacity and energy are made in the future pursuant to the Availability Agreement, the jurisdictional portions of the Availability Agreement would be submitted to the FERC for approval.

Since commercial operation of Grand Gulf began, payments under the Unit Power Sales Agreement to System Energy have exceeded the amounts payable under the Availability Agreement and, therefore, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments because their Availability Agreement obligations exceed their Unit Power Sales Agreement obligations.

The Availability Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, without further consent of any assignees or other creditors.

Service Companies

Entergy Services, a limited liability company wholly-owned by Entergy Corporation, provides management, administrative, accounting, legal, engineering, and other services primarily to the Utility operating companies, but also provides services to Entergy Wholesale Commodities. Entergy Operations is also wholly-owned by Entergy

Corporation and provides nuclear management, operations and maintenance services under contract for ANO, River Bend, Waterford 3, and Grand Gulf, subject to the owner oversight of Entergy Arkansas, Entergy Louisiana, and System Energy, respectively. Entergy Services and Entergy Operations provide their

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services to the Utility operating companies and System Energy on an "at cost" basis, pursuant to cost allocation methodologies for these service agreements that were approved by the FERC.

Jurisdictional Separation of Entergy Gulf States, Inc. into Entergy Gulf States Louisiana and Entergy Texas

Effective December 31, 2007, Entergy Gulf States, Inc. completed a jurisdictional separation into two vertically integrated utility companies, one operating under the sole retail jurisdiction of the PUCT, Entergy Texas, and the other operating under the sole retail jurisdiction of the LPSC, Entergy Gulf States Louisiana. Entergy Texas owns all Entergy Gulf States, Inc. distribution and transmission assets located in Texas, the gas-fired generating plants located in Texas, undivided 42.5% ownership shares of Entergy Gulf States, Inc.'s 70% ownership interest in Nelson Unit 6 and 42% ownership interest in Big Cajun 2, Unit 3, which are coal-fired generating plants located in Louisiana, and other assets and contract rights to the extent related to utility operations in Texas. Entergy Louisiana, as successor in interest to Entergy Gulf States Louisiana, owns all of the remaining assets that were owned by Entergy Gulf States, Inc. On a book value basis, approximately 58.1% of the Entergy Gulf States, Inc. assets were allocated to Entergy Gulf States Louisiana and approximately 41.9% were allocated to Entergy Texas.

Entergy Texas purchases from Entergy Louisiana pursuant to a life-of-unit purchased power agreement a 42.5% share of capacity and energy from the 70% of River Bend subject to retail regulation. Entergy Texas was allocated a share of River Bend's nuclear and environmental liabilities that is identical to the share of the plant's output purchased by Entergy Texas under the purchased power agreement. In connection with the termination of the System Agreement effective August 31, 2016, the purchased power agreements that were put in place for certain legacy units at the time of the jurisdictional separation were also terminated at that time. See Note 2 to the financial statements for additional discussion of the purchased power agreements.

Entergy Louisiana and Entergy Gulf States Louisiana Business Combination

On October 1, 2015, the businesses formerly conducted by Entergy Louisiana (Old Entergy Louisiana) and Entergy Gulf States Louisiana (Old Entergy Gulf States Louisiana) were combined into a single public utility. In order to effect the business combination, under the Texas Business Organizations Code (TXBOC), Old Entergy Louisiana allocated substantially all of its assets to a new subsidiary, Entergy Louisiana Power, LLC, a Texas limited liability company (New Entergy Louisiana), and New Entergy Louisiana assumed the liabilities of Old Entergy Louisiana, in a transaction regarded as a merger under the TXBOC. Under the TXBOC, Old Entergy Gulf States Louisiana allocated substantially all of its assets to a new subsidiary (New Entergy Gulf States Louisiana) and New Entergy Gulf States Louisiana assumed the liabilities of Old Entergy Gulf States Louisiana, in a transaction regarded as a merger under the TXBOC. New Entergy Gulf States Louisiana then merged into New Entergy Louisiana with New Entergy Louisiana surviving the merger. Thereupon, Old Entergy Louisiana changed its name from "Entergy Louisiana, LLC" to "EL Investment Company, LLC" and New Entergy Louisiana changed its name from "Entergy Louisiana Power, LLC" to "Entergy Louisiana, LLC" (Entergy Louisiana). With the completion of the business combination, Entergy Louisiana holds substantially all of the assets, and has assumed the liabilities, of Old Entergy Louisiana and Old Entergy Gulf States Louisiana.

Entergy New Orleans Internal Restructuring

In November 2017, pursuant to the agreement in principle, Entergy New Orleans, Inc. undertook a multi-step restructuring, including the following:

- Entergy New Orleans, Inc. redeemed its outstanding preferred stock at a price of approximately $21 million, which included a call premium of approximately $819,000, plus any accumulated and unpaid dividends.

- Entergy New Orleans, Inc. converted from a Louisiana corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy New Orleans, Inc. allocated substantially all of its assets to a new subsidiary, Entergy New Orleans Power, LLC, a Texas limited liability company (Entergy New Orleans Power), and Entergy New Orleans Power assumed substantially all of the liabilities

of Entergy New Orleans, Inc. in a transaction regarded as a merger under the TXBOC. Entergy New Orleans, Inc. remained in existence and held the membership interests in Entergy New Orleans Power.

- Entergy New Orleans, Inc. contributed the membership interests in Entergy New Orleans Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy New Orleans Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2017, Entergy New Orleans, Inc. changed its name to Entergy Utility Group, Inc., and Entergy New Orleans Power then changed its name to Entergy New Orleans, LLC. Entergy New Orleans, LLC holds substantially all of the assets, and has assumed substantially all of the liabilities, of Entergy New Orleans, Inc. The restructuring was accounted for as a transaction between entities under common control.

Entergy Arkansas Internal Restructuring

In November 2018, Entergy Arkansas undertook a multi-step restructuring, including the following:

- Entergy Arkansas, Inc. redeemed its outstanding preferred stock at the aggregate redemption price of approximately $32.7 million.
- Entergy Arkansas, Inc. converted from an Arkansas corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Arkansas, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Arkansas Power, LLC, a Texas limited liability company (Entergy Arkansas Power), and Entergy Arkansas Power assumed substantially all of the liabilities of Entergy Arkansas, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Arkansas, Inc. remained in existence and held the membership interests in Entergy Arkansas Power.
- Entergy Arkansas, Inc. contributed the membership interests in Entergy Arkansas Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Arkansas Power is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Arkansas, Inc. changed its name to Entergy Utility Property, Inc., and Entergy Arkansas Power then changed its name to Entergy Arkansas, LLC. Entergy Arkansas, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Arkansas, Inc. The transaction was accounted for as a transaction between entities under common control.

Entergy Mississippi Internal Restructuring

In November 2018, Entergy Mississippi undertook a multi-step restructuring, including the following:

- Entergy Mississippi, Inc. redeemed its outstanding preferred stock, at the aggregate redemption price of approximately $21.2 million.
- Entergy Mississippi, Inc. converted from a Mississippi corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy Mississippi, Inc. allocated substantially all of its assets to a new subsidiary, Entergy Mississippi Power and Light, LLC, a Texas limited liability company (Entergy Mississippi Power and Light), and Entergy Mississippi Power and Light assumed substantially all of the liabilities of Entergy Mississippi, Inc., in a transaction regarded as a merger under the TXBOC. Entergy Mississippi, Inc. remained in existence and held the membership interests in Entergy Mississippi Power and Light.
- Entergy Mississippi, Inc. contributed the membership interests in Entergy Mississippi Power and Light to an

affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy Mississippi Power and Light is a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

In December 2018, Entergy Mississippi, Inc. changed its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light then changed its name to Entergy Mississippi, LLC. Entergy Mississippi, LLC holds substantially all of the assets, and assumed substantially all of the liabilities, of Entergy Mississippi, Inc. The restructuring was accounted for as a transaction between entities under common control.

Entergy Wholesale Commodities

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 plant, Palisades, to wholesale customers. Entergy Wholesale Commodities also provides operations and management services, including decommissioning-related services, to nuclear power plants owned by non-affiliated entities in the United States. 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.

See " **Entergy Wholesale Commodities Exit from the Merchant Power Business** " in Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion of the operation and planned shutdown and sale of each of the remaining Entergy Wholesale Commodities nuclear power plants.

Property

Nuclear Generating Stations

Entergy Wholesale Commodities includes the ownership of the following nuclear power plant as of December 31, 2021:

Power Plant	Market	In Service Year	Acquired	Location	Capacity - Reactor Type	License Expiration Date
Palisades (a)	MISO	1971	April 2007	Covert, MI	811 MW - Pressurized Water	2031 (a)

(a) The Palisades plant is expected to cease operations on May 31, 2022. Entergy and Holtec jointly filed a license transfer application with the NRC in December 2020, requesting approval for the transfer of the Palisades and Big Rock Point licenses from Entergy to Holtec. The NRC approved the license transfer application in December 2021.

Entergy Wholesale Commodities also includes the ownership of one non-operating nuclear facility, Big Rock Point in Michigan, that was acquired when Entergy purchased the Palisades plant. Big Rock Point is under contract to be sold with Palisades to Holtec.

See " **Entergy Wholesale Commodities Exit from the Merchant Power Business** " in Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion of the operation and planned shutdown and sale of each of the remaining Entergy Wholesale Commodities nuclear power plants.

Non-nuclear Generating Stations

Entergy Wholesale Commodities includes the ownership, or interests in joint ventures that own, the following non-nuclear power plants:

Plant	Location	Ownership	Net Owned Capacity (a)	Type
Independence Unit 2; 842 MW	Newark, AR	14%	121 MW(b)	Coal
RS Cogen; 425 MW (c)	Lake Charles, LA	50%	213 MW	Gas/Steam
Nelson Unit 6; 550 MW	Westlake, LA	11%	60 MW(b)	Coal

(a) "Net Owned Capacity" refers to the nameplate rating on the generating unit.

(b) The owned MW capacity is the portion of the plant capacity owned by Entergy Wholesale Commodities. For a complete listing of Entergy's jointly-owned generating stations, refer to "**Jointly-Owned Generating Stations**" in Note 1 to the financial statements.

(c) Indirectly owned through an interest in an unconsolidated joint venture. In December 2020, Entergy's wholly-owned subsidiary with a direct interest in RS Cogen, LLC entered into a membership interest purchase agreement with a subsidiary of the other 50% equity partner to sell its 50% membership interest in the joint venture to the equity partner. The targeted closing date for the transaction is October 2022.

Independent System Operator

The Palisades plant falls under the authority of the MISO. The primary purpose of MISO is to direct the operations of the major generation and transmission facilities in their region; ensure grid reliability; administer and monitor wholesale electricity markets; and plan for their region's energy needs.

Energy and Capacity Sales

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. As part of the purchase of the Palisades plant in 2007, Entergy executed a 15-year PPA with the seller, Consumers Energy, for 100% of the plant's output, excluding any future uprates. Under the purchased power agreement, Consumers Energy received the value of any new environmental credits for the first fourteen years of the agreement. Palisades and Consumers Energy will share on a 50/50 basis the value of any new environmental credits for the last year of the agreement. The environmental credits are defined as benefits from a change in law that causes capability of the plant as of the purchase date to become a tradable attribute (e.g., emission credit, renewable energy credit, environmental credit, "green" credit, etc.) or otherwise to have a market value. Entergy intends to shut down the Palisades plant permanently on May 31, 2022 and transfer to Holtec thereafter.

Customers

Entergy Wholesale Commodities' customers for the sale of both energy and capacity from its nuclear plants include retail power providers, utilities, electric power co-operatives, power trading organizations, and other power generation companies. These customers include Consumers Energy, the company from which Entergy purchased the Palisades plant, and MISO. Substantially all the credit exposure associated with the planned energy output under contract for Palisades is with counterparties or their guarantors that have public investment grade credit ratings.

Competition

MISO does not have a centralized clearing capacity market, but load serving entities do meet most of their capacity needs through bilateral contracts and self-supply with a smaller portion coming through voluntary MISO

auctions. Almost all of Palisades' current output is contracted to Consumers Energy through May 2022. Entergy Wholesale Commodities does not expect to be materially affected by competition in the MISO market in the near term.

Seasonality

Entergy Wholesale Commodities' revenues and operating income are subject to fluctuations during the year due to seasonal factors, weather conditions, and contract pricing. When outdoor and cooling water temperatures are low, generally during colder months, Entergy Wholesale Commodities' nuclear power plants operate more efficiently, and consequently, generates more electricity. Entergy Wholesale Commodities' contracts provide for shaped pricing over the course of the year. As a result of these factors, Entergy Wholesale Commodities' revenues are typically higher in the first and third quarters than in the second and fourth quarters.

Fuel Supply

Nuclear Fuel

See " **Fuel Supply** - Nuclear Fuel " in the Utility portion of Part I, Item 1 for a discussion of the nuclear fuel cycle and markets. Entergy Nuclear Fuels Company, a wholly-owned subsidiary, was responsible for contracts to acquire nuclear materials, except for fuel fabrication, for Entergy Wholesale Commodities nuclear power plants, while Entergy Nuclear Operations, Inc. acted as the agent for the purchase of nuclear fuel assembly fabrication services. All contracts for the disposal of spent nuclear fuel were between the DOE and each of the nuclear power plant owners. The nuclear fuel supply portfolio for the Entergy Wholesale Commodities segment has been adjusted to reflect reduced overall requirements related to the planned permanent shutdown of the Palisades plant. Fuel procurement for the Entergy Wholesale Commodities segment ceased after the Palisades plant's final refueling in 2020.

Other Business Activities

Entergy Nuclear Power Marketing, LLC (ENPM) was formed in 2005 to centralize the power marketing function for Entergy Wholesale Commodities nuclear plants. Upon its formation, ENPM entered into long-term power purchase agreements with the Entergy Wholesale Commodities subsidiaries that owned nuclear power plants (generating subsidiaries). As part of a series of agreements, ENPM agreed to assume and/or otherwise service the existing power purchase agreements that were in effect between the generating subsidiaries and their customers. ENPM's functions include origination of new energy and capacity transactions and generation scheduling.

Services provided by either Entergy Nuclear, Inc. or other Entergy Wholesale Commodities subsidiaries include engineering, operations and maintenance, fuel procurement, management and supervision, technical support and training, administrative support, and other managerial or technical services required to operate, maintain, and decommission nuclear electric power facilities.

TLG Services, a subsidiary in the Entergy Wholesale Commodities segment, offers decommissioning, engineering, and related services to nuclear power plant owners.

Entergy provides plant operation support services for the 800 MW Cooper Nuclear Station located near Brownville, Nebraska. In 2010 an Entergy subsidiary signed an agreement to extend the management support services to Cooper Nuclear Station by 15 years, through January 2029.

Regulation of Entergy's Business

Federal Power Act

The Federal Power Act provides the FERC the authority to regulate:

- the transmission and wholesale sale of electric energy in interstate commerce;
- the reliability of the high voltage interstate transmission system through reliability standards;
- sale or acquisition of certain assets;
- securities issuances;
- the licensing of certain hydroelectric projects;
- certain other activities, including accounting policies and practices of electric and gas utilities; and
- changes in control of FERC jurisdictional entities or rate schedules.

The Federal Power Act gives the FERC jurisdiction over the rates charged by System Energy for Grand Gulf capacity and energy provided to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans and over the rates charged by Entergy Arkansas and Entergy Louisiana to unaffiliated wholesale customers. The FERC also regulates wholesale power sales between the Utility operating companies. In addition, the FERC regulates the MISO RTO, an independent entity that maintains functional control over the combined transmission systems of its members and administers wholesale energy, capacity, and ancillary services markets for market participants in the MISO region, including the Utility operating companies. FERC regulation of the MISO RTO includes regulation of the design and implementation of the wholesale markets administered by the MISO RTO, as well as the rates, terms, and conditions of open access transmission service over the member systems and the allocation of costs associated with transmission upgrades.

Entergy Arkansas holds a FERC license that expires in 2053 for two hydroelectric projects totaling 65 MW of capacity.

State Regulation

Utility

Entergy Arkansas is subject to regulation by the APSC as to the following:

- utility service;
- utility service areas;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the energy cost recovery rider;
- terms and conditions of service;
- service standards;
- the acquisition, sale, or lease of any public utility plant or property constituting an operating unit or system;
- certificates of convenience and necessity and certificates of environmental compatibility and public need, as applicable, for generating and transmission facilities;
- avoided cost payments to non-exempt Qualifying Facilities;
- net energy metering;
- integrated resource planning;
- utility mergers and acquisitions and other changes of control; and
- the issuance and sale of certain securities.

Additionally, Entergy Arkansas serves a limited number of retail customers in Tennessee. Pursuant to legislation enacted in Tennessee, Entergy Arkansas is subject to complaints before the Tennessee Regulatory Authority only if it fails to treat its retail customers in Tennessee in the same manner as its retail customers in Arkansas.

Additionally, Entergy Arkansas maintains limited facilities in Missouri but does not provide retail electric service to customers in Missouri. Although Entergy Arkansas obtained a certificate with respect to its Missouri facilities, Entergy Arkansas is not subject to retail ratemaking or other regulatory jurisdiction in Missouri.

Entergy Louisiana's electric and gas business is subject to regulation by the LPSC as to the following:

- utility service;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the fuel adjustment clause and purchased gas adjustment charge;
- terms and conditions of service;
- service standards;
- certification of certain transmission projects;
- certification of capacity acquisitions, both for owned capacity and for purchase power contracts that exceed either 5 MW or one year in term;
- procurement process to acquire capacity over 50 MW;
- audits of the environmental adjustment charge, avoided cost payment to non-exempt Qualifying Facilities, and energy efficiency rider;
- integrated resource planning;
- net energy metering; and
- utility mergers and acquisitions and other changes of control.

Entergy Mississippi is subject to regulation by the MPSC as to the following:

- utility service;
- utility service areas;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the energy cost recovery mechanism;
- terms and conditions of service;
- service standards;
- certification of generating facilities and certain transmission projects;
- avoided cost payments to non-exempt Qualifying Facilities;
- integrated resource planning;
- net energy metering; and
- utility mergers, acquisitions, and other changes of control.

Entergy Mississippi is also subject to regulation by the APSC as to the certificate of environmental compatibility and public need for the Independence Station, which is located in Arkansas.

Entergy New Orleans is subject to regulation by the City Council as to the following:

- utility service;
- retail rates and charges, including depreciation rates;
- fuel cost recovery, including audits of the fuel adjustment charge and purchased gas adjustment charge;
- terms and conditions of service;
- service standards;
- audit of the environmental adjustment charge;
- certification of the construction or extension of any new plant, equipment, property, or facility that comprises more than 2% of the utility's rate base;

- integrated resource planning;
- net energy metering;
- avoided cost payments to non-exempt Qualifying Facilities;
- issuance and sale of certain securities; and

- utility mergers and acquisitions and other changes of control.

To the extent authorized by governing legislation, Entergy Texas is subject to the original jurisdiction of the municipal authorities of a number of incorporated cities in Texas with appellate jurisdiction over such matters residing in the PUCT. Entergy Texas is also subject to regulation by the PUCT as to the following:

- retail rates and charges, including depreciation rates, and terms and conditions of service in unincorporated areas of its service territory, and in municipalities that have ceded jurisdiction to the PUCT;
- fuel recovery, including reconciliations (audits) of the fuel adjustment charges;
- service standards;
- certification of certain transmission and generation projects;
- utility service areas, including extensions into new areas;
- avoided cost payments to non-exempt Qualifying Facilities;
- net energy metering; and
- utility mergers, sales/acquisitions/leases of plants over $10 million, sales of greater than 50% voting stock of utilities, and transfers of controlling interest in or operation of utilities.

Regulation of the Nuclear Power Industry

Atomic Energy Act of 1954 and Energy Reorganization Act of 1974

Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, the operation of nuclear plants is heavily regulated by the NRC, which has broad power to impose licensing and safety-related requirements. The NRC has broad authority to impose civil penalties or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Entergy Arkansas, Entergy Louisiana, and System Energy, as owners of all or portions of ANO, River Bend and Waterford 3, and Grand Gulf, respectively, and Entergy Operations, as the licensee and operator of these units, are subject to the jurisdiction of the NRC. Entergy subsidiaries in the Entergy Wholesale Commodities segment are subject to the NRC's jurisdiction as the owners and operators of Palisades and Big Rock Point.

Nuclear Waste Policy Act of 1982

Spent Nuclear Fuel

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy Arkansas is the only one of the Utility operating companies that generated electric power with nuclear fuel prior to that date and has a recorded liability as of December 31, 2021 of $192.1 million for the one-time fee. Entergy accepted assignment of the Palisades and Big Rock Point spent fuel disposal contracts with the DOE held by their previous owner. The owner of these plants prior to Entergy has paid or retained liability for the fees for all generation prior to the purchase dates of the plants. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Entergy's total spent fuel fees to date, including the

one-time fee liability of Entergy Arkansas, have surpassed $1.6 billion (exclusive of amounts relating to Entergy plants that were paid or are owed by prior owners of those plants).

The permanent spent fuel repository in the U.S. has been legislated to be Yucca Mountain, Nevada. The DOE is required by law to proceed with the licensing (the DOE filed the license application in June 2008) and, after the license is granted by the NRC, proceed with the repository construction and commencement of receipt of spent fuel. Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. The DOE continues to delay meeting its obligation. Specific steps were taken to discontinue the Yucca Mountain project, including a motion to the NRC to withdraw the license application with prejudice and the establishment of a commission to develop recommendations for alternative spent fuel storage solutions. In August 2013 the U.S. Court of Appeals for the D.C. Circuit ordered the NRC to continue with the Yucca Mountain license review, but only to the extent of funds previously appropriated by Congress for that purpose and not yet used. Although the NRC completed the safety evaluation report for the license review in 2015, the previously appropriated funds are not sufficient to complete the review, including required hearings. The government has taken no effective action to date related to the recommendations of the appointed spent fuel study commission. Accordingly, large uncertainty remains regarding the time frame under which the DOE will begin to accept spent fuel from Entergy's facilities for storage or disposal. As a result, continuing future expenditures will be required to increase spent fuel storage capacity at Entergy's nuclear sites.

Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014.

As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. These subsidiaries have been, and continue to be, involved in litigation to recover the damages caused by the DOE's delay in performance. See Note 8 to the financial statements for discussion of final judgments recorded by Entergy in 2019, 2020, and 2021 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE. Through 2021, Entergy's subsidiaries won and collected on judgments against the government totaling approximately $900 million.

Pending DOE acceptance and disposal of spent nuclear fuel, the owners of nuclear plants are providing their own spent fuel storage. Storage capability additions using dry casks began operations at Palisades in 1993, at ANO in 1996, at River Bend in 2005, at Grand Gulf in 2006, and at Waterford 3 in 2011. These facilities will be expanded as needed.

Nuclear Plant Decommissioning

Entergy Arkansas, Entergy Louisiana, and System Energy are entitled to recover from customers through electric rates the estimated decommissioning costs for ANO, Waterford 3, and Grand Gulf, respectively. In addition, Entergy Louisiana and Entergy Texas are entitled to recover from customers through electric rates the estimated decommissioning costs for the portion of River Bend subject to retail rate regulation. The collections are deposited in trust funds that can only be used in accordance with NRC and other applicable regulatory requirements. Entergy periodically reviews and updates the estimated decommissioning costs to reflect inflation and changes in regulatory requirements and technology, and then makes applications to the regulatory authorities to reflect, in rates, the changes in projected decommissioning costs.

In December 2018 the APSC ordered collections in rates for decommissioning ANO 2 and found that ANO 1's decommissioning was adequately funded without additional collections. In October 2020, Entergy Arkansas filed a revised decommissioning cost recovery tariff for ANO indicating that both ANO 1 and ANO 2

decommissioning trusts were adequately funded without further collections, and in December 2020, the APSC ordered zero collections for ANO 1 and ANO 2 decommissioning.

In July 2010 the LPSC approved increased decommissioning collections for Waterford 3 and the Louisiana regulated share of River Bend to address previously identified funding shortfalls. This LPSC decision contemplated that the level of decommissioning collections could be revisited should the NRC grant license extensions for both Waterford 3 and River Bend. In July 2019, following the NRC approval of license extensions for Waterford 3 and River Bend, Entergy Louisiana made a filing with the LPSC seeking to adjust decommissioning and depreciation rates for those plants, including one proposed scenario that would adjust Louisiana-jurisdictional decommissioning collections to zero for both plants (including an offsetting increase in depreciation rates). Because of the ongoing public health emergency arising from the COVID-19 pandemic and accompanying economic uncertainty, Entergy Louisiana determined that the relief sought in the filing was no longer appropriate, and in November 2020, filed an unopposed motion to dismiss the proceeding. Following that filing, in a December 2020 order, the LPSC dismissed the proceeding without prejudice. In July 2021, Entergy Louisiana made a filing with the LPSC to adjust Waterford 3 and River Bend decommissioning collections based on the latest site-specific decommissioning cost estimates for those plants. The filing seeks to increase Waterford 3 decommissioning collections, and decrease River Bend decommissioning collections. Management cannot predict the outcome of this filing. A hearing in the case has been scheduled for September 2022.

In December 2010 the PUCT approved increased decommissioning collections for the Texas share of River Bend to address previously identified funding shortfalls. In December 2018 the PUCT approved a settlement that eliminated River Bend decommissioning collections for the Texas jurisdictional share of the plant based on a determination by Entergy Texas that the existing decommissioning fund was adequate following license renewal.

In December 2016 the NRC issued a 20-year operating license renewal for Grand Gulf. In a 2017 filing at the FERC, System Energy stated that with the renewed operating license, Grand Gulf's decommissioning trust was sufficiently funded, and proposed, among other things, to cease decommissioning collections for Grand Gulf effective October 1, 2017. The FERC accepted a settlement including the proposed decommissioning revenue requirement by letter order in August 2018.

Entergy currently believes its decommissioning funding will be sufficient for its nuclear plants subject to retail rate regulation, although decommissioning cost inflation and trust fund performance will ultimately determine the adequacy of the funding amounts.

In March 2021 filings with the NRC were made reporting on decommissioning funding for all of Entergy subsidiaries' nuclear plants. Those reports showed that decommissioning funding for each of the nuclear plants met the NRC's financial assurance requirements.

Additional information with respect to Entergy's decommissioning costs and decommissioning trust funds is found in Note 9 and Note 16 to the financial statements.

Price-Anderson Act

The Price-Anderson Act requires that reactor licensees purchase and maintain the maximum amount of nuclear liability insurance available and participate in an industry assessment program called Secondary Financial Protection in order to protect the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act limits the contingent liability for a single nuclear incident to a maximum

assessment of approximately $137.6 million per reactor (with 95 nuclear industry reactors currently participating). In the case of a nuclear event in which Entergy Arkansas, Entergy Louisiana, System Energy, or an Entergy Wholesale Commodities company is liable, protection is afforded through a combination of private insurance and the Secondary Financial Protection program. In addition to this, insurance for property damage, costs

of replacement power, and other risks relating to nuclear generating units is also purchased. The Price-Anderson Act and insurance applicable to the nuclear programs of Entergy are discussed in more detail in Note 8 to the financial statements.

NRC Reactor Oversight Process

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

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

Environmental Regulation

Entergy's facilities and operations are subject to regulation by various governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. Management believes that Entergy's businesses are in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted below. Because environmental regulations are subject to change, future compliance requirements and costs cannot be precisely estimated. Except to the extent discussed below, at this time compliance with federal, state, and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of Entergy's businesses and is not expected to have a material effect on their competitive position, results of operations, cash flows, or financial position.

Clean Air Act and Subsequent Amendments

The Clean Air Act and its amendments establish several programs that currently or in the future may affect Entergy's fossil-fueled generation facilities and, to a lesser extent, certain operations at nuclear and other facilities. Individual states also operate similar independent state programs or delegated federal programs that may include requirements more stringent than federal regulatory requirements. These programs include:

- New source review and preconstruction permits for new sources of criteria air pollutants, greenhouse gases, and significant modifications to existing facilities;
- Acid rain program for control of sulfur dioxide (SO_2) and nitrogen oxides (NO_x);
- Nonattainment area programs for control of criteria air pollutants, which could include fee assessments for

air pollutant emission sources under Section 185 of the Clean Air Act if attainment is not reached in a timely manner;

- Hazardous air pollutant emissions reduction programs;
- Interstate Air Transport;

- Operating permit programs and enforcement of these and other Clean Air Act programs;
- Regional Haze programs; and
- New and existing source standards for greenhouse gas and other air emissions.

National Ambient Air Quality Standards

The Clean Air Act requires the EPA to set National Ambient Air Quality Standards (NAAQS) for ozone, carbon monoxide, lead, nitrogen dioxide, particulate matter, and sulfur dioxide, and requires periodic review of those standards. When an area fails to meet an ambient standard, it is considered to be in nonattainment and is classified as "marginal," "moderate," "serious," or "severe." When an area fails to meet the ambient air standard, the EPA requires state regulatory authorities to prepare state implementation plans meant to cause progress toward bringing the area into attainment with applicable standards.

Ozone Nonattainment

Entergy Texas operates two fossil-fueled generating facilities (Lewis Creek and Montgomery County Power Station) in a geographic area that is not in attainment with the applicable NAAQS for ozone. The ozone nonattainment area that affects Entergy Texas is the Houston-Galveston-Brazoria area. Both Lewis Creek and the Montgomery County Power Station hold all necessary permits for construction and operation and comply with applicable air quality program regulations. Measures enacted to return the area to ozone attainment could make these program regulations more stringent. Entergy will continue to work with state environmental agencies on appropriate methods for assessing attainment and nonattainment with the ozone NAAQS.

Potential SO_2 Nonattainment

The EPA issued a final rule in June 2010 adopting an SO_2 1-hour national ambient air quality standard of 75 parts per billion. In Entergy's utility service territory, only St. Bernard Parish and Evangeline Parish in Louisiana are designated as nonattainment. In August 2017 the EPA issued a letter indicating that East Baton Rouge and St. Charles parishes would be designated by December 31, 2020, as monitors were installed to determine compliance. In March 2021 the EPA published a fine rule designating East Baton Rouge, St. Charles, St. James, and West Baton Rouge parishes in Louisiana as attainment/unclassifiable, and, in Texas, Jefferson County as attainment/unclassifiable and Orange County as unclassifiable. No challenges to these final designations were filed within the 60 day deadline. Entergy continues to monitor this situation.

Hazardous Air Pollutants

The EPA released the final Mercury and Air Toxics Standard (MATS) rule in December 2011, which had a compliance date, with a widely granted one-year extension, of April 2016. The required controls have been installed and are operational at all affected Entergy units. In May 2020 the EPA finalized a rule that finds that it is not "appropriate and necessary" to regulate hazardous air pollutants from electric steam generating units under the provisions of section 112(n) of the Clean Air Act. This is a reversal of the EPA's previous finding requiring such regulation. The final appropriate and necessary finding does not revise the underlying MATS rule. Several lawsuits have been filed challenging the appropriate and necessary finding. In February 2021 the D.C. Circuit granted the EPA's motion to hold the litigation in abeyance pending the agency's review of the appropriate and necessary rule. The EPA must file status reports with the court every 120 days. Entergy will continue to monitor this situation.

Cross-State Air Pollution

In March 2005 the EPA finalized the Clean Air Interstate Rule (CAIR), which was intended to reduce SO_2 and NO_x emissions from electric generation plants in order to improve air quality in twenty-nine eastern states. The rule required a combination of capital investment to install pollution control equipment and increased operating

costs through the purchase of emission allowances. Entergy began implementation in 2007, including installation of controls at several facilities and the development of an emission allowance procurement strategy.

Based on several court challenges, CAIR and its subsequent versions, now known as the Cross-State Air Pollution Rule (CSAPR), have been remanded to and modified by the EPA on multiple occasions. In September 2016 the EPA finalized the CSAPR Update Rule to address interstate transport for the 2008 ozone NAAQS. Starting in 2017 the final rule requires reductions in summer nitrogen oxides (NO_x) emissions. Several states, including Arkansas and Texas, filed a challenge to the Update Rule. In September 2019 the D.C. Circuit upheld the EPA's underlying approach to the Update Rule, but determined that it was inconsistent with the Clean Air Act because it failed to include deadlines consistent with downwind states' deadlines for attainment. The court remanded the rule to the EPA for further consideration, but did not vacate it so the rule remains in effect pending the EPA's further review. In April 2021, addressing the D.C. Circuit's remand, the EPA finalized revisions to the Update Rule, which became effective June 29, 2021. The rule finalizes interstate transport obligations for 21 states. For 12 states, including Louisiana, the EPA further reduced the number of NO_x emission allowances allocated to each state. Entergy is currently analyzing the potential impact on its facilities in Louisiana. Early indications are that the cost of Group 3 allowances will increase significantly (approximately $3,000 per allowance) in the near-term, which could impact the cost to dispatch Entergy's legacy gas units located in Louisiana. However, Entergy's 2021 ozone season NO_x emissions were below 2020 levels and it does not appear that additional allowances will be needed to satisfy Entergy's 2021 obligations. The final determination will be made in March 2022.

Regional Haze

In June 2005 the EPA issued its final Clean Air Visibility Rule (CAVR) regulations that potentially could result in a requirement to install SO_2 and NO_x pollution control technology as Best Available Retrofit Control Technology (BART) to continue operating certain of Entergy's fossil generation units. The rule leaves certain CAVR determinations to the states. This rule establishes a series of 10-year planning periods, with states required to develop State Implementation Plans (SIPs) for each planning period, with each SIP including such air pollution control measures as may be necessary to achieve the ultimate goal of the CAVR by the year 2064. The various states are currently in the process of developing SIPs to implement the second planning period of the CAVR, which addresses the 2018-2028 planning period.

In January and February 2018, Entergy Arkansas, Entergy Mississippi, Entergy Power, and other co-owners received 60-day notice of intent to sue letters from the Sierra Club and the National Parks Conservation Association concerning allegations of violations of new source review and permitting provisions of the Clean Air Act at the Independence and White Bluff coal-burning units, respectively. In November 2018, following extensive negotiations, Entergy Arkansas, Entergy Mississippi, and Entergy Power entered a proposed settlement resolving those claims and reducing the risk that Entergy Arkansas, as operator of Independence and White Bluff, might be compelled under the Clean Air Act's regional haze program to install costly emissions control technologies. Consistent with the terms of the settlement, Entergy Arkansas, along with co-owners, agreed to begin using only low-sulfur coal at Independence and White Bluff by mid-2021; agreed to cease using coal at White Bluff and Independence by the end of 2028 and 2030, respectively; agreed to cease operation of the remaining gas unit at Lake Catherine by the end of 2027; reserved the option to develop new generating sources at each plant site; and committed to installing or proposing to regulators at least 800 MWs of renewable generation by the end of 2027, with at least half installed or proposed by the end of 2022 (which includes two existing Entergy Arkansas projects) and with all qualifying co-owner projects counting toward satisfaction of the obligation. Under the settlement, the Sierra Club and the National Parks Conservation Association also waived certain potential existing claims under federal and state environmental law with respect to specified generating plants. The settlement, which formally resolves a complaint filed by the Sierra Club and the National Parks Conservation Association, was subject to approval by the U.S. District Court for the Eastern District of Arkansas. In November 2020 the court denied motions by the Arkansas Attorney General and the

Arkansas Affordable Energy Coalition to intervene and to stay the proceedings. The proposed intervenors did not appeal the ruling. The District Court approved and entered the proposed settlement in March 2021. Entergy met the settlement deadline to use low-sulfur coal and is on target to

meet the other requirements of the settlement.

The second planning period (2018-2028) for the regional haze program requires states to examine sources for impacts on visibility and to prepare SIPs by July 31, 2021 to ensure reasonable progress is being made to attain visibility improvements. Entergy has received information collection requests from the Arkansas and Louisiana Departments of Environmental Quality requesting an evaluation of technical and economic feasibility of various NO_x and SO_2 control technologies for Independence, Nelson 6, Nelson Industrial Steam Company (NISCO), and Ninemile. Responses to the information collection requests have been submitted to the respective state agencies. Louisiana has issued its draft SIP which, at this time, does not propose any additional air emissions controls for the affected Entergy units in Louisiana. Some public commenters, however, believe additional air controls are cost-effective. It is not yet clear how the Louisiana Department of Environmental Quality (LDEQ) will respond in its final SIP, and the agency, like many other state agencies, did not meet the July 31, 2021 deadline to submit a SIP to the EPA for review. The LDEQ is now expected to finalize its Regional Haze SIP in early 2022.

Similar to the LDEQ, the Arkansas Department of Energy and Environment, Division of Environmental Quality (ADEQ) did not meet the July 31, 2021 SIP submission deadline and is expected to issue a proposed SIP for the second planning period in the first quarter of 2022.

Greenhouse Gas Emissions

In July 2019 the EPA released the Affordable Clean Energy Rule (ACE), which applies only to existing coal-fired electric generating units. The ACE determines that heat rate improvements are the best system of emission reductions and lists six candidate technologies for consideration by states at each coal unit. The rule and associated rulemakings by the EPA replace the Obama administration's Clean Power Plan, which established national emissions performance rates for existing fossil-fuel fired steam electric generating units and combustion turbines. The ACE rule provides states discretion in determining how the best system for emission reductions applies to individual units, including through the consideration of technical feasibility and the remaining useful life of the facility. The ADEQ and the LDEQ have issued information collection requests to Entergy facilities to help the states collect the information needed to determine the best system of emission reductions for each facility. Entergy responded to the requests. In January 2021 the U.S. Court of Appeals for the D.C. Circuit vacated ACE. The court held that ACE relied on an incorrect interpretation of the Clean Air Act that the statute expressly forecloses emission reduction approaches, such as emissions trading and generating shifting, that cannot be applied at and to the individual source. The court remanded ACE to the EPA for further consideration and also vacated the repeal of the Clean Power Plan. In March 2021 the D.C. Circuit issued a partial mandate vacating the ACE rule, but withheld the mandate vacating the repeal of the Clean Power Plan pending the EPA's new rulemaking to regulate greenhouse gas emissions. Thus, the Clean Power Plan will not take effect during the rulemaking process and there currently is no regulation in place with respect to greenhouse gas emissions from existing electric generating units and states are not expected to take further action to develop and submit plans at this time. In October 2021, the United States Supreme Court agreed to hear a challenge to the already vacated ACE rule. The court's decision could impact whether and to what extent the EPA may regulate greenhouse gases. Despite the pending decision, the EPA appears to be moving forward with a new proposal to regulate greenhouse gas emissions from new and existing electric generating units.

In April 2021, President Biden announced a target for the United States in connection with the United Nations' "Paris Agreement" on climate change. The target consists of a 50-52 percent reduction in economy-wide net greenhouse gas emissions from 2005 levels by 2030. President Biden has also stated that a goal of his administration is for the electric power industry to decarbonize fully by 2035. The details surrounding implementation of these targets are not finalized, and the impacts to Entergy of any potential related legislation cannot be predicted.

Entergy continues to support national legislation that would most efficiently reduce economy-wide

greenhouse gas emissions and increase planning certainty for electric utilities. By virtue of its proportionally large

investment in low-emitting generation technologies, Entergy has a low overall carbon dioxide emission "intensity," or rate of carbon dioxide emitted per megawatt-hour of electricity generated. In anticipation of the imposition of carbon dioxide emission limits on the electric industry, Entergy initiated actions designed to reduce its exposure to potential new governmental requirements related to carbon dioxide emissions. These voluntary actions included a formal program to stabilize owned power plant carbon dioxide emissions at 2000 levels through 2005, and Entergy succeeded in reducing emissions below 2000 levels. In 2006, Entergy started including emissions from controllable power purchases in addition to its ownership share of generation and established a second formal voluntary program to stabilize power plant carbon dioxide emissions and emissions from controllable power purchases, cumulatively over the period, at 20% below 2000 levels through 2010. In 2011, Entergy extended this commitment through 2020, which it ultimately outperformed by approximately 8% both cumulatively and on an annual basis. In 2019, in connection with a climate scenario analysis following the recommendations of the Task Force on Climate-related Financial Disclosures describing climate-related governance, strategy, risk management, and metrics and targets, Entergy announced a 2030 carbon dioxide emission rate goal focused on a 50% reduction from Entergy's base year - 2000. Entergy now anticipates achieving this reduction several years early. In September 2020, Entergy announced a commitment to achieve net-zero greenhouse gas emissions by 2050 inclusive of all businesses, all gases, and all emissions. Entergy's comprehensive, third-party verified greenhouse gas inventory and progress against its voluntary goals are published on its website.

Entergy participates in the M.J. Bradley & Associates' Annual Benchmarking Air Emissions Report, an annual analysis of the 100 largest U.S. electric power producers. The report is available on the M.J. Bradley website. Entergy participates annually in the Dow Jones Sustainability Index and in 2021 was listed on the North American Index. Entergy has been listed on the World or North American Index, or both, for twenty consecutive years. Entergy also participated in the 2021 CDP Climate Change and CDP Water Security evaluations, receiving a 'B' for both responses.

Potential Legislative, Regulatory, and Judicial Developments

In addition to the specific instances described above, there are a number of legislative and regulatory initiatives that are under consideration at the federal, state, and local level. Because of the nature of Entergy's business, the imposition of any of these initiatives could affect Entergy's operations. Entergy continues to monitor these initiatives and activities in order to analyze their potential operational and cost implications. These initiatives include:

- reconsideration and revision of ambient air quality standards downward which could lead to additional areas of nonattainment;
- designation by the EPA and state environmental agencies of areas that are not in attainment with national ambient air quality standards;
- introduction of bills in Congress and development of regulations by the EPA proposing further limits on NO_x, SO_2, mercury, carbon dioxide and other air emissions. New legislation or regulations applicable to stationary sources could take the form of market-based cap-and-trade programs, direct requirements for the installation of air emission controls onto air emission sources, or other or combined regulatory programs;
- efforts in Congress or at the EPA to establish a federal carbon dioxide emission tax, control structure, or unit performance standards;
- revisions to the estimates of the Social Cost of Carbon and its use for regulatory impact analysis of federal laws and regulations;
- implementation of the regional cap and trade programs to limit carbon dioxide and other greenhouse gases;
- efforts on the local, state, and federal level to codify renewable portfolio standards, clean energy standards, or a similar mechanism requiring utilities to produce or purchase a certain percentage of their power from defined renewable energy sources or energy sources with lower emissions;

- efforts to develop more stringent state water quality standards, effluent limitations for Entergy's industry sector, stormwater runoff control regulations, and cooling water intake structure requirements;

- efforts to restrict the previously-approved continued use of oil-filled equipment containing certain levels of polychlorinated biphenyls (PCBs);
- efforts by certain external groups to encourage reporting and disclosure of environmental, social, and governance risk;
- the listing of additional species as threatened or endangered, the protection of critical habitat for these species, and developments in the legal protection of eagles and migratory birds;
- the regulation of the management, disposal, and beneficial reuse of coal combustion residuals; and
- the regulation of the management and disposal and recycling of equipment associated with renewable and clean energy sources such as used solar panels, wind turbine blades, hydrogen usage, or battery storage.

Clean Water Act

The 1972 amendments to the Federal Water Pollution Control Act (known as the Clean Water Act) provide the statutory basis for the National Pollutant Discharge Elimination System permit program, section 402, and the basic structure for regulating the discharge of pollutants from point sources to waters of the United States. The Clean Water Act requires virtually all discharges of pollutants to waters of the United States to be permitted. Section 316(b) of the Clean Water Act regulates cooling water intake structures, section 401 of the Clean Water Act requires a water quality certification from the state in support of certain federal actions and approvals, and section 404 regulates the dredge and fill of waters of the United States, including jurisdictional wetlands.

Steam Electric Effluent Guidelines

The 2015 Steam Electric Effluent Limitations Guidelines (ELG) rule required, among other things, that there be no discharge of bottom ash transport water. In October 2020 the EPA issued its final rule revision on bottom ash transport water allowing the discharge of up to 10% system volume for certain purge waters, including storm events and non-routine operations. The final rule requires compliance as soon as possible beginning October 31, 2021, but no later than December 31, 2025. Several challenges to the final rule have been filed. Additionally, the Fifth Circuit Court of Appeals previously vacated and remanded the provisions of the rule related to legacy wastewater and leachate, which the EPA plans to address in a separate rulemaking. Despite the final rule and pending challenges, Entergy has implemented projects at its White Bluff and Independence plants to convert to zero-discharge systems to comply with the ELG rule and the coal combustion residuals restrictions on impoundments. Additionally, the Nelson Unit 6 facility is implementing operational and maintenance measures to minimize the potential for discharge of bottom ash transport water from the existing bottom ash handling system at the site, and is reviewing the effectiveness of these changes for compliance with the requirements of the October 2020 final rule.

Federal Jurisdiction of Waters of the United States

In June 2020 the EPA's revised definition of waters of the United States in the Navigable Waters Protection Rule (NWPR) became effective, narrowing the scope of Clean Water Act jurisdiction, as compared to a 2015 definition which had been stayed by several federal courts. In August 2021 a federal district court vacated and remanded the NWPR for further consideration. The EPA and the U.S. Army Corps of Engineers (Corps) subsequently issued a statement that the agencies would revert to pre-2015 regulations pending a new rulemaking. In December 2021, the EPA and the Corps proposed a revised definition of waters of the United States by repealing the NWPR and codifying a definition that reflects the pre-2015 regulatory regime as interpreted by several United States Supreme Court decisions. Comments on the proposed rule were due in February 2022. In January 2022, despite pending rulemaking, the United States Supreme Court agreed to hear a case regarding the proper test under previous Supreme Court decisions for determining jurisdiction of waters of the United States. This case likely will impact the current rulemaking process but it still is unclear whether the final rulemaking will be delayed to await guidance from

the Supreme Court or the agencies will finalize the rule prior to the Supreme Court's consideration of the matter.

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Groundwater at Certain Nuclear Sites

The NRC requires nuclear power plants to monitor and report regularly the presence of radioactive material in the environment. Entergy joined other nuclear utilities and the Nuclear Energy Institute in 2006 to develop a voluntary groundwater monitoring and protection program. This initiative began after detection of very low levels of radioactive material, primarily tritium, in groundwater at several plants in the United States. Tritium is a radioactive form of hydrogen that occurs naturally and is also a byproduct of nuclear plant operations. In addition to tritium, other radionuclides have been found in site groundwater at nuclear plants.

As part of the groundwater monitoring and protection program, Entergy has: (1) performed reviews of plant groundwater characteristics (hydrology) and historical records of past events on site that may have potentially impacted groundwater; (2) implemented fleet procedures on how to handle events that could impact groundwater; and (3) installed groundwater monitoring wells and began periodic sampling. The program also includes protocols for notifying local officials if contamination is found. To date, radionuclides such as tritium have been detected at Arkansas Nuclear One, Palisades, Grand Gulf, and River Bend. Each of these sites has installed groundwater monitoring wells and implemented a program for testing groundwater at the sites for the presence of tritium and other radionuclides. Based on current information, the concentrations and locations of radionuclides detected at these plants pose no threat to public health or safety, but each site continues to evaluate the results from its groundwater monitoring program.

Comprehensive Environmental Response, Compensation, and Liability Act of 1980

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), authorizes the EPA to mandate clean-up by, or to collect reimbursement of clean-up costs from, owners or operators of sites at which hazardous substances may be or have been released. Certain private parties also may use CERCLA to recover response costs. Parties that transported hazardous substances to these sites or arranged for the disposal of the substances are also deemed liable by CERCLA. CERCLA has been interpreted to impose strict, joint, and several liability on responsible parties. Many states have adopted programs similar to CERCLA. Entergy subsidiaries in the Utility and Entergy Wholesale Commodities businesses have sent waste materials to various disposal sites over the years, and releases have occurred at Entergy facilities including nuclear facilities that have been or will be sold to decommissioning companies. In addition, environmental laws now regulate certain of Entergy's operating procedures and maintenance practices that historically were not subject to regulation. Some disposal sites used by Entergy subsidiaries have been the subject of governmental action under CERCLA or similar state programs, resulting in site clean-up activities. Entergy subsidiaries have participated to various degrees in accordance with their respective potential liabilities in such site clean-ups and have developed experience with clean-up costs. The affected Entergy subsidiaries have established provisions for the liabilities for such environmental clean-up and restoration activities. Details of potentially material CERCLA and similar state program liabilities are discussed in the " Other Environmental Matters " section below.

Coal Combustion Residuals

In June 2010 the EPA issued a proposed rule on coal combustion residuals (CCRs) that contained two primary regulatory options: (1) regulating CCRs destined for disposal in landfills or received (including stored) in surface impoundments as so-called "special wastes" under the hazardous waste program of Resource Conservation and Recovery Act (RCRA) Subtitle C; or (2) regulating CCRs destined for disposal in landfills or surface impoundments as non-hazardous wastes under Subtitle D of RCRA. Under both options, CCRs that are beneficially reused in certain processes would remain excluded from hazardous waste regulation. In April 2015 the EPA

published the final CCR rule with the material being regulated under the second scenario presented above - as non-hazardous wastes regulated under RCRA Subtitle D.

The final regulations create new compliance requirements including modified storage, new notification and reporting practices, product disposal considerations, and CCR unit closure criteria. Entergy believes that on-site disposal options will be available at its facilities, to the extent needed for CCR that cannot be transferred for beneficial reuse. As of December 31, 2021, Entergy has recorded asset retirement obligations related to CCR management of $21 million.

In December 2016 the Water Infrastructure Improvements for the Nation Act (WIIN Act) was signed into law, which authorizes states to regulate coal ash rather than leaving primary enforcement to citizen suit actions. States may submit to the EPA proposals for a permit program.

Pursuant to the EPA Rule, Entergy operates groundwater monitoring systems surrounding its coal combustion residual landfills located at White Bluff, Independence, and Nelson. Monitoring to date has detected concentrations of certain listed constituents in the area, but has not indicated that these constituents originated at the active landfill cells. Reporting has occurred as required, and detection monitoring will continue as the rule requires. In late-2017, Entergy determined that certain in-ground wastewater treatment system recycle ponds at its White Bluff and Independence facilities require management under the new EPA regulations. Consequently, in order to move away from using the recycle ponds, White Bluff and Independence each have installed a new permanent bottom ash handling system that does not fall under the CCR rule. As of November 2020, both sites are operating the new system and no longer are sending waste to the recycle ponds. Each site has commenced closure of its two recycle ponds (four ponds total), prior to the April 11, 2021 deadline under the finalized CCR rule for unlined recycle ponds. Any potential requirements for corrective action or operational changes under the new CCR rule continue to be assessed. Notably, ongoing litigation has resulted in the EPA's continuing review of the rule. Consequently, the nature and cost of additional corrective action requirements may depend, in part, on the outcome of the EPA's review.

Other Environmental Matters

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas

The EPA notified Entergy that the EPA believes Entergy is a PRP concerning PCB contamination at the F.J. Doyle Salvage facility in Leonard, Texas. The facility operated as a scrap salvage business during the 1970s to the 1990s. In May 2018 the EPA investigated the site surface and sub-surface soils and, in November 2018 the EPA conducted a removal action, including disposal of PCB contaminated soils. Entergy responded to the EPA's information requests in May and July 2019. In November 2020 the EPA sent Entergy and other PRPs a demand letter seeking reimbursement for response costs totaling $4 million expended at the site. The demand letter is being evaluated and liability and PRP allocation of response costs are yet to be determined. In December 2020, Entergy responded to the demand letter, without admitting liability or waiving any rights, indicating that it would engage in good faith negotiations with the EPA with respect to the demand. An initial meeting between the EPA and the PRPs took place in June 2021. Negotiations between the PRPs and the EPA are ongoing.

Litigation

Entergy uses legal and appropriate means to contest litigation threatened or filed against it, but certain states in which Entergy operates have proven to be unusually litigious environments. Judges and juries in Louisiana, Mississippi, and Texas have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. The litigation environment in these states poses a significant business risk to Entergy.

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

See Note 8 to the financial statements for a discussion of this litigation.

Employment and Labor-related Proceedings (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 8 to the financial statements for a discussion of these proceedings.

Human Capital

Employees

Employees are an integral part of Entergy's commitment to serving customers. As of December 31, 2021, Entergy subsidiaries employed 12,369 people.

Utility:	
Entergy Arkansas	1,220
Entergy Louisiana	1,656
Entergy Mississippi	741
Entergy New Orleans	299
Entergy Texas	669
System Energy	—
Entergy Operations	3,380
Entergy Services	3,798
Entergy Nuclear Operations	571
Other subsidiaries	35
Total Entergy	12,369

Approximately 3,400 employees are represented by the International Brotherhood of Electrical Workers, the Utility Workers Union of America, the United Government Security Officers of America, and the International Union, Security, Police, and Fire Professionals of America.

Below is the breakdown of Entergy's employees by gender and race/ethnicity:

Gender (%)	2021	2020
Female	21.4	20.7
Male	78.6	79.3

Race/Ethnicity (%)	2021	2020
White	76.4	77.6
Black/African American	16.4	15.3
Hispanic/Latino	2.7	2.7
Asian	2.0	2.0
Other	2.5	2.4

Entergy's Approach to Human Resources

Entergy's people and culture enable its success; that is why acquiring, retaining, and developing talent are important components of Entergy's human resources strategy. Entergy focuses on an approach that includes, among other things, governance and oversight; safety; organizational health, including diversity, inclusion and belonging; and talent management.

Governance and Oversight

Ensuring that workplace processes support the desired culture and strategy begins with the Board of Directors and the Office of the Chief Executive. The Personnel Committee establishes priorities and each quarter reviews strategies and results on a range of topics covering the workforce, the workplace, and the marketplace. It oversees Entergy's incentive plan design and administers its executive compensation plans to incentivize the behaviors and outcomes that support achievement of Entergy's corporate objectives. Annually, it reviews executive performance, development, succession plans, and talent pipeline to align a high performing executive team with Entergy's priorities. The Personnel Committee also oversees Entergy's performance through regular briefings on a wide variety of human resources topics including Entergy's safety culture and performance; organizational health; and diversity, inclusion, and belonging initiatives and performance.

The Personnel Committee's Charter was revised in 2021 to acknowledge the committee's responsibility for overseeing and monitoring the effectiveness of Entergy's human capital strategies, including its workforce diversity, inclusion, and organizational health and safety strategies, programs, and initiatives. In recognition of the importance that organizational health and diversity, inclusion, and belonging play in enabling Entergy to achieve its business strategies, the committee receives periodic reports on Entergy's organization health and diversity, inclusion, and belonging programs, strategies, and performance, including briefings at each of its regular meetings. The committee also receives updates on Entergy's performance to date on key workforce, workplace, and marketplace measures, including progress in the representation of women and underrepresented minorities, both in the total workforce and in director level and above placements, progress in key diversity, inclusion, and belonging initiatives and diverse supplier spend.

Other committees of the Board oversee other key aspects of Entergy's culture. For example, the Audit Committee reviews reports on enterprise risks, ethics and compliance training and performance, as well as regular reports on calls made to Entergy's ethics line and related investigations. To maximize the sharing of information and facilitate the participation of all Board members in these discussions, the Board schedules its regular committee meetings in a manner such that all directors can attend.

The Office of the Chief Executive, which includes the Senior Vice President and Chief Human Resources Officer, ensures annual business plans are designed to support Entergy's talent objectives, reviews workforce-related metrics, and regularly discusses the development, succession planning, and performance of their direct reports and other company officers.

Safety

Entergy's safety objective is: Everyone Safe. All Day. Every Day. The continuation of the COVID-19 pandemic and another historic hurricane season presented significant challenges. Entergy employees achieved a total recordable incident rate of 0.46 in 2021, compared to 0.40 in 2020 and 0.56 in 2019. The results of 2021 unfortunately included an employee fatality. Entergy has enhanced dramatically leadership efforts and field presence

to further its objective of zero fatalities. The recordable incident rate equals the number of recordable incidents per 100 full-time equivalents. Recordable incidents include fatalities, lost-time accidents, restricted-duty accidents, and medical attentions and is not inclusive of potential work-related COVID-19 cases.

Organizational Health, including Diversity, Inclusion and Belonging (DIB)

Entergy believes that organizational health fosters an engaged and productive culture that positions Entergy to deliver sustainable value to its stakeholders. Entergy measures its progress through an organizational health survey coordinated by an external third party. Since initially administering the survey in 2014, Entergy improved from an initial score of 49 (fourth quartile) to a score in 2019 of 66 (second quartile), in 2020 of 72 (second quartile), and in 2021of 63 (third quartile). Although the score declined in 2021 as compared to 2020, it improved from the 2014 baseline. Management uses the results of the annual survey to design and implement strategies to positively influence organizational health. Initial employee participation of 66 percent in 2014 rose to and remains at 90 percent in 2018-2021.

Entergy believes that creating a culture of diversity, inclusion, and belonging drives foundational engagement. Entergy is committed to developing and retaining a workforce that reflects the rich diversity of the communities it serves. In 2019, Entergy embarked on a three-year phased approach to enhance inclusion for individuals and teams. Among other actions, the primary focus of its 2021 actions was implementing customized DIB interventions to engage a diverse workforce, infusing DIB into hiring policies, practices and procedures, aligning Employee Resource Group goals to DIB goals, growing its DIB Champion network, integrating DIB into Entergy's leadership development programs, and facilitating training from the executive leadership ranks down to the frontline. Through these efforts, Entergy aspires to create greater understanding and accountability regarding the behaviors and outcomes that are indicative of a premier utility.

Talent Management

Entergy's focus on talent management is organized in three areas: developing and attracting a diverse pool of talent, equipping its leaders to develop the organization, and building premier utility capability through employee performance management and succession programs. Entergy believes that developing a diverse pool of local talent equipped with the skills needed, today and in the future, and reflecting the communities Entergy serves will give it a long-term competitive advantage. The focus of Entergy's leadership development programs is to equip managers with the skills needed to effectively develop their teams and improve the leader-employee relationship. Entergy's talent development infrastructure, which includes a combination of business function-specific and enterprise-wide learning and development programs, is designed to ensure Entergy has qualified staff with the skills, experiences, and behaviors needed to perform today and prepare for the future. Entergy strives to achieve its strategic priorities by aligning and enhancing team and individual performance with business objectives, effectively deploying talent through succession planning, and managing workforce transitions.

Availability of SEC filings and other information on Entergy's website

Entergy electronically files reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies, and amendments to such reports. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC at http://www.sec.gov. Copies of the reports that Entergy files with the SEC can be obtained at the SEC's website.

Entergy uses its website, http://www.entergy.com, as a routine channel for distribution of important information, including news releases, analyst presentations and financial information. Filings made with the SEC are posted and available without charge on Entergy's website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. These filings include annual and quarterly reports on Forms 10-K and 10-Q (including related filings in Inline XBRL format) and current reports on Form 8-K; proxy statements; and

any amendments to those reports or statements. All such postings and filings are available on Entergy's Investor Relations website free of charge. Entergy is providing the address to its internet site solely for the

information of investors and does not intend the address to be an active link. The contents of the website are not incorporated into this report.

Item 1A. RISK FACTORS

See " **RISK FACTOR SUMMARY** " in Part I Item 1 for a summary of Entergy's and the Registrant Subsidiaries' risk factors.

Investors should review carefully the following risk factors and the other information in this Form 10-K. The risks that Entergy faces are not limited to those in this section. There may be additional risks and uncertainties (either currently unknown or not currently believed to be material) that could adversely affect Entergy's financial condition, results of operations, and liquidity. See " **FORWARD-LOOKING INFORMATION** ."

Utility Regulatory Risks

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

The impacts of the COVID-19 pandemic and responsive measures taken on Entergy's and its Utility operating companies' business, results of operations, and financial condition are highly uncertain and cannot be predicted.

In December 2019 a novel strain of coronavirus was reported to have surfaced in Wuhan, China. Since then, several variants of the COVID-19 virus have spread throughout the world, including the United States. To mitigate the spread of COVID-19, public health officials in the United States have at various times both recommended and mandated wearing of masks and other precautions, including prohibitions on congregating in heavily-populated areas, closure or limitations on the functions of non-essential business, and shelter-in-place orders or similar measures, including throughout Entergy's service areas. While many of these mitigation measures have been lifted following the wide availability of COVID-19 vaccines, there is a risk that certain of these measures could be reinstated and/or continued or that customers could elect to curtail operations to reduce the spread of an outbreak, and that such measures could have an adverse effect on the general economy, Entergy's customers, and its operations.

Entergy and its Utility operating companies experienced a decline in commercial and industrial sales and an increase in arrearages and bad debt expense due to non-payment by customers. Much of the commercial and industrial sales have recovered, and the arrearages have begun to decline, although management cannot predict the timing of the completion of collections of such arrearages. The Utility operating companies have resumed disconnecting customers for non-payment of bills, but such disconnects could again be suspended at the Utility operating companies by their various regulators, for various reasons, including should another shelter-in-place order or similar measure occur. While they are working with regulators to ensure ultimate recovery for those and other COVID-19 related costs, the amount, method, and timing of such recovery is subject to approval by the retail regulators.

Entergy and its Registrant Subsidiaries also could experience, and in some cases have experienced, among other challenges, supply chain, vendor, and contractor disruptions, including shortages or delays in the availability of key components, parts and supplies such as electronic components and solar panels; delays in completion of capital or other construction projects, maintenance, and other operations activities, including prolonged or delayed refueling and maintenance outages; delays in regulatory proceedings; workforce availability challenges, including from COVID-19 infections, quarantining, or concerns with vaccination or testing mandates, health or safety issues; increased storm recovery costs; increased cybersecurity risks as a result of many employees telecommuting; risks or uncertainties associated with the return for many employees from telecommuting to on-site work on a full-time or hybrid basis; volatility in the credit or capital markets (and any related increased cost of capital or any inability to

access the capital markets or draw on available credit facilities); or other adverse impacts on their ability to execute on business strategies and initiatives.

Although the economy has been recovering, another economic decline could adversely impact Entergy's and the Utility operating companies' liquidity and cash flows, including through declining sales, reduced revenues, delays in receipts of customer payments, or increased bad debt expense. The Utility operating companies also may experience regulatory outcomes that require them to postpone planned investment and otherwise reduce costs due to the impact of the COVID-19 pandemic on their customers, especially in an increasingly inflationary environment. In addition, if the COVID-19 pandemic creates additional disruptions or turmoil in the credit or financial markets, or adversely impacts Entergy's credit metrics or ratings, such developments could adversely affect its ability to access capital on favorable terms and continue to meet its liquidity needs or cause a decrease in the value of its defined benefit pension trust funds, as well as its nuclear decommissioning trust funds, all of which are highly uncertain and cannot be predicted.

Entergy cannot predict the extent or duration of the outbreak, the impact of new or existing variants of COVID-19, the effectiveness of mitigation efforts, vaccines, anti-viral or other treatments for COVID-19, governmental responsive measures, or the extent of the effects or ultimate impacts on the global, national or local economy, the capital markets, or its customers, suppliers, operations, financial condition, results of operations, or cash flows.

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 delays in effecting rate changes, lengthy litigation and uncertainty as to ultimate results.

The Utility operating companies are regulated on a cost-of-service and rate of return basis and are subject to statutes and regulatory commission rules and procedures. The rates that the Utility operating companies and System Energy charge reflect their capital expenditures, operations and maintenance costs, allowed rates of return, financing costs, and related costs of service. These rates significantly influence the financial condition, results of operations, and liquidity of Entergy and each of the Utility operating companies and System Energy. These rates are determined in regulatory proceedings and are subject to periodic regulatory review and adjustment, including adjustment upon the initiative of a regulator or, in some cases, affected stakeholders.

In addition, regulators may initiate proceedings to investigate the prudence of costs in the Utility operating companies' and System Energy's base rates and examine, among other things, the reasonableness or prudence of the companies' operation and maintenance practices, level of expenditures (including storm costs and costs associated with capital projects), allowed rates of return and rate base, proposed resource acquisitions, and previously incurred capital expenditures that the operating companies seek to place in rates. The regulators may disallow costs subject to their jurisdiction found not to have been prudently incurred or found not to have been incurred in compliance with applicable tariffs, creating some risk to the ultimate recovery of those costs. Regulatory proceedings relating to rates and other matters typically involve multiple parties seeking to limit or reduce rates. Traditional base rate proceedings, as opposed to formula rate plans, generally have long timelines, are primarily based on historical costs, and may or may not be limited in scope or duration by statute. The length of these base rate proceedings can cause the Utility operating companies and System Energy to experience regulatory lag in recovering costs through rates, such that the Utility operating companies may not fully recover all costs during the rate effective period and may, therefore, earn less than their allowed returns. Decisions are typically subject to appeal, potentially leading to additional uncertainty associated with rate case proceedings.

The Utility operating companies have large customer and stakeholder bases and, as a result, could be the subject of public criticism or adverse publicity focused on issues including the operation and maintenance of their

assets and infrastructure, their preparedness for major storms or other extreme weather events and/or the time it takes to restore service after such events, or the quality of their service. Criticism or adverse publicity of this nature could render legislatures and other governing bodies, public service commissions and other regulatory authorities, and government officials less likely to view the applicable operating company in a favorable light and could

potentially negatively affect legislative or regulatory processes or outcomes, as well as lead to increased regulatory oversight or more stringent legislative or regulatory requirements or other legislation or regulatory actions that adversely affect the Utility operating companies.

The Utility operating companies and System Energy, and the energy industry as a whole, have experienced a period of rising costs and investments, and an upward trend in spending, especially with respect to infrastructure investments, which is likely to continue in the foreseeable future and could result in more frequent rate cases and requests for, and the continuation of, cost recovery mechanisms, all of which could face resistance from customers and other stakeholders especially in a rising cost environment. For information regarding rate case proceedings and formula rate plans applicable to the Utility operating companies, see Note 2 to the financial statements.

Changes to state or federal legislation or regulation affecting electric generation, electric and natural gas transmission, distribution, and related activities could adversely affect Entergy and the Utility operating companies' financial position, results of operations, or cash flows and their utility businesses.

If legislative and regulatory structures evolve in a manner that erodes the Utility operating companies' exclusive rights to serve their regulated customers, they could lose customers and sales and their results of operations, financial position, or cash flows could be materially affected. Additionally, technological advances in energy efficiency and distributed energy resources are reducing the costs of these technologies and together with ongoing state and federal subsidies, the increasing penetration of these technologies could result in reduced sales by the Utility operating companies. Such loss of sales could put upward pressure on rates, possibly resulting in adverse regulatory actions to mitigate such effects on rates. Further, the failure of regulatory structures to evolve to accommodate the changing needs and desires of customers with respect to the sourcing and use of electricity also could diminish sales by the operating companies. Entergy and the Utility operating companies cannot predict if or when they may be subject to changes in legislation or regulation, or the extent and timing of reductions of the cost of distributed energy resources, nor can they predict the impact of these changes on their results of operations, financial position, or cash flows.

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.

The Utility operating companies recover their fuel, purchased power, and associated costs from their customers through rate mechanisms subject to periodic regulatory review and adjustment. Because regulatory review can result in the disallowance of incurred costs found not to have been prudently incurred, including the cost of replacement power purchased when generators experience outages or when planned outages are extended, with the possibility of refunds to ratepayers, there exists some risk to the ultimate recovery of those costs, particularly when there are substantial or sudden increases in such costs. Regulators also may initiate proceedings to investigate the continued usage or the adequacy and operation of the fuel and purchased power recovery clauses of the Utility operating companies and, therefore, there can be no assurance that existing recovery mechanisms will remain unchanged or in effect at all.

The Utility operating companies' cash flows can be negatively affected by the time delays between when gas, power, or other commodities are purchased and the ultimate recovery from customers of the costs in rates. On occasion, when the level of incurred costs for fuel and purchased power rises very dramatically, some of the Utility operating companies may agree to defer recovery of a portion of that period's fuel and purchased power costs for recovery at a later date, which could increase the near-term working capital and borrowing requirements of those companies. For a description of fuel and purchased power recovery mechanisms and information regarding the regulatory proceedings for fuel and purchased power costs recovery, see Note 2 to the financial statements.

The Utility operating companies are subject to economic risks associated with participation in the MISO markets and the allocation of transmission upgrade costs. The operation of the Utility operating companies'

transmission system pursuant to the MISO RTO tariff and their participation in the MISO RTO's wholesale markets may be adversely affected by regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

On December 19, 2013, the Utility operating companies integrated into the MISO RTO. MISO maintains functional control over the combined transmission systems of its members and administers wholesale energy and ancillary services markets for market participants in the MISO region, including the Utility operating companies. The Utility operating companies sell capacity, energy, and ancillary services on a bilateral basis to certain wholesale customers and offer available electricity production of their generating facilities into the MISO day-ahead and real-time energy markets pursuant to the MISO tariff and market rules. The Utility operating companies are subject to economic risks associated with participation in the MISO markets. MISO tariff rules and system conditions, including transmission congestion, could affect the Utility operating companies' ability to sell capacity, energy, and/or ancillary services in certain regions and/or the economic value of such sales, or the cost of serving the Utility operating companies' respective loads. MISO market rules may change or be interpreted in ways that cause additional cost and risk, including compliance risk.

The Utility operating companies participate in the MISO regional transmission planning process and are subject to risks associated with planning decisions that MISO makes in the exercise of control over the planning of the Utility operating companies' transmission assets that are under MISO's functional control. The Utility operating companies pay transmission rates that reflect the cost of transmission projects that the Utility operating companies do not own, which could increase cash or financing needs. Further, FERC policies and regulation addressing cost responsibility for transmission projects, including transmission projects to interconnect new generation facilities, may potentially give rise to cash and financing-related risks as well as result in upward pressure on the retail rates of the Utility operating companies, which, in turn, may result in adverse actions by the Utility operating companies' retail regulators. In addition to the cash and financing-related risks arising from the potential additional cost allocation to the Utility operating companies from transmission projects of others or changes in FERC policies or regulation related to cost responsibility for transmission projects, there is a risk that the Utility operating companies' business and financial position could be harmed as a result of lost investment opportunities and other effects that flow from an increased number of competitive projects being approved and constructed that are interconnected with their transmission systems.

Further, the terms and conditions of the MISO tariff, including provisions related to the design and implementation of wholesale markets, the allocation of transmission upgrade costs, the MISO-wide allowed base rate of return on equity, and any required MISO-related charges and credits are subject to regulation by the FERC. The operation of the Utility operating companies' transmission system pursuant to the MISO tariff and their participation in the MISO wholesale markets, and the resulting costs, may be adversely affected by regulatory or market design changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

In addition, orders from each of the Utility operating companies' respective retail regulators generally require that the Utility operating companies make periodic filings, or generally allow the retail regulator to direct the making of such filings, setting forth the results of analysis of the costs and benefits realized from MISO membership as well as the projected costs and benefits of continued membership in MISO and/or requesting approval of their continued membership in MISO. These filings have been submitted periodically by each of the Utility operating companies as required by their respective retail regulators, and the outcome of the resulting proceedings may affect the Utility operating companies' continued membership in MISO.

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

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), or the impact on customer bills of permitted storm cost recovery, could have material effects on Entergy and its Utility operating companies.

Entergy's and its Utility operating companies' results of operations, liquidity, and financial condition can be materially affected by the destructive effects of severe weather. Severe weather can also result in significant outages for the customers of the Utility operating companies and, therefore, reduced revenues for the Utility operating companies during the period of the outages. A delay or failure in recovering amounts for storm restoration costs incurred or revenues lost as a result of severe weather could have a material effect on Entergy and those Utility operating companies affected by severe weather. In addition, the recovery of major storm restoration costs from customers could effectively limit our ability to make planned capital or other investments due to the impact of such storm cost recovery on customer bills.

In August and October 2020, Hurricane Laura, Hurricane Delta, and Hurricane Zeta caused significant damage to portions of the Utility's service areas in Louisiana, including New Orleans, Texas, and to a lesser extent, in Arkansas and Mississippi. The storms resulted in widespread power outages, significant damage to distribution and transmission infrastructure, and the loss of sales during the outages. Additionally, as a result of Hurricane Laura's extensive damage to the grid infrastructure serving the impacted area, large portions of the underlying transmission system required nearly a complete rebuild. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Laura, Hurricane Delta, and Hurricane Zeta were approximately $2.4 billion.

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

Because Entergy has not completed the regulatory processes regarding these storm costs, there is an element of risk, and Entergy is unable to predict with certainty the degree of success it may have in its recovery initiatives, the amount of restoration costs that it may ultimately recover, or the timing of such recovery.

Nuclear Operating, Shutdown, and Regulatory Risks

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)

Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities must consistently operate their nuclear power plants at high capacity factors in order to be successful, and lower capacity factors could materially affect Entergy's and their results of operations, financial condition, and liquidity.

Nuclear capacity factors significantly affect the results of operations of certain Utility operating companies, System Energy, and Entergy Wholesale Commodities. Nuclear plant operations involve substantial fixed operating costs. Consequently, there is pressure on plant owners to operate nuclear power plants at higher capacity factors, though such operations always must be consistent with safety, reliability, and nuclear regulatory requirements. For the

Utility operating companies that own nuclear plants, lower nuclear plant capacity factors can increase production costs by requiring the affected companies to generate additional energy, sometimes at higher costs, from

their owned or contractually controlled facilities or purchase additional energy in the spot or forward markets in order to satisfy their supply needs. For the Entergy Wholesale Commodities nuclear plant, lower capacity factors directly affect revenues and cash flow from operations.

Certain of the Utility operating companies and System Energy periodically shut down their nuclear power plants to replenish fuel. Plant maintenance and upgrades are often scheduled during such refueling outages. If refueling outages last longer than anticipated or if unplanned outages arise, Entergy's and their results of operations, financial condition, and liquidity could be materially affected.

Outages at nuclear power plants to replenish fuel require the plant to be "turned off." Refueling outages generally are planned to occur once every 18 to 24 months. Plant maintenance and upgrades are often scheduled during such planned outages, which may extend the planned outage duration beyond that required for only refueling activities. When refueling outages last longer than anticipated or a plant experiences unplanned outages, capacity factors decrease, and maintenance costs may increase.

Certain of the Utility operating companies and System Energy face risks related to the purchase of uranium fuel (and its conversion, enrichment, and fabrication). These risks could materially affect Entergy's and their results of operations, financial condition, and liquidity.

Based upon currently planned fuel cycles, Entergy's nuclear units have a diversified portfolio of contracts and inventory that provides substantially adequate nuclear fuel materials and conversion and enrichment services at what Entergy believes are reasonably predictable prices through 2021 and beyond. Entergy's ability to purchase nuclear fuel at reasonably predictable prices, however, depends upon the performance reliability of uranium miners. While there are a number of possible alternate suppliers that may be accessed to mitigate any supplier performance failure, the pricing of any such alternate uranium supply from the market will be dependent upon the market for uranium supply at that time. Entergy buys uranium from a diversified mix of sellers located in a diversified mix of countries, and from time to time purchases from nearly all qualified reliable major market participants worldwide that sell into the U.S. Market prices for nuclear fuel have been extremely volatile from time to time in the past and may be subject to increased volatility due to the imposition of tariffs, domestic purchase requirements or limitations on importation of uranium or uranium products from foreign countries, or shifting trade arrangements between countries. Although Entergy's nuclear fuel contract portfolio provides a degree of hedging against market risks for several years, costs for nuclear fuel in the future cannot be predicted with certainty due to normal inherent market uncertainties, and price changes could materially affect the liquidity, financial condition, and results of operations of certain of the Utility operating companies and System Energy.

Entergy's ability to assure nuclear fuel supply also depends upon the performance and reliability of conversion, enrichment, and fabrication services providers. These service providers are fewer in number than uranium suppliers. For conversion and enrichment services, Entergy diversifies its supply by supplier and country and may take special measures to ensure a reliable supply of enriched uranium for fabrication into nuclear fuel. For fabrication services, each plant is dependent upon the performance of the fabricator of that plant's nuclear fuel; therefore, Entergy relies upon additional monitoring, inspection, and oversight of the fabrication process to assure reliability and quality of its nuclear fuel. Certain of the suppliers and service providers are located in or dependent upon foreign countries, such as Russia, and international sanctions or tariffs impacting trade with such countries could further restrict the ability of such suppliers to continue to supply fuel or provide such services at acceptable prices or at all. The inability of such suppliers or service providers to perform such obligations could materially affect the liquidity, financial condition, and results of operations of certain of the Utility operating companies and System Energy.

Entergy Arkansas, Entergy Louisiana, System Energy, and the Entergy Wholesale Commodities business face the risk that the NRC will change or modify its regulations, suspend or revoke their licenses, or increase oversight of their nuclear plants, which could materially affect Entergy's and their results of operations, financial condition, and liquidity.

Under the Atomic Energy Act and Energy Reorganization Act, the NRC regulates the operation of nuclear power plants. The NRC may modify, suspend, or revoke licenses, shut down a nuclear facility and impose civil penalties for failure to comply with the Atomic Energy Act, related regulations, or the terms of the licenses for nuclear facilities. Interested parties may also intervene which could result in prolonged proceedings. A change in the Atomic Energy Act, other applicable statutes, or the applicable regulations or licenses, or the NRC's interpretation thereof, may require a substantial increase in capital expenditures or may result in increased operating or decommissioning costs and could materially affect the results of operations, liquidity, or financial condition of Entergy (through Entergy Wholesale Commodities), its Utility operating companies, or System Energy. A change in the classification of a plant owned by one of these companies under the NRC's Reactor Oversight Process, which is the NRC's program to collect information about plant performance, assess the information for its safety significance, and provide for appropriate licensee and NRC response, also could cause the owner of the plant to incur material additional costs as a result of the increased oversight activity and potential response costs associated with the change in classification. For additional information concerning the current classification of the plants owned by Entergy Arkansas, Entergy Louisiana, System Energy, and the Entergy Wholesale Commodities business, see " **Regulation of Entergy's Business - Regulation of the Nuclear Power Industry** - NRC Reactor Oversight Process " in Part I, Item 1.

Events at nuclear plants owned by one of these companies, as well as those owned by others, may lead to a change in laws or regulations or the terms of the applicable licenses, or the NRC's interpretation thereof, or may cause the NRC to increase oversight activity or initiate actions to modify, suspend, or revoke licenses, shut down a nuclear facility, or impose civil penalties. As a result, if an incident were to occur at any nuclear generating unit, whether an Entergy nuclear generating unit or not, it could materially affect the financial condition, results of operations, and liquidity of Entergy, certain of the Utility operating companies, System Energy, or Entergy Wholesale Commodities.

Certain of the Utility operating companies, System Energy, and Entergy Wholesale Commodities are exposed to risks and costs related to operating and maintaining their nuclear power plants, and their failure to maintain operational efficiency at their nuclear power plants could materially affect Entergy's and their results of operations, financial condition, and liquidity.

The nuclear generating units owned by certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business began commercial operations in the 1970s-1980s. Older equipment may require more capital expenditures to keep each of these nuclear power plants operating safely and efficiently. This equipment is also likely to require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages, or any unanticipated capital expenditures, could result in increased costs, some of which costs may not be fully recoverable by the Utility operating companies and System Energy in regulatory proceedings should there be a determination of imprudence. Operations at any of the nuclear generating units owned and operated by Entergy's subsidiaries could degrade to the point where the affected unit needs to be shut down or operated at less than full capacity. If this were to happen, identifying and correcting the causes may require significant time and expense. A decision may be made to close a unit rather than incur the expense of restarting it or returning the unit to full capacity. For the Utility operating companies and System Energy, this could result in certain costs being stranded and potentially not fully recoverable in regulatory proceedings. In addition, the operation and maintenance of Entergy's nuclear facilities require the commitment of substantial human resources that can result in increased costs.

The nuclear industry continues to address susceptibility to the effects of stress corrosion cracking and other corrosion mechanisms on certain materials within plant systems. The issue is applicable at all nuclear units to

varying degrees and is managed in accordance with industry standard practices and guidelines that include in-service examinations, replacements, and mitigation strategies. Developments in the industry or identification of issues at the nuclear units could require unanticipated remediation efforts that cannot be quantified in advance.

Moreover, Entergy is becoming more dependent on fewer suppliers for key parts of Entergy's nuclear power plants that may need to be replaced or refurbished, and in some cases, parts are no longer available and have to be reverse-engineered for replacement. In addition, certain major parts have long lead-times to manufacture if an unplanned replacement is needed. This dependence on a reduced number of suppliers and long lead-times on certain major parts for unplanned replacements could result in delays in obtaining qualified replacement parts and, therefore, greater expense for Entergy.

The costs associated with the storage of the spent nuclear fuel of certain of the Utility operating companies, System Energy, and the owners of the Entergy Wholesale Commodities nuclear power plants, as well as the costs of and their ability to fully decommission their nuclear power plants, could be significantly affected by the timing of the opening of a spent nuclear fuel disposal facility, as well as interim storage and transportation requirements.

Certain of the Utility operating companies, System Energy, and the Palisades plant owner incur costs for the on-site storage of spent nuclear fuel. The approval of a license for a national repository for the disposal of spent nuclear fuel, such as the one proposed for Yucca Mountain, Nevada, or any interim storage facility, and the timing of such facility opening, will significantly affect the costs associated with on-site storage of spent nuclear fuel. For example, while the DOE is required by law to proceed with the licensing of Yucca Mountain and, after the license is granted by the NRC, to construct the repository and commence the receipt of spent fuel, the NRC licensing of the Yucca Mountain repository is effectively at a standstill. These actions are prolonging the time before spent fuel is removed from Entergy's plant sites. Because the DOE has not accomplished its objectives, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts, and Entergy has sued the DOE for such breach. Furthermore, Entergy is uncertain as to when the DOE will commence acceptance of spent fuel from its facilities for storage or disposal. As a result, continuing future expenditures will be required to increase spent fuel storage capacity at the companies' nuclear sites and maintenance costs on existing storage facilities, including aging management of fuel storage casks, may increase. The costs of on-site storage are also affected by regulatory requirements for such storage. In addition, the availability of a repository or other off-site storage facility for spent nuclear fuel may affect the ability to fully decommission the nuclear units and the costs relating to decommissioning. For further information regarding spent fuel storage, see the " **Critical Accounting Estimates – Nuclear Decommissioning Costs** – Spent Fuel Disposal " section of Management's Financial Discussion and Analysis for Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy and Note 8 to the financial statements.

Certain of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities nuclear plant owners may be required 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 could have a material effect on Entergy's and their results of operations, financial condition, or liquidity.

Accidents and other unforeseen problems at nuclear power plants have occurred both in the United States and elsewhere. As required by the Price-Anderson Act, the Utility operating companies, System Energy, and Entergy Wholesale Commodities carry the maximum available amount of primary nuclear off-site liability insurance with American Nuclear Insurers, which is $450 million for each operating site. Claims for any nuclear incident exceeding that amount are covered under Secondary Financial Protection. The Price-Anderson Act limits each reactor owner's public liability (off-site) for a single nuclear incident to the payment of retrospective premiums into a secondary

insurance pool, which is referred to as Secondary Financial Protection, up to approximately $137.6 million per reactor. With 95 reactors currently participating, this translates to a total public liability cap of approximately $13 billion per incident. The limit is subject to change to account for the effects of inflation, a

change in the primary limit of insurance coverage, and changes in the number of licensed reactors. As a result, in the event of a nuclear incident that causes damages (off-site) in excess of the primary insurance coverage, each owner of a nuclear plant reactor, including Entergy's Utility operating companies, System Energy, and the Palisades plant owner, regardless of fault or proximity to the incident, will be required to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary insurance level, up to a maximum of approximately $137.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is $826 million). The retrospective premium payment is currently limited to approximately $21 million per year per incident per reactor until the aggregate public liability for each licensee is paid up to the $137.6 million cap.

NEIL is a utility industry mutual insurance company, owned by its members, including the Utility operating companies, System Energy, and the owners of the Palisades plant. NEIL provides onsite property and decontamination coverage. All member plants could be subject to an annual assessment (retrospective premium of up to 10 times current annual premium for all policies) should the NEIL surplus (reserve) be significantly depleted due to insured losses. As of December 31, 2021, the maximum annual assessment amounts total approximately $98 million for the Utility plants. Retrospective premium insurance available through NEIL's reinsurance treaty can cover the potential assessments and the Palisades plant owner currently maintains the retrospective premium insurance to cover those potential assessments.

As mentioned above, as an owner of nuclear power plants, Entergy participates in industry self-insurance programs and could be liable to fund claims should a plant owned by a different company experience a major event. Any resulting liability from a nuclear accident may exceed the applicable primary insurance coverage and require contribution of additional funds through the industry-wide program that could significantly affect the results of operations, financial condition, or liquidity of Entergy, certain of the Utility operating companies, System Energy, or the Entergy Wholesale Commodities subsidiaries.

The decommissioning trust fund assets for the nuclear power plants owned by the Utility operating companies, System Energy, and the Entergy Wholesale Commodities nuclear plant owners may not be adequate to meet decommissioning obligations if market performance and other changes decrease the value of assets in the decommissioning trusts, if one or more of Entergy's nuclear power plants is retired earlier than the anticipated shutdown date, if the plants cost more to decommission than estimated, or if current regulatory requirements change, which then could require significant additional funding.

Owners of nuclear generating plants have an obligation to decommission those plants. Certain of the Utility operating companies, System Energy, and the Palisades plant owner maintain decommissioning trust funds for this purpose. Certain of the Utility operating companies collect funds from their customers, which are deposited into the trusts covering the units operated for or on behalf of those companies. Those rate collections, as adjusted from time to time by rate regulators, are generally based upon operating license lives and trust fund balances as well as estimated trust fund earnings and decommissioning costs. Assets in these trust funds are subject to market fluctuations, will yield uncertain returns that may fall below projected return rates, and may result in losses resulting from the recognition of impairments of the value of certain securities held in these trust funds.

Under NRC regulations, nuclear plant owners are permitted to project the NRC-required decommissioning amount, based on an NRC formula or a site-specific estimate, and the amount that will be available in each nuclear power plant's decommissioning trusts combined with any other decommissioning financial assurances in place. The projections are made based on the operating license expiration date and the mid-point of the subsequent decommissioning process, or the anticipated actual completion of decommissioning if a site-specific estimate is used. If the projected amount of each individual plant's decommissioning trusts exceeds the NRC-required decommissioning amount, then its NRC license termination decommissioning obligations are considered to be funded in accordance with NRC regulations. If the projected costs do not sufficiently reflect the actual costs required to

decommission these nuclear power plants, or funding is otherwise inadequate, or if the formula, formula inputs, or site-specific estimate is changed to require increased funding, additional resources or commitments would be required. Furthermore, depending upon the level of funding available in the trust funds, the NRC may not permit

the trust funds to be used to pay for related costs such as the management of spent nuclear fuel that are not included in the NRC's formula. The NRC may also require a plan for the provision of separate funding for spent fuel management costs.

Further, federal or state regulatory changes, including mandated increases in decommissioning funding or changes in the methods or standards for decommissioning operations, may also increase the funding requirements of, or accelerate the timing for funding of, the obligations related to the decommissioning of the Utility operating companies, System Energy, or the Palisades plant owner or may restrict the decommissioning-related costs that can be paid from the decommissioning trusts. Such changes also could result in the need for additional contributions to decommissioning trusts, or the posting of parent guarantees, letters of credit, or other surety mechanisms. As a result, under any of these circumstances, Entergy's results of operations, liquidity, and financial condition could be materially affected.

An early plant shutdown (either generally or relative to current expectations), poor investment results, or higher than anticipated decommissioning costs (including as a result of changing regulatory requirements) could cause trust fund assets to be insufficient to meet the decommissioning obligations, with the result that the Utility operating companies, System Energy, or the Palisades plant owner may be required to provide significant additional funds or credit support to satisfy regulatory requirements for decommissioning, which, with respect to the Utility operating companies, may not be recoverable from customers in a timely fashion or at all.

For further information regarding nuclear decommissioning costs, management's decision to exit the merchant power business, the impairment charges that resulted from such decision, and the planned sale of Palisades (which will include the transfer of the associated decommissioning trust), see the " **Critical Accounting Estimates - Nuclear Decommissioning Costs** " section of Management's Financial Discussion and Analysis for Entergy, Entergy Arkansas, Entergy Louisiana, and System Energy, the " **Entergy Wholesale Commodities Exit from the Merchant Power Business** " section of Management's Financial Discussion and Analysis for Entergy Corporation and Subsidiaries, and Notes 9 and 14 to the financial statements.

New or existing safety concerns regarding operating nuclear power plants and nuclear fuel could lead to restrictions upon the operation and decommissioning of Entergy's nuclear power plants.

New and existing concerns are being expressed in public forums about the safety of nuclear generating units and nuclear fuel. These concerns have led to, and may continue to lead to, various proposals to Federal regulators and governing bodies in some localities where Entergy's subsidiaries own nuclear generating units for legislative and regulatory changes that might lead to the shutdown of nuclear units, additional requirements or restrictions related to spent nuclear fuel on-site storage and eventual disposal, or other adverse effects on owning, operating, and decommissioning nuclear generating units. Entergy vigorously responds to these concerns and proposals. If any of the existing proposals, or any proposals that may arise in the future with respect to legislative and regulatory changes, become effective, they could have a material effect on Entergy's results of operations and financial condition.

(Entergy Corporation)

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.

The Entergy Wholesale Commodities business is subject to extensive regulation under federal, state, and local laws. Compliance with the requirements under these various regulatory regimes may cause the Entergy

Wholesale Commodities business to incur significant additional costs, and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines, and/or civil or criminal liability.

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Public utilities under the Federal Power Act are required to obtain FERC acceptance of their rate schedules for wholesale sales of electricity. Each of the owners of the Entergy Wholesale Commodities nuclear power plants that generates electricity, as well as Entergy Nuclear Power Marketing, LLC, is a "public utility" under the Federal Power Act by virtue of making wholesale sales of electric energy and/or owning wholesale electric transmission facilities. The FERC has granted these generating and power marketing companies the authority to sell electricity at market-based rates. The FERC's orders that grant the Entergy Wholesale Commodities' generating and power marketing companies market-based rate authority reserve the right to revoke or revise that authority if the FERC subsequently determines that the Entergy Wholesale Commodities business can exercise market power in transmission or generation, create barriers to entry, or engage in abusive affiliate transactions. In addition, the Entergy Wholesale Commodities' market-based sales are subject to certain market behavior rules, and if any of its generating and power marketing companies were deemed to have violated one of those rules, they would be subject to potential disgorgement of profits associated with the violation and/or suspension or revocation of their market-based rate authority and potential penalties of up to $1.29 million per day per violation. If the Entergy Wholesale Commodities' generating or power marketing companies were to lose their market-based rate authority, such companies would be required to obtain the FERC's acceptance of a cost-of-service rate schedule and could become subject to the accounting, record-keeping, and reporting requirements that are imposed on utilities with cost-based rate schedules. This could have an adverse effect on the rates the Entergy Wholesale Commodities business charges for power from its facilities.

The Entergy Wholesale Commodities business is also affected by legislative and regulatory changes, as well as changes to market design, market rules, tariffs, cost allocations, and bidding rules imposed by the existing Independent System Operators. The Independent System Operators that oversee most of the wholesale power markets may impose, and in the future may continue to impose, mitigation, including price limitations, offer caps and other mechanisms, to address some of the volatility and the potential exercise of market power in these markets. These types of price limitations and other regulatory mechanisms may have an adverse effect on the profitability of the Entergy Wholesale Commodities business' generation facilities that sell energy and capacity into the wholesale power markets. For further information regarding federal, state, and local laws and regulation applicable to the Entergy Wholesale Commodities business, see the " **Regulation of Entergy's Business** " section in Part I, Item 1.

The regulatory environment applicable to the electric power industry is subject to changes as a result of restructuring initiatives at both the state and federal levels. Entergy cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on the Entergy Wholesale Commodities business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, have raised claims that the competitive marketplace is not working because energy prices in wholesale markets exceed the marginal cost of operating nuclear power plants, and have made proposals to re-regulate the markets, impose a generation tax, or require divestitures by generating companies to reduce their market share. Other proposals to re-regulate may be made and legislative or other attention to the electric power market restructuring process may delay or reverse the deregulation process, which could require material changes to business planning models. If competitive restructuring of the electric power markets is reversed, modified, discontinued, or delayed, the Entergy Wholesale Commodities business' results of operations, financial condition, and liquidity could be materially affected.

General Business

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

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 such as natural disasters or substantial increases in gas and fuel prices. 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.

Entergy's business is capital intensive and dependent upon its ability to access capital at reasonable rates and other terms. At times there are also spikes in the price for natural gas and other commodities that increase the liquidity requirements of the Utility operating companies and Entergy Wholesale Commodities. In addition, Entergy's and the Utility operating companies' liquidity needs could significantly increase in the event of a hurricane or other weather-related or unforeseen disaster similar to that experienced in Entergy's service territory with Hurricane Katrina and Hurricane Rita in 2005, Hurricane Gustav and Hurricane Ike in 2008, Hurricane Isaac in 2012, Hurricane Laura, Hurricane Delta, and Hurricane Zeta in 2020, and Winter Storm Uri and Hurricane Ida in 2021. The occurrence of one or more contingencies, including a delay in regulatory recovery of fuel or purchased power costs or storm restoration costs, an acceleration of payments or decreased credit lines, less cash flow from operations than expected, changes in regulation or governmental policy (including tax and trade policy), or other unknown events, could cause the financing needs of Entergy and its subsidiaries to increase. In addition, accessing the debt capital markets more frequently in these situations may result in an increase in leverage. Material leverage increases could negatively affect the credit ratings of Entergy and the Utility operating companies, which in turn could negatively affect access to the capital markets.

The inability to raise capital on favorable terms, particularly during times of high interest rates, and uncertainty or reduced liquidity in the capital markets, could negatively affect Entergy and its subsidiaries' ability to maintain and to expand their businesses. Access to capital markets could be restricted and/or borrowing costs could be increased due to certain sources of debt and equity capital being unwilling to invest in companies that are impacted by extreme weather events, that rely on fossil fuels or offerings to fund fossil fuel projects, or due to risks related to climate change. Events beyond Entergy's control (including an increasing interest rate environment) may create uncertainty that could increase its cost of capital or impair its ability to access the capital markets, including the ability to draw on its bank credit facilities. Entergy and its subsidiaries are unable to predict the degree of success they will have in renewing or replacing their credit facilities as they come up for renewal. Moreover, the size, terms, and covenants of any new credit facilities may not be comparable to, and may be more restrictive than, existing facilities. If Entergy and its subsidiaries are unable to access the credit and capital markets on terms that are reasonable, they may have to delay raising capital, issue shorter-term securities and/or bear an unfavorable cost of capital, which, in turn, could impact their ability to grow their businesses, decrease earnings, significantly reduce financial flexibility and/or limit Entergy Corporation's ability to sustain its current common stock dividend level.

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

A downgrade in Entergy Corporation ' s or its subsidiaries ' credit ratings could negatively affect Entergy Corporation ' s and its subsidiaries ' ability to access capital and/or could require Entergy Corporation or its subsidiaries to post collateral, accelerate certain payments, or repay certain indebtedness.

There are a number of factors that rating agencies evaluate to arrive at credit ratings for each of Entergy Corporation and the Registrant Subsidiaries, including each Registrant's regulatory framework, ability to recover costs and earn returns, diversification and financial strength and liquidity. If one or more rating agencies downgrade Entergy Corporation's, any of the Utility operating companies', or System Energy's ratings, particularly

below investment grade, borrowing costs would increase, the potential pool of investors and funding sources would likely decrease, and cash or letter of credit collateral demands may be triggered by the terms of a number of commodity contracts, leases, and other agreements.

Most of Entergy Corporation's and its subsidiaries' suppliers and counterparties require sufficient creditworthiness to enter into transactions. If Entergy Corporation's or its subsidiaries' ratings decline, particularly below investment grade, or if certain counterparties believe Entergy Corporation or the Utility operating companies are losing creditworthiness and demand adequate assurance under fuel, gas, and purchased power contracts, the counterparties may require posting of collateral in cash or letters of credit, prepayment for fuel, gas or purchased power or accelerated payment, or counterparties may decline business with Entergy Corporation or its subsidiaries. At December 31, 2021 based on power prices at that time, Entergy had liquidity exposure of $29 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and $8 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of December 31, 2021, Entergy would have been required to provide approximately $30 million of additional cash or letters of credit under some of the agreements.

Recent U.S. tax legislation may materially adversely affect Entergy's financial condition, results of operations, and cash flows.

The Tax Cuts and Jobs Act of 2017 and CARES Act of 2020 significantly changed the U.S. Internal Revenue Code, including taxation of U.S. corporations, by, among other things, reducing the federal corporate income tax rate, limiting interest deductions, and altering the expensing of capital expenditures. The interpretive guidance issued by the IRS and state tax authorities may be inconsistent with Entergy's own interpretation and the legislation could be subject to amendments, which could lessen or increase certain impacts of the legislation.

The tax rate decrease included in the Tax Cuts and Jobs Act required Entergy to record a regulatory liability for income taxes payable to customers. Such regulatory liability for income taxes is described in Note 3 to the financial statements. Depending on the outcome of IRS examinations or tax positions and elections that Entergy may make, Entergy and the Registrant Subsidiaries may be required to record additional charges or credits to income tax expense.

See Note 3 to the financial statements for discussion of the effects of the Tax Cuts and Jobs Act on 2019, 2020, and 2021 results of operations and financial condition, the provisions of the Tax Cuts and Jobs Act, and the uncertainties associated with accounting for the Tax Cuts and Jobs Act, and Note 2 to the financial statements for discussion of the regulatory proceedings that have considered the effects of the Tax Cuts and Jobs Act.

Changes in 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 make judgments regarding the potential tax effects of various transactions and results of operations to estimate their obligations to taxing authorities. These tax obligations include income, franchise, real estate, sales and use, and employment-related taxes. These judgments include provisions for potential adverse outcomes regarding tax positions that have been taken. Entergy and its subsidiaries also estimate their ability to utilize tax benefits, including those in the form of carryforwards for which the benefits have already been reflected in the financial statements. Changes in federal, state, or local tax laws, adverse tax audit results or adverse tax rulings on positions taken by Entergy and its subsidiaries could negatively affect Entergy's, the Utility operating companies', and System Energy's results of operations, financial condition, and liquidity. For instance, pending

federal tax legislation, including the Build Back Better Act or related legislation, could significantly change the U.S. Internal Revenue Code, including the taxation of U.S. corporations, by, among other things, adopting an alternative minimum income tax on a U.S. corporation's book income. The intended and unintended consequences

of this proposed legislation could have a material adverse impact on Entergy's financial results and future cash flows. For further information regarding Entergy's income taxes, see Note 3 to the financial statements.

Entergy and its subsidiaries' ability to successfully execute on their business strategies, including their ability to complete 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, which could materially affect their future prospects, results of operations, and benefits that they anticipate from such transactions.

Entergy and its subsidiaries' future prospects and results of operations significantly depend on their ability to successfully implement their business strategies, which are subject to business, regulatory, economic, and other risks and uncertainties, many of which are beyond their control. As a result, Entergy and its subsidiaries may be unable to fully achieve the anticipated results of such strategies.

Additionally, Entergy and its subsidiaries have pursued and may continue to pursue strategic transactions including merger, acquisition, divestiture, joint venture, restructuring, or other strategic transactions. For example, Entergy has entered into an agreement to sell its equity interests in the subsidiary that owns Palisades and the decommissioned Big Rock Point Nuclear Power Plant after Palisades has been shut down and defueled. Also, a significant portion of Entergy's utility business plan over the next several years includes the construction and/or purchase of a variety of solar facilities. These or other transactions and plans are or may become subject to regulatory approval and other material conditions or contingencies, including increased costs or delays resulting from supply chain issues. The failure to complete these transactions or plans or any future strategic transaction successfully or on a timely basis could have an adverse effect on Entergy's or its subsidiaries' financial condition or results of operations and the market's perception of Entergy's ability to execute its strategy. Further, these transactions, and any completed or future strategic transactions, involve substantial risks, including the following:

- acquired businesses or assets may not produce revenues, earnings, or cash flow at anticipated levels;
- acquired businesses or assets could have environmental, permitting, or other problems for which contractual protections prove inadequate;
- Entergy and/or its subsidiaries may assume liabilities that were not disclosed to them, that exceed their estimates, or for which their rights to indemnification from the seller are limited;
- Entergy may experience issues integrating businesses into its internal controls over financial reporting;
- the disposition of a business, including Entergy's planned exit from the merchant power business, could divert management's attention from other business concerns;
- Entergy and/or its subsidiaries may be unable to obtain the necessary regulatory or governmental approvals to close a transaction, such approvals may be granted subject to terms that are unacceptable, or Entergy or its subsidiaries otherwise may be unable to achieve anticipated regulatory treatment of any such transaction or acquired business or assets; and
- Entergy or its subsidiaries otherwise may be unable to achieve the full strategic and financial benefits that they anticipate from the transaction, or such benefits may be delayed or may not occur at all.

Entergy and its subsidiaries may not be successful in managing these or any other significant risks that they may encounter in acquiring or divesting a business, or engaging in other strategic transactions, which could have a material effect on their business, financial condition or results of operations.

The completion of capital projects, including the construction of power generation facilities, and other capital improvements involve substantial risks. Should such efforts be unsuccessful, the financial condition, results of operations, or liquidity of Entergy and the Utility operating companies could be materially affected.

Entergy's and the Utility operating companies' ability to complete capital projects, including the construction of power generation facilities, or make other capital improvements, in a timely manner and within budget is contingent upon many variables and subject to substantial risks. These variables include, but are not limited to, project management expertise, escalating costs for materials, labor, and environmental compliance,

reliance on suppliers for timely and satisfactory performance, and pandemic-related delays and cost increases. Delays in obtaining permits, shortages in materials and qualified labor, levels of public support or opposition, suppliers and contractors not performing as expected or required under their contracts and/or experiencing financial problems that inhibit their ability to fulfill their obligations under contracts, changes in the scope and timing of projects, poor quality initial cost estimates from contractors, the inability to raise capital on favorable terms, changes in commodity prices affecting revenue, fuel costs, or materials costs, downward changes in the economy, changes in law or regulation, including environmental compliance requirements, supply chain delays or disruptions, and other events beyond the control of the Utility operating companies or the Entergy Wholesale Commodities business may occur that may materially affect the schedule, cost, and performance of these projects. If these projects or other capital improvements are significantly delayed or become subject to cost overruns or cancellation, Entergy and the Utility operating companies could incur additional costs and termination payments, or face increased risk of potential write-off of the investment in the project. In addition, the Utility operating companies could be exposed to higher costs and market volatility, which could affect cash flow and cost recovery, should their respective regulators decline to approve the construction of the project or new generation needed to meet the reliability needs of customers at the lowest reasonable cost.

For further information regarding capital expenditure plans and other uses of capital in connection with capital projects, including the potential construction and/or purchase of additional generation supply sources within the Utility operating companies' service territory, and as to the Entergy Wholesale Commodities business, see the "**Capital Expenditure Plans and Other Uses of Capital**" section of Management's Financial Discussion and Analysis for Entergy and each of the Registrant Subsidiaries.

Failure to attract, retain and manage an appropriately qualified workforce could negatively affect Entergy or its subsidiaries' results of operations.

Entergy relies on a large and changing workforce of team members, including employees, contractors and temporary staffing. Certain factors, such as an aging workforce, mismatching of skill sets, failing to appropriately anticipate future workforce needs, workforce impacts of the COVID-19 pandemic and responsive measures, challenges competing with other employers offering fully remote work options, rising salary and other labor costs, or the unavailability of contract resources may lead to operating challenges and increased costs. The challenges include inability to attract or retain talent, lack of resources, loss of knowledge base, and the time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs, and safety costs, may increase. Failure to hire and adequately train replacement employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities and new skills required to develop and operate a modernized, technology-enabled, and lower carbon power grid. If Entergy and its subsidiaries are unable to successfully attract, retain, and manage an appropriately qualified workforce, their results of operations, financial position, and cash flows could be negatively affected.

The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs to fulfill their obligations related to environmental and other matters.

The businesses in which the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business operate are subject to extensive environmental regulation by local, state, and federal authorities. These laws and regulations affect the manner in which the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business conduct their operations and make capital expenditures. These laws and regulations also affect how the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business manage air emissions, discharges to water, wetlands impacts, solid and hazardous waste storage and disposal, cooling and service water intake, the protection of threatened and endangered species, certain

migratory birds and eagles, hazardous materials transportation, and similar matters. Federal, state, and local authorities continually revise these laws and regulations, and the laws and regulations are subject to judicial interpretation and to the permitting and enforcement discretion vested in the implementing agencies. Developing

and implementing plans for facility compliance with these requirements can lead to capital, personnel, and operation and maintenance expenditures. Violations of these requirements can subject the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business to enforcement actions, capital expenditures to bring existing facilities into compliance, additional operating costs or operating restrictions to achieve compliance, remediation and clean-up costs, civil penalties, and exposure to third parties' claims for alleged health or property damages or for violations of applicable permits or standards. In addition, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business potentially are subject to liability under these laws for the costs of remediation of environmental contamination of property now or formerly owned or operated by the Utility operating companies, System Energy, and Entergy Wholesale Commodities and of property contaminated by hazardous substances they generate. The Utility operating companies currently are involved in proceedings relating to sites where hazardous substances have been released and may be subject to additional proceedings in the future. The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business have incurred and expect to incur significant costs related to environmental compliance.

Emissions of nitrogen and sulfur oxides, mercury, particulates, greenhouse gases, and other regulated emissions from generating plants potentially are subject to increased regulation, controls, and mitigation expenses. In addition, existing environmental regulations and programs promulgated by the EPA often are challenged legally, or are revised or withdrawn by the EPA, sometimes resulting in large-scale changes to anticipated regulatory regimes and the resulting need to shift course, both operationally and economically, depending on the nature of the changes. Risks relating to global climate change, initiatives to compel greenhouse gas emission reductions, and water availability issues are discussed below.

Entergy and its subsidiaries may not be able to obtain or maintain all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals, or if Entergy and its subsidiaries fail to obtain, maintain, or comply with any such approval, the operation of its facilities could be stopped or become subject to additional costs. For further information regarding environmental regulation and environmental matters, including Entergy's response to climate change, see the " **Regulation of Entergy ' s Business – Environmental Regulation** " section of Part I, Item 1.

The Utility operating companies, System Energy, and the Entergy Wholesale Commodities business may incur substantial costs related to reliability standards.

Entergy's business is subject to extensive and mandatory reliability standards. Such standards, which are established by the NERC, the SERC, and other regional enforcement entities, are approved by the FERC and frequently are reviewed, amended, and supplemented. Failure to comply with such standards could result in the imposition of fines or civil penalties, and potential exposure to third party claims for alleged violations of such standards. The standards, as well as the laws and regulations that govern them, are subject to judicial interpretation and to the enforcement discretion vested in the implementing agencies. In addition to exposure to civil penalties and fines, the Utility operating companies have incurred and expect to incur significant costs related to compliance with new and existing reliability standards, including costs associated with the Utility operating companies' transmission system and generation assets. In addition, the retail regulators of the Utility operating companies possess the jurisdiction, and in some cases have exercised such jurisdiction, to impose standards governing the reliable operation of the Utility operating companies' distribution systems, including penalties if these standards are not met. The changes to the reliability standards applicable to the electric power industry are ongoing, and Entergy cannot predict the ultimate effect that the reliability standards will have on its Utility and Entergy Wholesale Commodities businesses.

(Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

Weather, economic conditions, technological developments, and other factors may have a material impact on electricity and gas sales and otherwise materially affect the Utility operating companies' results of operations and system reliability.

Temperatures above normal levels in the summer tend to increase electric cooling demand and revenues, and temperatures below normal levels in the winter tend to increase electric and gas heating demand and revenues. As a corollary, mild temperatures in either season tend to decrease energy usage and resulting revenues. Higher consumption levels coupled with seasonal pricing differentials typically cause the Utility operating companies to report higher revenues in the third quarter of the fiscal year than in the other quarters. Changing weather patterns and extreme weather conditions including hurricanes or tropical storms, flooding events, or ice storms may stress the Utility operating companies' generation facilities and transmission and distribution systems, resulting in increased maintenance and capital costs (and potential increased financing needs), limits on their ability to meet peak customer demand, increased regulatory oversight, criticism or adverse publicity, and reduced customer satisfaction. These extreme conditions could have a material effect on the Utility operating companies' financial condition, results of operations, and liquidity.

Entergy's electricity sales volumes are affected by a number of factors including weather and economic conditions, trends in energy efficiency, new technologies, and self-generation alternatives, including the willingness and ability of large industrial customers to develop co-generation facilities that greatly reduce their grid demand. In addition, changes to regulatory policies, such as those that allow customers to directly access the market to procure wholesale energy, could reduce sales, and other non-traditional procurements, such as virtual purchase power agreements, could limit growth opportunities at the Utility operating companies. Some of these factors are inherently cyclical or temporary in nature, such as the weather or economic conditions, and rarely have a long-lasting effect on Entergy's operating results. Others, such as the organic turnover of appliances and lighting and their replacement with more efficient ones, adoption of newer technologies including smart thermostats, new building codes, distributed energy resources, energy storage, demand side management, and rooftop solar are having a more permanent effect by reducing sales growth rates from historical norms. As a result of these emerging efficiencies and technologies, the Utility operating companies may lose customers or experience lower average use per customer in the residential and commercial classes, and continuing advances have the potential to further limit sales growth in the future.

The Utility operating companies also may face competition from other companies offering products and services to Entergy's customers. Electricity sales to industrial customers, in particular, benefit from steady economic growth and favorable commodity markets; however, industrial sales are sensitive to changes in conditions in the markets in which its customers operate. Negative changes in any of these or other factors, particularly sustained economic downturns or sluggishness, have the potential to result in slower sales growth or sales declines and increased bad debt expense, which could materially affect Entergy's and the Utility operating companies' results of operations, financial condition, and liquidity. The Utility operating companies also may not realize anticipated or expected growth in industrial sales from electrification opportunities to help such customers achieve their environmental and sustainability goals. This could occur because of changes in customers' goals or business priorities, competition from other companies or decisions by such customers to seek to achieve such goals through methods not offered by Entergy.

The effects of climate change, 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, or achieving voluntary climate commitments could materially affect the financial condition, results of operations, and liquidity of Entergy, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.

In an effort to address climate change concerns, some federal, state, and local authorities are calling for additional laws and regulations aimed at known or suspected causes of climate change. For example, the EPA, various environmental interest groups, and other organizations have focused considerable attention on CO_2 emissions from power generation facilities and their potential role in climate change. The EPA has promulgated regulations controlling greenhouse gas emissions from certain vehicles, and from new, existing, and significantly modified stationary sources of emissions, including electric generating units. As examples of state action, in the Northeast, the Regional Greenhouse Gas Initiative establishes a cap on CO_2 emissions from electric power plants and requires generators to purchase emission permits to cover their CO_2 emissions, and a similar program has been developed in California. In Louisiana, the Office of the Governor announced the creation of a Climate Initiatives Task Force and issued an executive order that established a path to net-zero emissions by 2050 while the City Council of New Orleans passed a renewable and clean portfolio standard that sets a goal of net-zero emissions by 2040 and absolute zero emissions by 2050. The impact that continued changes in the governmental response to climate change risk will have on existing and pending environmental laws and regulations related to greenhouse gas emissions currently is unclear.

Developing and implementing plans for compliance with greenhouse gas emissions reduction or clean/renewable energy requirements, or for achieving voluntary climate commitments can lead to additional capital, personnel, and operation and maintenance expenditures and could significantly affect the economic position of existing facilities and proposed projects. The operations of low or non-emitting generating units (such as nuclear units) at lower than expected capacity factors could require increased generation from higher emitting units, thus increasing Entergy's greenhouse gas emission rate. Moreover, long-term planning to meet environmental requirements can be negatively impacted and costs may increase to the extent laws and regulations change prior to full implementation. These requirements could, in turn, lead to changes in the planning or operations of balancing authorities or organized markets in areas where the Utility operating companies, System Energy, or Entergy Wholesale Commodities do business. Violations of such requirements may subject Entergy Wholesale Commodities and the Utility operating companies to enforcement actions, capital expenditures to bring existing facilities into compliance, additional operating costs or operating restrictions to achieve compliance, civil penalties, and exposure to third parties' claims for alleged health or property damages or for violations of applicable permits or standards. Further, real or perceived violations of environmental regulations, including those related to climate change, or inability to meet voluntary climate commitments, could adversely impact Entergy's reputation or inhibit Entergy's ability to pursue its decarbonization objectives. To the extent Entergy believes any of these costs are recoverable in rates, however, additional material rate increases for customers could be resisted by Entergy's regulators and, in extreme cases, Entergy's regulators might attempt to deny or defer timely recovery of these costs.

Future changes in regulation or policies governing the emission of CO_2 and other greenhouse gases or mix of generation sources could (i) result in significant additional costs to Entergy's utility operating companies, their suppliers or customers, (ii) make some of Entergy's electric generating units uneconomical to maintain or operate, (iii) result in the early retirement of generation facilities and stranded costs if Entergy's utility operating companies are unable to fully recover the costs and investment in generation and (iv) could increase the difficulty that Entergy and its utility operating companies have with obtaining or maintaining required environmental regulatory approvals, each of which could materially affect the financial condition, results of operations, and liquidity of Entergy and its subsidiaries. In addition, lawsuits have occurred or are reasonably expected against emitters of greenhouse gases alleging that these companies are liable for personal injuries and property damage caused by climate change. These

lawsuits may seek injunctive relief, monetary compensation, and punitive damages.

In September 2020, Entergy voluntarily committed to achieving net zero carbon emissions by 2050. Technology research and development, innovation, and advancement are critical to Entergy's ability to achieve this commitment. Moreover, Entergy cannot predict the ultimate impact of achieving this objective, or the various implementation aspects, on its system reliability, or its results of operations, financial condition or liquidity.

The physical effects of climate change could materially affect the financial condition, results of operations, and liquidity of Entergy, the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.

Potential physical risks from climate change include an increase in sea level, wind and storm surge damages, more frequent or intense hurricanes and wildfires, wetland and barrier island erosion, risks of flooding and changes in weather conditions, (such as increases in precipitation, drought, or changes in average temperatures), and potential increased impacts of extreme weather conditions or storms. Entergy subsidiaries own assets in, and serve, communities that are at risk from sea level rise, changes in weather conditions, storms, and loss of the protection offered by coastal wetlands. A significant portion of the nation's oil and gas infrastructure is located in these areas and susceptible to storm damage that could be aggravated by the physical impacts of climate change, which could give rise to fuel supply interruptions and price spikes. Entergy and its subsidiaries also face the risk that climate change could impact the availability and quality of water supplies necessary for operations.

These and other physical changes could result in changes in customer demand, increased costs associated with repairing and maintaining generation facilities and transmission and distribution systems resulting in increased maintenance and capital costs (and potential increased financing needs), limits on the Entergy System's ability to meet peak customer demand, more frequent and longer lasting outages, increased regulatory oversight, criticism or adverse publicity, and lower customer satisfaction. Also, to the extent that climate change adversely impacts the economic health of a region or results in energy conservation or demand side management programs, it may adversely impact customer demand and revenues. Such physical or operational risks could have a material effect on Entergy's, Entergy Wholesale Commodities', System Energy's, and the Utility operating companies' financial condition, results of operations, and liquidity.

Due in part to the recent increase in frequency and intensity of major storm activity along the Gulf Coast, Entergy is developing plans to accelerate investments that would enhance the resilience of the electric systems of the Utility operating companies to enable them to better withstand major storms or other adverse weather events, to enable more rapid restoration of electricity after major storm or other adverse events, and to deliver electricity to critical customers more immediately after such events. The need for this investment and these expenditures could give rise to liquidity, capital or other financing-related risks as well as result in upward pressure on the retail rates of the Utility operating companies, which, particularly when combined with upward pressure resulting from the recovery of the costs of recent and future storms, may result in adverse actions by the Utility operating companies' retail regulators or effectively limit the ability to make other planned capital or other investments.

Continued and future availability and quality of water for cooling, process, and sanitary uses could materially affect the financial condition, results of operations, and liquidity of the Utility operating companies, System Energy, and the Entergy Wholesale Commodities business.

Water is a vital natural resource that is also critical to the Utility operating companies', System Energy's, and Entergy Wholesale Commodities' business operations. Entergy's facilities use water for cooling, boiler make-up, sanitary uses, potable supply, and many other uses. Entergy's Utility operating companies also own and/or operate hydroelectric facilities. Accordingly, water availability and quality are critical to Entergy's business operations. Impacts to water availability or quality could negatively impact both operations and revenues.

Entergy secures water through various mechanisms (ground water wells, surface waters intakes, municipal supply, etc.) and operates under the provisions and conditions set forth by the provider and/or regulatory authorities. Entergy also obtains and operates in substantial compliance with water discharge permits issued under

various provisions of the Clean Water Act and/or state water pollution control provisions. Regulations and authorizations for both water intake and use and for waste discharge can become more stringent in times of water shortages, low flows in rivers, low lake levels, low groundwater aquifer volumes, and similar conditions. The increased use of water by industry, agriculture, and the population at large, population growth, and the potential impacts of climate change on water resources may cause water use restrictions that affect Entergy and its subsidiaries.

Entergy and its subsidiaries may not be adequately hedged against changes in commodity prices, which could materially affect Entergy's and its subsidiaries' results of operations, financial condition, and liquidity.

To manage near-term and medium-term financial exposure related to commodity price fluctuations, Entergy and its subsidiaries, including the Utility operating companies and the Entergy Wholesale Commodities business, may enter into contracts to hedge portions of their purchase and sale commitments, fuel requirements, and inventories of natural gas, uranium and its conversion and enrichment, coal, refined products, and other commodities, within established risk management guidelines. As part of this strategy, Entergy and its subsidiaries may utilize fixed- and variable-price forward physical purchase and sales contracts, futures, financial swaps, and option contracts traded in the over-the-counter markets or on exchanges. However, Entergy and its subsidiaries normally cover only a portion of the exposure of their assets and positions to market price volatility, and the coverage will vary over time. In addition, Entergy also elects to leave certain volumes during certain years unhedged. To the extent Entergy and its subsidiaries have unhedged positions, fluctuating commodity prices can materially affect Entergy's and its subsidiaries' results of operations and financial position.

Although Entergy and its subsidiaries devote a considerable effort to these risk management strategies, they cannot eliminate all the risks associated with these activities. As a result of these and other factors, Entergy and its subsidiaries cannot predict with precision the impact that risk management decisions may have on their business, results of operations, or financial position.

Entergy's over-the-counter financial derivatives are subject to rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act that are designed to promote transparency, mitigate systemic risk, and protect against market abuse. Entergy cannot predict the impact any proposed or not fully-implemented final rules will have on its ability to hedge its commodity price risk or on over-the-counter derivatives markets as a whole, but such rules and regulations could have a material effect on Entergy's risk exposure, as well as reduce market liquidity and further increase the cost of hedging activities.

Entergy has guaranteed or indemnified the performance of a portion of the obligations relating to hedging and risk management activities. Reductions in Entergy's or its subsidiaries' credit quality or changes in the market prices of energy commodities could increase the cash or letter of credit collateral required to be posted in connection with hedging and risk management activities, which could materially affect Entergy's or its subsidiaries' liquidity and financial position.

The Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties may not meet their obligations, which may materially affect the Utility operating companies and Entergy Wholesale Commodities.

The hedging and risk management practices of the Utility operating companies and the Entergy Wholesale Commodities business are exposed to the risk that counterparties that owe Entergy and its subsidiaries money, energy, or other commodities will not perform their obligations. Currently, some hedging agreements contain provisions that require the counterparties to provide credit support to secure all or part of their obligations to Entergy or its

subsidiaries. If the counterparties to these arrangements fail to perform, Entergy or its subsidiaries may enforce and recover the proceeds from the credit support provided and acquire alternative hedging arrangements, which credit support may not always be adequate to cover the related obligations. In such event, Entergy and its subsidiaries might incur losses in addition to amounts, if any, already paid to the counterparties. In

addition, the credit commitments of Entergy's lenders under its bank facilities may not be honored for a variety of reasons, including unexpected periods of financial distress affecting such lenders, which could materially affect the adequacy of its liquidity sources.

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 performance of the capital markets affects the values of the assets held in trust under Entergy's pension and postretirement benefit plans. A decline in the market value of the assets may increase the funding requirements relating to Entergy's benefit plan liabilities and also result in higher benefit costs. As the value of the assets decreases, the "expected return on assets" component of benefit costs decreases, resulting in higher benefits costs. Additionally, asset losses are incorporated into benefit costs over time, thus increasing benefits costs. Volatility in the capital markets has affected the market value of these assets, which may affect Entergy's planned levels of contributions in the future. Additionally, changes in interest rates affect the liabilities under Entergy's pension and postretirement benefit plans; as interest rates decrease, the liabilities increase, potentially requiring additional funding and recognition of higher liability carrying costs. The funding requirements of the obligations related to the pension benefit plans can also increase as a result of changes in, among other factors, retirement rates, life expectancy assumptions, or Federal regulations. For further information regarding Entergy's pension and other postretirement benefit plans, refer to the " **Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits** " section of Management's Financial Discussion and Analysis for Entergy and each of its Registrant Subsidiaries and Note 11 to the financial statements.

The litigation environment in the states in which certain Entergy subsidiaries operate poses a significant risk to those businesses.

Entergy and its subsidiaries and related entities are involved in the ordinary course of business in a number of lawsuits involving employment, commercial, asbestos, hazardous material and ratepayer matters, and injuries and damages issues, among other matters. The states in which the Utility operating companies operate have proven to be unusually litigious environments. Judges and juries in these states have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage, and business tort cases. Entergy and its subsidiaries use legal and appropriate means to contest litigation threatened or filed against them, but the litigation environment in these states poses a significant business risk.

Terrorist attacks, cyber attacks, system failures or data breaches of Entergy's and its subsidiaries' or our suppliers' technology systems may adversely affect Entergy's results of operations.

Entergy and its subsidiaries operate in a business that requires evolving information technology systems that include sophisticated data collection, processing systems, software, network infrastructure, and other technologies that are becoming more complex and may be subject to mandatory and prescriptive reliability and security standards. The functionality of Entergy's technology systems depends on its own and its suppliers' and their contractors' technology. Suppliers' and their contractors' technology systems to which Entergy is connected directly or indirectly support a variety of business processes and activities to store sensitive data, including (i) intellectual property, (ii) proprietary business information, (iii) personally identifiable information of customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply-chain activities. Any significant failure or malfunction of such information technology systems could result in loss of or inappropriate access to data or disruptions of operations.

There have been attacks and threats of attacks on energy infrastructure by cyber actors, including those

associated with foreign governments. As an operator of critical infrastructure, Entergy and its subsidiaries face a heightened risk of an act or threat of terrorism, cyber-attacks, including ransomware attacks, and data breaches, whether as a direct or indirect act against one of Entergy's generation, transmission or distribution facilities, operations centers, infrastructure, or information technology systems used to manage, monitor, and transport power to customers and perform day-to-day business functions as well as against the systems of critical suppliers and

contractors. Further, attacks may become more frequent in the future as technology becomes more prevalent in energy infrastructure. An actual act could affect Entergy's ability to operate, including its ability to operate the information technology systems and network infrastructure on which it relies to conduct business.

Given the rapid technological advancements of existing and emerging threats, Entergy's technology systems remain inherently vulnerable despite implementations and enhancements of the multiple layers of security and controls. If Entergy's or its subsidiaries' technology systems, or those of critical suppliers or contractors, were compromised and unable to detect or recover in a timely fashion to a normal state of operations, Entergy or its subsidiaries could be unable to perform critical business functions that are essential to the company's well-being and could result in a loss of or inappropriate access to its confidential, sensitive, and proprietary information, including personal information of its customers, employees, suppliers, and others in Entergy's care.

Any such attacks, failures, or data breaches could have a material effect on Entergy's and the Utility operating companies' business, financial condition, results of operations or reputation. Although Entergy and the Utility operating companies purchase insurance coverage for cyber-attacks or data breaches, such insurance may not be adequate to cover all losses that might arise in connection with these events. Such events may also expose Entergy to an increased risk of litigation (and associated damages and fines).

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.

Entergy and its subsidiaries have observed and expect future inflationary pressures related to commodity prices, other materials and supplies, and operation and maintenance expenses, including in the areas of labor, health care, and pension costs. The contracts for the construction of certain o f the Utility operating companies' generation facilities also have included, and in the future may include, price adjustment provisions that, subject to certain limitations, may enable the contractor to increase the contract price to reflect increases in certain costs of constructing the facility. These inflationary pressures could impact the ability of Entergy and its subsidiaries to control costs and/or make substantial investments in its businesses, including their ability to recover costs and investments, and to earn their allowed return on equity within frameworks established by their regulators while maintaining affordability of their services for its customers. Increases in commodity prices, other materials and supplies, and operation and maintenance expenses, including increasing labor costs and costs and funding requirements associated with Entergy's defined benefit retirement plans, health care plans, and other employee benefits, could increase their financing needs and otherwise adversely affect their results of operations, financial condition, and liquidity.

(Entergy New Orleans)

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.

Gas rates charged to retail gas customers are comprised primarily of purchased gas cost charges, which provide no return or profit to Entergy New Orleans, and distribution charges, which provide a return or profit to the utility. Distribution charges recover fixed costs on a volumetric basis and, thus, are affected by the amount of gas sold to customers. When purchased gas cost charges increase due to higher gas procurement costs, customer usage may decrease, especially in weaker economic times, resulting in lower distribution charges for Entergy New Orleans, which, given its relatively smaller size, could adversely affect results of operations. Purchased gas cost charges, which comprise most of a customer's bill and may be adjusted monthly, represent gas commodity costs that Entergy New Orleans recovers from its customers. Entergy New Orleans's cash flows can be affected by differences between the time period when gas is purchased and the time when ultimate recovery from customers occurs.

(Entergy Corporation and System Energy)

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.

System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% ownership/leasehold interest in Grand Gulf. Charges under the Unit Power Sales Agreement are paid by the Utility operating companies as consideration for their respective entitlements to receive capacity and energy. The useful economic life of Grand Gulf is finite and is limited by the terms of its operating license, which currently expires in November 2044. System Energy's financial condition depends both on the receipt of payments from the Utility operating companies under the Unit Power Sales Agreement and on the continued commercial operation of Grand Gulf. 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, a broader investigation of rates under the Unit Power Sales Agreement, and a prudence complaint challenging the extended power uprate completed at Grand Gulf in 2012 and the operation and management of Grand Gulf, particularly in the 2016-2020 time period. The claims in these proceedings include claims for refunds and claims for rate adjustments; the aggregate amount of refunds claimed in these proceedings substantially exceeds the net book value of System Energy. 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. The Utility operating companies have agreed to implement certain protocols for providing retail regulators with information regarding rates billed under the Unit Power Sales Agreement.

For information regarding the Unit Power Sales Agreement, the sale and leaseback transactions and certain other agreements relating to the Entergy System companies' support of System Energy, see Notes 5 and 8 to the financial statements and the " **Utility** - System Energy and Related Agreements " section of Part I, Item 1.

(Entergy Corporation)

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 Corporation is a holding company with no material revenue generating operations of its own or material assets other than the stock of its subsidiaries. Accordingly, all of its operations are conducted by its subsidiaries. Entergy Corporation's ability to satisfy its financial obligations, including the payment of interest and principal on its outstanding debt, and to pay dividends on its common stock depends on the payment to it of dividends or distributions by its subsidiaries. The subsidiaries of Entergy Corporation are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any dividends or make distributions to Entergy Corporation. The ability of such subsidiaries to make payments of dividends or distributions to Entergy Corporation depends on their results of operations and cash flows and other items affecting retained earnings, and on any applicable legal, regulatory, or contractual limitations on subsidiaries' ability to pay such dividends or distributions. Prior to providing funds to Entergy Corporation, such subsidiaries have financial and regulatory obligations that must be satisfied, including among others, debt service and, in the case of Entergy Utility Holding Company and Entergy Texas, dividends and distributions on preferred securities. Any distributions from the Registrant Subsidiaries other than Entergy Texas and System Energy are paid directly to Entergy Utility Holding Company and are therefore subject to prior payment of distributions on its preferred securities.

Item 1B. Unresolved Staff Comments

None.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

2021 Compared to 2020

Net Income

Net income increased $53.3 million primarily due to higher volume/weather and higher retail electric price, partially offset by a higher effective income tax rate, higher depreciation and amortization expenses, and higher other operation and maintenance expenses.

Operating Revenues

Following is an analysis of the change in operating revenues comparing 2021 to 2020:

	Amount
	(In Millions)
2020 operating revenues	$2,084.5
Fuel, rider, and other revenues that do not significantly affect net income	170.5
Volume/weather	46.4
Retail electric price	37.2
2021 operating revenues	**$2,338.6**

Entergy Arkansas's results include revenues from rate mechanisms designed to recover fuel, purchased power, and other costs such that the revenues and expenses associated with these items generally offset and do not affect net income. "Fuel, rider, and other revenues that do not significantly affect net income" includes the revenue variance associated with these items.

The volume/weather variance is primarily due to an increase of 1,531 GWh, or 7%, in billed electricity usage, including an increase in industrial usage and the effect of more favorable weather on residential and commercial sales. The increase in industrial usage is primarily due to an increase in demand from expansion projects, primarily in the metals industry.

The retail electric price variance is primarily due to an increase in formula rate plan rates effective May 2021. See Note 2 to the financial statements for further discussion of the 2020 formula rate plan filing.

Billed electric energy sales for Entergy Arkansas for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020	% Change
	(GWh)		
Residential	8,054	7,584	6
Commercial	5,492	5,356	3
Industrial	8,509	7,586	12
Governmental	225	223	1
Total retail	22,280	20,749	7
Sales for resale:			
Associated companies	2,254	1,659	36
Non-associated companies	6,151	4,198	47
Total	30,685	26,606	15

See Note 19 to the financial statements for additional discussion of Entergy Arkansas's operating revenues.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of $13.5 million in compensation and benefits costs in 2021 primarily due to higher incentive-based compensation accruals in 2021 as compared to prior year, lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, and an increase in net periodic pension and other postretirement benefits costs as a result of a decrease in the discount rate used to value the benefit liabilities. See " **Critical Accounting Estimates** " below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- lower nuclear insurance refunds of $5.8 million;
- an increase of $5.8 million primarily due to an increase in contract costs related to customer solutions and sustainability initiatives, including customer service center support and enhanced customer billing;
- an increase of $3.6 million in distribution operations expenses primarily due to higher reliability costs; and
- an increase of $3.2 million as a r esult of the amount of transmission costs allocated by MISO.

The increase was partially offset by:

- a decrease of $6.9 million in nuclear generation expenses primarily due to lower nuclear labor costs, including contract labor, and a lower scope of work performed in 2021 as compared to 2020;
- a decrease of $5.9 million in meter reading expenses as a result of the deployment of advanced metering systems;
- a decrease of $4.6 million in energy efficiency expenses due to the timing of recovery from customers; and
- a decrease of $3.4 million in vegetation maintenance costs.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Other regulatory charges (credits) - net includes:

- regulatory credits of $46.6 million, recorded in 2020, to reflect the amortization of the 2018 historical year netting adjustment reflected in the 2019 formula rate plan proceeding. See Note 2 to the financial statements for discussion of the 2019 formula rate plan proceeding;

- regulatory charges of $43.5 million, recorded in the fourth quarter 2020, to reflect the 2019 historical year netting adjustment included in the APSC's December 2020 order in the 2020 formula rate plan proceeding. See Note 2 to the financial statements for discussion of the 2020 formula rate plan proceeding; and
- the reversal in 2021 of the remaining $38.8 million regulatory liability for the 2019 historical year netting adjustment as part of its 2020 formula rate plan proceeding.

In addition, Entergy Arkansas records a regulatory charge or credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation related costs collected in revenue.

Other income increased primarily due to changes in decommissioning trust fund investment activity, including portfolio rebalancing for the ANO 1 and ANO 2 decommissioning trust funds in 2021.

Noncontrolling interest reflects the earnings or losses attributable to the noncontrolling interest partner of the tax equity partnership for the Searcy Solar facility under HLBV accounting. Entergy Arkansas has recorded a regulatory charge of $18.1 million in 2021 to defer the difference between the losses allocated to the tax equity partner under the HLBV method of accounting and the earnings/loss that would have been allocated to the tax equity partner under its respective ownership percentage in the partnership. See Note 1 to the financial statements for discussion of the HLBV method of accounting.

The effective income tax rates were 20.1% for 2021 and 16.3% for 2020. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 21% to the effective income tax rates, and for additional discussion regarding income taxes.

2020 Compared to 2019

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

Liquidity and Capital Resources

Cash Flow

Cash flows for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
		(In Thousands)	
Cash and cash equivalents at beginning of period	$192,128	$3,519	$119
Net cash provided by (used in):			
Operating activities	549,216	659,818	677,766
Investing activities	(898,193)	(795,709)	(676,293)
Financing activities	169,764	324,500	1,927
Net increase (decrease) in cash and cash equivalents	(179,213)	188,609	3,400
Cash and cash equivalents at end of period	$12,915	$192,128	$3,519

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased $110.6 million in 2021 primarily due to:

- increased fuel costs and the timing of recovery of fuel and purchased power costs. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- $25 million in proceeds received from the DOE in 2020 resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- an increase in spending of $18.1 million on nuclear refueling outages in 2021.

The decrease was partially offset by higher collections from customers.

Investing Activities

Net cash flow used in investing activities increased $102.5 million in 2021 primarily due to:

- the purchase of the Searcy Solar facility by the tax equity partnership in December 2021 for approximately $131.8 million. See Note 14 to the financial statements for further discussion of the Searcy Solar facility purchase;
- an increase of $62.6 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2021 as compared to 2020; and
- $55 million in proceeds received from the DOE in 2020 resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

The increase was partially offset by:

- a decrease of $53.0 million in transmission construction expenditures primarily due to a lower scope of work on projects performed in 2021 as compared to 2020 and lower capital expenditures for storm restoration in 2021;
- a decrease of $32.8 million in distribution construction expenditures primarily due to lower capital expenditures for storm restoration and lower spending on advanced meter infrastructure in 2021, partially offset by a higher scope of work performed in 2021 as compared to 2020;
- a decrease of $20.9 million in decommissioning trust fund investment activity; and
- a decrease of $20.1 million in information technology construction expenditures primarily due to decreased spending on various technology projects, including advanced metering infrastructure.

Financing Activities

Net cash flow provided by financing activities decreased $154.7 million in 2021 primarily due to:

- the issuances of $100 million of 4.00% Series mortgage bonds in March 2020 and $675 million of 2.65% Series mortgage bonds in September 2020;
- the repayment, at maturity, of $350 million of 3.75% Series mortgage bonds due February 2021; and
- the repayment, at maturity, of $45 million of 2.375% Series governmental bonds due January 2021.

The decrease was partially offset by:

- the issuance of $400 million of 3.35% Series mortgage bonds in March 2021;

- the repayment in October 2020 of $200 million of 4.90% Series mortgage bonds due December 2052;
- money pool activity;
- the repayment in October 2020 of $125 million of 4.75% Series mortgage bonds due June 2063;
- capital contributions of $51.2 million received in 2021 from the noncontrolling tax equity investor in AR Searcy Partnership, LLC and used by the partnership to acquire the Searcy Solar facility. See Note 14 to the financial statements for discussion of the Searcy Solar facility purchase;
- a decrease of $45 million in common equity distributions in 2021 in order to maintain Entergy Arkansas's capital structure; and
- higher prepaid deposits of $36 million related to contributions-in-aid-of-construction generation interconnection agreements in 2021 as compared to 2020.

Increases in Entergy Arkansas's payable to the money pool are a source of cash flow, and Entergy Arkansas's payable to the money pool increased by $139.9 million in 2021 compared to decreasing by $21.6 million in 2020. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

See Note 5 to the financial statements for further details of long-term debt.

2020 Compared to 2019

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

Capital Structure

Entergy Arkansas's debt to capital ratio is shown in the following table. The decrease in the debt to capital ratio is primarily due to an increase in equity resulting from retained earnings in 2021.

	December 31, 2021	December 31, 2020
Debt to capital	52.6 %	54.8 %
Effect of subtracting cash	—%	(1.2 %)
Net debt to net capital	52.6 %	53.6 %

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, finance lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Arkansas's financial condition. Entergy Arkansas also uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Arkansas's financial condition because net debt indicates Entergy Arkansas's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Arkansas seeks to optimize its capital structure in accordance with its regulatory requirements and to control its cost of capital while also maintaining equity capitalization at a level consistent with investment-grade debt ratings. To the extent that operating cash flows are in excess of planned investments, cash may be used to reduce

outstanding debt or may be paid as a distribution, or both, in appropriate amounts to maintain the capital structure. To the extent that operating cash flows are insufficient to support planned investments, Entergy Arkansas may issue incremental debt or reduce distributions, or both, to maintain its capital structure. In addition, in certain infrequent circumstances, such as financing of large transactions that would materially alter the capital structure if