financed entirely with debt and reducing distributions, Entergy Arkansas may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy Arkansas requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distribution and interest payments.

Following are the amounts of Entergy Arkansas's planned construction and other capital investments.

	2022	2023	2024
		(In Millions)	
Planned construction and capital investment:			
Generation	$285	$440	$320
Transmission	80	135	225
Distribution	270	310	490
Utility Support	125	95	65
Total	$760	$980	$1,100

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Arkansas includes generation projects to modernize, decarbonize, and diversify Entergy Arkansas's portfolio, such as the Walnut Bend Solar Facility and the West Memphis Solar Facility; investments in ANO 1 and 2; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

Following are the amounts of Entergy Arkansas's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
			(In Millions)		
Long-term debt (a)	$138	$423	$501	$904	$4,771
Operating leases (b)	$14	$13	$11	$17	$6
Finance leases (b)	$3	$3	$3	$4	$2

(a) Long-term debt is discussed in Note 5 to the financial statements.
(b) Lease obligations are discussed in Note 10 to the financial statements.

Other Obligations

Entergy Arkansas currently expects to contribute approximately $40.8 million to its qualified pension plans and approximately $517 thousand to its other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See " **Critical Accounting Estimates – Qualified Pension and**

Other Postretirement Benefits " below for a discussion of qualified pension and other postretirement benefits funding.

Entergy Arkansas has $415.9 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, Entergy Arkansas enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Arkansas has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of Entergy Arkansas's obligations under the Unit Power Sales Agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Arkansas pays distributions from its earnings at a percentage determined monthly.

Renewables

Walnut Bend Solar Facility

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

West Memphis Solar Facility

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

Sources of Capital

Entergy Arkansas's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- debt or preferred membership interest issuances, including debt issuances to refund or retire currently

outstanding or maturing indebtedness;

- capital contributions; and
- bank financing under new or existing facilities.

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

All debt and common and preferred membership interest issuances by Entergy Arkansas require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in Entergy Arkansas's bond indenture and other agreements. Entergy Arkansas has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Arkansas's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
($139,904)	$3,110	($21,634)	($182,738)

See Note 4 to the financial statements for a description of the money pool.

Entergy Arkansas has a credit facility in the amount of $150 million scheduled to expire in June 2026. Entergy Arkansas also has a $25 million credit facility scheduled to expire in April 2022. The $150 million credit facility includes fronting commitments for the issuance of letters of credit against $5 million of the borrowing capacity of the facility. As of December 31, 2021, there were no cash borrowings and no letters of credit outstanding under the credit facilities. In addition, Entergy Arkansas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2021, $8.5 million in letters of credit were outstanding under Entergy Arkansas's uncommitted letter of credit facility. See Note 4 to the financial statements for further discussion of the credit facilities.

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of $80 million scheduled to expire in June 2024. As of December 31, 2021, $4.8 million in loans were outstanding under the credit facility for the Entergy Arkansas nuclear fuel company variable interest entity. See Note 4 to the financial statements for further discussion of the nuclear fuel company variable interest entity credit facility.

Entergy Arkansas obtained authorization from the FERC through October 2023 for short-term borrowings not to exceed an aggregate amount of $250 million at any time outstanding and borrowings by its nuclear fuel company variable interest entity. See Note 4 to the financial statements for further discussion of Entergy Arkansas's short-term borrowing limits. The long-term securities issuances of Entergy Arkansas are limited to amounts authorized by the FERC. The APSC has concurrent jurisdiction over Entergy Arkansas's first mortgage bond/secured issuances. Entergy Arkansas has obtained long-term financing authorization from the FERC that extends through October 2023. Entergy Arkansas has obtained first mortgage bond/secured financing authorization from the APSC that extends through December 2022.

State and Local Rate Regulation and Fuel-Cost Recovery

Retail Rates

2019 Formula Rate Plan Filing

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

2020 Formula Rate Plan Filing

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

2021 Formula Rate Plan Filing

In July 2021, Entergy Arkansas filed with the APSC its 2021 formula rate plan filing to set its formula rate for the 2022 calendar year. The filing contained an evaluation of Entergy Arkansas's earnings for the projected year 2022 and a netting adjustment for the historical year 2020. The filing showed that Entergy Arkansas's earned rate of return on common equity for the 2022 projected year is 7.65% resulting in a revenue deficiency of $89.2 million. The earned rate of return on common equity for the 2020 historical year was 7.92% resulting in a $19.4 million netting adjustment. The total proposed revenue change for the 2022 projected year and 2020 historical year netting adjustment is $108.7 million. By operation of the formula rate plan, Entergy Arkansas's recovery of the revenue requirement is subject to a four percent annual revenue constraint. Because Entergy Arkansas's revenue requirement in this filing exceeded the constraint, the resulting increase is limited to $72.4 million. In October 2021, Entergy Arkansas filed with the APSC a settlement agreement reached with other parties resolving all issues in the proceeding. As a result of the settlement agreement, the total proposed revenue change is $82.2 million, including a $62.8 million increase for the projected 2022 year and a $19.4 million netting adjustment. Because Entergy Arkansas's revenue requirement exceeded the constraint, the resulting increase is limited to $72.1 million. In December 2021 the APSC approved the settlement as being in the public interest and approved Entergy Arkansas's compliance tariff effective with the first billing cycle of January 2022.

Production Cost Allocation Rider

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

Energy Cost Recovery Rider

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

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

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

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

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

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

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

Opportunity Sales Proceeding

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

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

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

FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

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

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

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

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

In October 2018 the FERC issued an order addressing the ALJ's July 2017 initial decision. The FERC reversed the ALJ's decision to cap the reduction in Entergy Arkansas's payment to account for the increased bandwidth payments that Entergy Arkansas made to the other operating companies. The FERC also reversed the ALJ's decision that Grand Gulf sales from January through September 2000 should be included in the calculation of

Entergy Arkansas's payment. The FERC affirmed on other grounds the ALJ's rejection of the LPSC's claim that certain joint account sales should be accounted for as part of the calculation of Entergy Arkansas's payment. In November 2018 the LPSC requested rehearing of the FERC's October 2018 decision. In December 2019 the FERC denied the LPSC's request for rehearing. In January 2020 the LPSC appealed the December 2019 decision to the D.C. Circuit.

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

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

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

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

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

In May 2019, Entergy Arkansas filed an application and supporting testimony with the APSC requesting approval of a special rider tariff to recover the costs of these payments from its retail customers over a 24-month period. The application requested that the APSC approve the rider to take effect within 30 days or, if suspended by the APSC as allowed by commission rule, approve the rider to take effect in the first billing cycle of the first month occurring 30 days after issuance of the APSC's order approving the rider. In June 2019 the APSC suspended Entergy Arkansas's tariff and granted Entergy Arkansas's motion asking the APSC to establish the proceeding as the single designated proceeding in which interested parties may assert claims related to the appropriate retail rate treatment of the FERC's October 2018 order and related FERC orders in the opportunity sales proceeding. In January 2020 the

APSC adopted a procedural schedule with a hearing in April 2020. In January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed a joint motion seeking to dismiss Entergy Arkansas's application alleging that the APSC, in a prior proceeding, ruled on the issues addressed in the application and determined that Entergy Arkansas's requested relief violates the filed rate doctrine and the prohibition against retroactive ratemaking. Entergy Arkansas responded to the joint motion in February 2020 rebutting these arguments, including demonstrating that the claims in this proceeding differ substantially from those the APSC addressed previously and that the payment resulting from a FERC tariff violation for which Entergy Arkansas seeks retail cost recovery in this proceeding differs materially from the refunds resulting from a FERC tariff amendment that the APSC previously rejected on filed rate doctrine and the retroactive ratemaking grounds. In addition, in January 2020 the Attorney General and Arkansas Electric Energy Consumers, Inc. filed testimony opposing the recovery by Entergy Arkansas of the opportunity sales payment but also claiming that certain components of the payment should be segregated and refunded to customers. In March 2020, Entergy Arkansas filed rebuttal testimony.

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

Net Metering Legislation

An Arkansas law was enacted effective July 2019 that, among other things, expands the definition of a "net metering customer" to include two additional types of customers: (1) customers that lease net metering facilities, subject to certain leasing arrangements, and (2) government entities or other entities exempt from state and federal income taxes that enter into a service contract for a net metering facility. The latter provision allows eligible entities, many of whom are small and large general service customers, to purchase renewable energy directly from third party providers and receive bill credits for these purchases. The APSC was given authority under this law to address certain matters, such as cost shifting and the appropriate compensation for net metered energy and initiated proceedings for this purpose. Because of the size and number of customers eligible under this new law, there is a risk of loss of load and the shifting of costs to customers. A hearing was held in December 2019, with utilities, cooperatives, the Arkansas Attorney General, industrial customers, and Entergy Arkansas advocating the need for establishment of a reasonable rate structure that takes into account impacts to non-net metering customers; an additional hearing was conducted in February 2020 for purposes of public comment only. The APSC issued an order in June 2020, and in July 2020 several parties, including Entergy Arkansas, filed for rehearing on multiple grounds, including for the reasons that it imposes an unreasonable rate structure and allows facilities to net meter that do not meet the statutory definition of net metering facilities. After granting the rehearing requests, the APSC issued an order in September

2020 largely upholding its June 2020 order. In October 2020, Entergy Arkansas and

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several other parties filed an appeal of the APSC's September 2020 order. In January 2021, Entergy Arkansas, pursuant to an APSC order, filed an updated net metering tariff, which was approved in February 2021. In May 2021, Entergy Arkansas filed a motion to dismiss its pending judicial appeal of the APSC's September 2020 order on rehearing in the proceeding addressing its net metering rules. In June 2021 the Arkansas Court of Appeals granted the motion and dismissed Entergy Arkansas's appeal, although other appeals of the September 2020 APSC order remain pending with that court.

Separately, as directed by the APSC general staff, the APSC opened a proceeding to compel utilities to amend their net metering tariffs to incorporate the provisions of the legislation that the APSC general staff considered "black letter law." Entergy Arkansas, the Arkansas Attorney General, and other intervenors opposed this directive pending the development of the rules for implementation that are being considered in the separate net metering rulemaking docket. Nevertheless, reserving its rights, Entergy Arkansas has complied with the directive to amend its tariffs. Asserting procedural and due process violations, in January 2020, Entergy Arkansas and the Arkansas Attorney General separately appealed certain APSC orders in the proceeding. In December 2021 the Arkansas Court of Appeals dismissed the appeal on procedural grounds and without prejudice.

Since the enactment of the net metering legislation, the APSC has approved numerous applications allowing Entergy Arkansas customers to enter into purchase power agreements with third parties and to utilize these purchase power agreements to offset power usage by Entergy Arkansas, despite the lack of proximity between the purchase power agreement and the end-use customer. The APSC also has allowed the aggregation of accounts by net metering customers. These decisions by the APSC have created subsidies in favor of eligible net metering customers to the detriment of non-participating customers. The level of this subsidy continues to grow as additional net metering applications are approved by the APSC.

Green Promise Renewable Tariff

In July 2021, Entergy Arkansas filed a proposed green tariff designed to help participating customers meet their renewable and sustainability goals and to enhance economic development efforts in Arkansas. The total proposed amount of solar capacity currently designated to be available under this tariff is up to 200 MW. In September and October 2021 the APSC general staff and two net-metering solar developer intervenors filed responses indicating opposition to the tariff as proposed. The tariff is supported by certain commercial and industrial customers that have indicated an interest in subscribing to the tariff. In October 2021, Entergy Arkansas, Walmart, and industrial customers filed a non-unanimous settlement agreement supporting that the tariff should be approved as filed by Entergy Arkansas; the Arkansas Attorney General stated it does not oppose the settlement. In January 2022 the APSC general staff filed in opposition to the non-unanimous settlement agreement, and one of the net-metering solar developer intervenors withdrew from the proceeding. In January 2022 the parties agreed to a paper hearing with written responses to the APSC's questions being filed in February and March 2022. An APSC decision is expected in second quarter 2022.

COVID-19 Orders

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

Federal Regulation

See the " **Rate, Cost-recovery, and Other Regulation – Federal Regulation** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

Nuclear Matters

Entergy Arkansas owns and, through an affiliate, operates the ANO 1 and ANO 2 nuclear power plants. Entergy Arkansas is, therefore, subject to the risks related to owning and operating nuclear plants. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals; the performance and capacity factors of these nuclear plants including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license amendments, and decommissioning; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of either ANO 1 or ANO 2, Entergy Arkansas may be required to file with the APSC a rate mechanism to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. ANO 1's operating license expires in 2034 and ANO 2's operating license expires in 2038.

Environmental Risks

Entergy Arkansas'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 Arkansas is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in " **Regulation of Entergy's Business - Environmental Regulation** " in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

See " **Nuclear Decommissioning Costs** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

Utility Regulatory Accounting

See " **Utility Regulatory Accounting** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See " **Impairment of Long-lived Assets** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See " **Taxation and Uncertain Tax Positions** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy Arkansas's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See " **Qualified Pension and Other Postretirement Benefits** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Costs and Sensitivities

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$1,876	$42,262
Rate of return on plan assets	(0.25%)	$2,851	$ —
Rate of increase in compensation	0.25%	$1,908	$8,509

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$171	$6,791
Health care cost trend	0.25%	$282	$4,789

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Arkansas in 2021 was $92.9 million, including $37.7 million in settlement costs. Entergy Arkansas anticipates 2022 qualified pension cost to be $41.4 million. Entergy Arkansas contributed $66.6 million to its qualified pension plans in 2021 and estimates pension contributions will be approximately $40.8 million in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total other postretirement health care and life insurance benefit income for Entergy Arkansas in 2021 was $11.1 million. Entergy Arkansas expects 2022 postretirement health care and life insurance benefit income of approximately $5.7 million. In 2021, Entergy Arkansas' contributions (that is, contributions to the external trusts plus claims payments) were offset by trust claims reimbursements, resulting in a net reimbursement of $767 thousand. Entergy Arkansas estimates that 2022 contributions will be approximately $517 thousand.

Other Contingencies

See " **Other Contingencies** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See " **New Accounting Pronouncements** " section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of
Entergy Arkansas, LLC and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Arkansas, LLC and Subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, cash flows and changes in member's equity (pages 324 through 328 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

Rate and Regulatory Matters —Entergy Arkansas, LLC and Subsidiaries — Refer to Note 2 to the financia statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Arkansas Public Service Commission (the "APSC"), which has jurisdiction with respect to the rates of electric companies in Arkansas, and to wholesale rate regulation by the Federal Energy Regulatory Commission ("FERC"). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

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

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs, including costs related to the Opportunity Sales Proceeding and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the APSC and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

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

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the APSC and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the APSC's and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, including the Opportunity Sales Proceeding, we inspected the Company's filings with the APSC and the FERC, including the annual formula rate plan filing, and considered the filings with the APSC and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions .
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including the Opportunity Sales Proceeding, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022
We have served as the Company's auditor since 2001.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
		(In Thousands)	
OPERATING REVENUES			
Electric	$ 2,338,590	$ 2,084,494	$ 2,259,594
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	347,166	271,896	458,907
Purchased power	280,504	187,690	204,640
Nuclear refueling outage expenses	51,141	55,737	68,769
Other operation and maintenance	687,418	669,518	720,217
Decommissioning	77,696	73,319	68,030
Taxes other than income taxes	127,249	121,057	115,869
Depreciation and amortization	361,479	338,029	307,351
Other regulatory charges (credits) - net	(31,501)	(35,310)	(11,186)
TOTAL	1,901,152	1,681,936	1,932,597
OPERATING INCOME	437,438	402,558	326,997
OTHER INCOME			
Allowance for equity funds used during construction	15,273	15,019	15,499
Interest and investment income	76,953	35,579	26,020
Miscellaneous - net	(22,278)	(21,908)	(18,566)
TOTAL	69,948	28,690	22,953
INTEREST EXPENSE			
Interest expense	140,348	144,834	140,087
Allowance for borrowed funds used during construction	(6,641)	(6,595)	(6,332)
TOTAL	133,707	138,239	133,755
INCOME BEFORE INCOME TAXES	373,679	293,009	216,195
Income taxes	75,195	47,777	(46,769)
NET INCOME	298,484	245,232	262,964
Net loss attributable to noncontrolling interest	(18,092)	—	—
EARNINGS APPLICABLE TO MEMBER'S EQUITY	$ 316,576	$ 245,232	$ 262,964

See Notes to Financial Statements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	$ 298,484	$ 245,232	$ 262,964
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	503,539	490,457	465,299
Deferred income taxes, investment tax credits, and non-current taxes accrued	100,459	87,019	94,368
Changes in assets and liabilities:			
Receivables	17,682	(24,507)	(58,077)
Fuel inventory	(7,081)	(10,066)	(10,597)
Accounts payable	27,967	(22,773)	3,059
Prepaid taxes and taxes accrued	7,753	6	24,942
Interest accrued	(5,637)	(43)	3,895
Deferred fuel costs	(162,458)	(1,186)	72,560
Other working capital accounts	(53,343)	(11,061)	18,783
Provisions for estimated losses	6,915	6,289	14,901
Other regulatory assets	142,706	(165,534)	(131,873)
Other regulatory liabilities	21,066	106,878	39,293
Pension and other postretirement liabilities	(175,863)	42,576	5,831
Other assets and liabilities	(172,973)	(83,469)	(127,582)
Net cash flow provided by operating activities	549,216	659,818	677,766
INVESTING ACTIVITIES			
Construction expenditures	(722,628)	(775,595)	(641,525)
Allowance for equity funds used during construction	15,273	15,019	15,306
Nuclear fuel purchases	(84,302)	(100,678)	(54,344)
Proceeds from sale of nuclear fuel	16,279	30,638	22,782
Proceeds from nuclear decommissioning trust fund sales	530,628	321,360	317,377
Investment in nuclear decommissioning trust funds	(524,783)	(336,392)	(336,519)
Payment for purchase of assets	(131,770)	(5,988)	—
Changes in money pool receivable - net	3,110	(3,110)	—
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	55,001	—
Other	—	4,036	630
Net cash flow used in investing activities	(898,193)	(795,709)	(676,293)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	719,284	1,071,121	834,038
Retirement of long-term debt	(728,917)	(632,175)	(548,952)
Capital contributions from noncontrolling interest	51,202	—	—
Change in money pool payable - net	139,904	(21,634)	(161,104)
Common equity distributions paid	(50,000)	(95,000)	(115,000)
Other	38,291	2,188	(7,055)
Net cash flow provided by 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 beginning of period	192,128	3,519	119
Cash and cash equivalents at end of period	$ 12,915	$ 192,128	$ 3,519
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	$ 143,561	$ 140,735	$ 131,134
Income taxes	($ 18,933)	($ 21,971)	($ 33,989)

See Notes to Financial Statements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31, 2021	December 31, 2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$ 8,155	$ 24,108
Temporary cash investments	4,760	168,020
Total cash and cash equivalents	12,915	192,128
Accounts receivable:		
Customer	154,412	183,719
Allowance for doubtful accounts	(13,072)	(18,334)
Associated companies	29,587	34,216
Other	51,064	35,845
Accrued unbilled revenues	101,663	109,000
Total accounts receivable	323,654	344,446
Deferred fuel costs	108,862	—
Fuel inventory - at average cost	50,892	43,811
Materials and supplies - at average cost	247,980	237,640
Deferred nuclear refueling outage costs	65,318	32,692
Prepayments and other	14,863	13,296
TOTAL	824,484	864,013
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	1,438,416	1,273,921
Other	947	341
TOTAL	1,439,363	1,274,262
UTILITY PLANT		
Electric	13,578,297	12,905,322
Construction work in progress	241,127	234,213
Nuclear fuel	182,055	163,044
TOTAL UTILITY PLANT	14,001,479	13,302,579
Less - accumulated depreciation and amortization	5,472,296	5,255,355
UTILITY PLANT - NET	8,529,183	8,047,224
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets	1,689,678	1,832,384
Deferred fuel costs	68,751	68,220
Other	13,660	14,028
TOTAL	1,772,089	1,914,632
TOTAL ASSETS	$ 12,565,119	$ 12,100,131

See Notes to Financial Statements.

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ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31, 2021	December 31, 2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$ —	$ 485,000
Accounts payable:		
Associated companies	217,310	59,448
Other	190,476	208,591
Customer deposits	92,511	98,506
Taxes accrued	89,590	81,837
Interest accrued	17,108	22,745
Deferred fuel costs	—	53,065
Other	38,901	40,628
TOTAL	645,896	1,049,820
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,416,201	1,286,123
Accumulated deferred investment tax credits	29,299	30,500
Regulatory liability for income taxes - net	431,655	467,031
Other regulatory liabilities	743,314	686,872
Decommissioning	1,390,410	1,314,160
Accumulated provisions	77,084	70,169
Pension and other postretirement liabilities	185,789	361,682
Long-term debt	3,958,862	3,482,507
Other	110,754	75,098
TOTAL	8,343,368	7,774,142
Commitments and Contingencies		
EQUITY		
Member's equity	3,542,745	3,276,169
Noncontrolling interest	33,110	—
TOTAL	3,575,855	3,276,169
TOTAL LIABILITIES AND EQUITY	$ 12,565,119	$ 12,100,131

See Notes to Financial Statements.

ENTERGY ARKANSAS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Years Ended December 31, 2021, 2020, and 2019

	Noncontrolling Interest	Member's Equity	Total
		(In Thousands)	
Balance at December 31, 2018	$ —	$ 2,983,103	$ 2,983,103
Net income	—	262,964	262,964
Common equity distributions	—	(115,000)	(115,000)
Other	—	(5,130)	(5,130)
Balance at December 31, 2019	$ —	$ 3,125,937	$ 3,125,937
Net income	—	245,232	245,232
Common equity distributions	—	(95,000)	(95,000)
Balance at December 31, 2020	$ —	$ 3,276,169	$ 3,276,169
Net income (loss)	(18,092)	316,576	298,484
Common equity distributions	—	(50,000)	(50,000)
Capital contributions from noncontrolling interest	51,202	—	51,202
Balance at December 31, 2021	$ 33,110	$ 3,542,745	$ 3,575,855

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Hurricane Ida

In August 2021, Hurricane Ida caused extensive damage to Entergy Louisiana's distribution and, to a lesser extent, transmission systems resulting in widespread power outages. Total restoration costs for the repair and/or replacement of the electrical system damaged by Hurricane Ida are currently estimated to be approximately $2.5 billion. Also, Entergy Louisiana's revenues in 2021 were adversely affected by extended power outages resulting from the hurricane.

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

Entergy Louisiana is considering all available avenues to recover storm-related costs from Hurricane Ida, including federal government assistance and securitization financing. In September 2021, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of approximately $1 billion of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Ida, which bonds were issued in October 2021. Also in September 2021, as discussed below in "**Storm Cost Filings -** Hurricane Laura, Hurricane Delta, Hurricane Zeta, Winter Storm Uri, and Hurricane Ida ," Entergy Louisiana sought approval for the creation and funding of a $1 billion restricted escrow account for Hurricane Ida restoration costs, subject to a subsequent prudence review. Storm cost recovery or financing will be subject to review by applicable regulatory authorities, with a prudence review likely being initiated in the second quarter of 2022.

Results of Operations

2021 Compared to 2020

Net Income

Net income decreased $428.4 million primarily due to the $382.8 million reduction in deferred income tax expense related to the basis of assets contributed in the 2015 Entergy Louisiana and Entergy Gulf States Louisiana business combination as a result of the resolution of the 2014-2015 IRS audit in the fourth quarter 2020 and the $58 million reduction in income tax expense resulting from an IRS settlement in the first quarter 2020 related to the uncertain tax position regarding the Hurricane Isaac Louisiana Act 55 financing, which also resulted in a $29 million ($21 million net-of-tax) regulatory charge to reflect Entergy Louisiana's agreement to share the savings with customers. Also contributing to the decrease was higher other operation and maintenance expenses, higher depreciation and amortization expenses, higher interest expense, and higher taxes other than income taxes. The decrease was partially offset by higher retail electric price and higher other income. See Note 3 to the financial statements for further discussion of the tax settlement.

Operating Revenues

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

	Amount
	(In Millions)
2020 operating revenues	$4,069.9
Fuel, rider, and other revenues that do not significantly affect net income	865.0
Retail electric price	136.7
Volume/weather	(3.2)
2021 operating revenues	**$5,068.4**

Entergy Louisiana'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 retail electric price variance is primarily due to:

- an interim increase in formula rate plan revenues effective April 2020 due to the inclusion of the first-year revenue requirement for the Lake Charles Power Station;
- an increase in overall formula rate plan revenues, including an increase in the transmission recovery mech anism, e ffective September 2020;
- an interim increase in formula rate plan revenues effective December 2020 due to the inclusion of the first-year revenue requirement for the Washington Parish Energy Center; and
- an increase in formula rate plan revenues, including increases in the transmission and distribution recovery mechanisms, effective September 2021.

See Note 2 to the financial statements for further discussion of the formula rate plan proceedings.

The volume/weather variance is primarily due to a decrease in usage during the unbilled sales period and a decrease in weather-adjusted billed electricity usage for residential customers, partially offset by an increase in industrial usage and the effect of more favorable weather on residential sales. The decrease in weather-adjusted residential usage is primarily due to the effect of Hurricane Ida in 2021 and the impact that the COVID-19 pandemic had on prior year usage. The increase in industrial usage is primarily due to increased demand from expansion projects, primarily in the chemicals and transportation industries, and an increase in demand from co-generation customers, partially offset by a decrease in demand from existing customers in the chemicals and petroleum refining industries. See " **Hurricane Ida** " above for discussion of the impacts from the storm.

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

	2021	2020	% Change
	(GWh)		
Residential	13,588	13,771	(1)
Commercial	10,385	10,465	(1)
Industrial	29,869	28,881	3
Governmental	792	779	2
Total retail	54,634	53,896	1
Sales for resale:			
Associated companies	4,950	5,585	(11)
Non-associated companies	2,764	2,365	17
Total	62,348	61,846	1

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

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of $21.7 million in compensation and benefits costs in 2021 primarily due to lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, 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, and higher incentive-based compensation accruals in 2021 as compared to prior year. See " **Critical Accounting Estimates** " below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- an increase of $19.3 million in distribution operations expenses primarily due to higher reliability costs;
- an increase of $12.7 million in nuclear generation expenses primarily due to a higher scope of work performed in 2021 as compared to 2020;
- an increase of $10.7 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 $6 million in energy efficiency costs due to the timing of recovery from customers and higher energy efficiency costs;
- an increase of $4.9 million as a result of the amount of transmission costs allocated by MISO. See Note 2 to the financial statements for further information on the recovery of these costs; and
- lower nuclear insurance refunds of $4.2 million.

The increase was partially offset by a gain of $14.8 million, recorded in 2021, on the sale of a pipeline.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments and an increase in local franchise taxes resulting from an increase in revenue collected.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Lake Charles Power Station, which was placed in service in March 2020, and the Washington Parish Energy Center, which was placed in service in November 2020.

Other regulatory charges (credits) include regulatory charges of $32.6 million recorded in the fourth quarter 2020 due to a settlement with the IRS related to the uncertain tax position regarding Hurricane Katrina and Hurricane Rita Louisiana Act 55 financing because the savings will be shared with customers and $29 million recorded in the first quarter 2020 due to a settlement with the IRS related to the uncertain tax position regarding Hurricane Isaac Louisiana Act 55 financing because the savings will be shared with customers. See Note 3 to the financial statements for further discussion of the settlements and savings obligations. In addition, Entergy Louisiana 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 activity, including portfolio rebalancing for the Waterford 3 and River Bend decommissioning trust funds in 2021. The increase was partially offset by a decrease in the allowance for equity funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project.

Interest expense increased primarily due to:

- the issuances of $1.1 billion of 0.62% Series mortgage bonds, $300 million of 2.90% Series mortgage bonds, and $300 million of 1.60% Series mortgage bonds, each in November 2020;
- the issuances of $500 million of 2.35% Series mortgage bonds and $500 million of 3.10% Series mortgage bonds, each in March 2021;
- the issuance of $1 billion of 0.95% Series mortgage bonds in October 2021; and
- a decrease in the allowance for borrowed funds used during construction due to higher construction work in progress in 2020, including the Lake Charles Power Station project.

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

The effective income tax rates were 15.5% for 2021 and (54.6%) for 2020. The difference in the effective income tax rate versus the federal statutory rate of 21% for 2020 was primarily due to completion of the 2014-2015 IRS audit effectively settling the tax positions for those years. See Notes 2 and 3 to the financial statements for a discussion of the effects and regulatory activity regarding the Tax Cuts and Jobs Act. 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 Louisiana'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	$728,020	$2,006	$43,364
Net cash provided by (used in):			
Operating activities	1,052,526	1,072,986	1,236,002
Investing activities	(3,700,199)	(1,944,671)	(1,653,634)
Financing activities	1,938,226	1,597,699	376,274
Net increase (decrease) in cash and cash equivalents	(709,447)	726,014	(41,358)
Cash and cash equivalents at end of period	$18,573	$728,020	$2,006

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities decreased $20.5 million in 2021 primarily due to:

- an increase of approximately $197.2 million in storm spending in 2021. See Note 2 to the financial statements for discussion of recent storms;
- an increase in spending of $11.9 million on nuclear refueling outages in 2021; and
- an increase of $4.4 million in pension contributions in 2021. See " **Critical Accounting Estimates** " below and Note 11 to the financial statements for a discussion of qualified pension and other postretirement benefits funding.

The decrease was partially offset by the timing of payments to vendors, higher collections from customers, and the timing of recovery of fuel and purchased power costs.

Investing Activities

Net cash flow used in investing activities increased $1,755.5 million in 2021 primarily due to:

- an increase of $1,119 million in distribution construction expenditures, primarily due to higher capital expenditures for storm restoration in 2021, partially offset by lower spending in 2021 on advanced metering infrastructure;
- an increase of $530.1 million in transmission construction expenditures primarily due to higher capital expenditures for storm restoration in 2021;
- $295.9 million in net receipts from storm reserve escrow accounts in 2020;
- an increase of $35 million in nuclear decommissioning trust fund activity as a result of a lump sum contribution for amounts collected over a 17-month period. See Note 2 for a discussion of nuclear decommissioning expense recovery;

- an increase of $23.8 million as a result of fluctuations in nuclear fuel activity, primarily due to variations from year to year in the timing and pricing of fuel reload requirements, materials and services deliveries, and the timing of cash payments during the nuclear fuel cycle; and

- an increase of $22.8 million in nuclear construction expenditures primarily due to increased spending on various nuclear projects in 2021 and higher capital expenditures for storm restoration in 2021.

The increase was partially offset by:

- the purchase of Washington Parish Energy Center in November 2020 for approximately $222 million. See Note 14 to the financial statements for further discussion of the Washington Parish Energy Center purchase;
- a decrease of $33.1 million in non-nuclear generation construction expenditures due to higher spending in 2020 on the Lake Charles Power Station;
- the sale of a pipeline for $15 million in 2021;
- the purchase of a portion of a transmission operating center from Entergy Services for $14.5 million in 2020; and
- money pool activity.

Increases in Entergy Louisiana's receivable from the money pool are a use of cash flow, and Entergy Louisiana's receivable from the money pool increased by $1.1 million in 2021 compared to increasing by $13.4 million in 2020. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow provided by financing activities increased $340.5 million in 2021 primarily due to:

- the issuance of $500 million of 2.35% Series mortgage bonds and $500 million of 3.10% Series mortgage bonds, each in March 2021;
- the issuance of $1 billion of 0.95% Series mortgage bonds in October 2021;
- the repayment of $250 million of 3.95% Series mortgage bonds in August 2020;
- the repayment in December 2020 of $200 million of 5.25% Series mortgage bonds due July 2052;
- a capital contribution of $125 million received from Entergy Corporation in December 2021 in order to assist in paying costs associated with Hurricane Ida;
- net borrowings of $125 million in 2021 on Entergy Louisiana's credit facility;
- the repayment in December 2020 of $100 million of 4.70% Series mortgage bonds due June 2063;
- net long-term borrowings of $24.1 million in 2021 compared to net repayments of long-term borrowings of $62 million in 2020 on the nuclear fuel company variable interest entities' credit facilities; and
- money pool activity.

The increase was partially offset by:

- the issuance of $1.1 billion of 0.62% Series mortgage bonds in November 2020;
- the issuance of $350 million of 2.90% Series mortgage bonds and $300 million of 4.20% Series mortgage bonds, each in March 2020,
- the issuance of $300 million of 2.90% Series mortgage bonds and $300 million of 1.60% Series mortgage bonds, each in November 2020,
- the repayment of $200 million of 4.80% Series mortgage bonds in May 2021;
- the repayment in February 2021 of $40 million of 3.92% Series H notes by the Entergy Louisiana Waterford variable interest entity; and
- an increase of $38.5 million in common equity distributions in 2021 primarily to maintain Entergy Louisiana's targeted capital structure. In addition, common equity distributions were lower in 2020 due to

spending on the Lake Charles Power Station and the purchase of the Washington Parish Energy Center.

Decreases in Entergy Louisiana's payable to the money pool are a use of cash flow, and Entergy Louisiana's payable to the money pool decreased by $82.8 million in 2020.

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

2020 Compared to 2019

See " **MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS** - **Liquidity and Capital Resources - Cash Flow** " in Item 7 of Entergy Louisiana'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 Louisiana's debt to capital ratio is shown in the following table. The increase in the debt to capital ratio for Entergy Louisiana is primarily due to the net issuances of long-term debt in 2021 partially offset by the $125 million capital contribution received from Entergy Corporation in December 2021.

	December 31, 2021	December 31, 2020
Debt to capital	57.2 %	54.8 %
Effect of subtracting cash	0.0 %	(2.1 %)
Net debt to net capital	57.2 %	52.7 %

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 common equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana 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 Louisiana's financial condition. Entergy Louisiana 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 Louisiana's financial condition because net debt indicates Entergy Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Louisiana 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 Louisiana 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 financed entirely with debt and reducing distributions, Entergy Louisiana may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy Louisiana requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and

- distribution and interest payments.

Following are the amounts of Entergy Louisiana's planned construction and other capital investments.

	2022	2023	2024
		(In Millions)	
Planned construction and capital investment:			
Generation	$395	$380	$555
Transmission	460	340	260
Distribution	430	480	415
Utility Support	195	150	105
Total	$1,480	$1,350	$1,335

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Louisiana includes specific investments such as generation projects to modernize, decarbonize, and diversify Entergy Louisiana's portfolio, including St. Jacques Louisiana Solar; investments in River Bend and Waterford 3; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while also supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

In addition to the planned spending in the table above, Entergy Louisiana also expects to pay for $785 million of capital investments in 2022 related to Hurricane Ida restoration work that has been accrued as of December 31, 2021.

Following are the amounts of Entergy Louisiana's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
			(In Millions)		
Long-term debt (a)	$534	$1,772	$2,083	$1,566	$9,957
Operating leases (b)	$14	$12	$10	$11	$3
Finance leases (b)	$4	$4	$4	$5	$3

(a) Long-term debt is discussed in Note 5 to the financial statements.
(b) Lease obligations are discussed in Note 10 to the financial statements.

Other Obligations

Entergy Louisiana currently expects to contribute approximately $22.9 million to its qualified pension plans and approximately $15.8 million to its other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

In addition, Entergy Louisiana enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Louisiana has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of

Entergy Louisiana’s obligations under the Unit Power Sales Agreement and the Vidalia purchased power agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Louisiana pays distributions from its earnings at a percentage determined monthly.

2021 Solar Certification and the Geaux Green Option

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

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

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

Sources of Capital

Entergy Louisiana's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- storm reserve escrow accounts;
- debt or preferred membership interest issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

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

All debt and common and preferred membership interest issuances by Entergy Louisiana require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indentures and other agreements. Entergy Louisiana has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Louisiana's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
(In Thousands)			
$14,539	$13,426	($82,826)	$46,843

See Note 4 to the financial statements for a description of the money pool.

Entergy Louisiana has a credit facility in the amount of $350 million scheduled to expire in June 2026. The credit facility includes fronting commitments for the issuance of letters of credit against $15 million of the borrowing capacity of the facility. As of December 31, 2021, there were $125 million of cash borrowings and no letters of credit outstanding under the credit facility. In addition, Entergy Louisiana is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of December 31, 2021, $15 million in letters of credit were outstanding under Entergy Louisiana's uncommitted letter of credit facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

The Entergy Louisiana nuclear fuel company variable interest entities have two separate credit facilities, each in the amount of $105 million and scheduled to expire in June 2024. As of December 31, 2021, $42.7 million of loans were outstanding under the credit facility for the Entergy Louisiana River Bend nuclear fuel company variable interest entity. As of December 31, 2021, $39.6 million in loans were outstanding under the Entergy Louisiana Waterford nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements for additional discussion of the nuclear fuel company variable interest entity credit facilities.

Entergy Louisiana obtained authorizations from the FERC through October 2023 for the following:

- short-term borrowings not to exceed an aggregate amount of $450 million at any time outstanding;
- long-term borrowings and security issuances; and
- borrowings by its nuclear fuel company variable interest entities.

See Note 4 to the financial statements for further discussion of Entergy Louisiana's short-term borrowing limits.

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

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

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

In October 2020, Entergy Louisiana filed an application at the LPSC seeking approval of certain ratemaking adjustments in connection with the issuance of shorter-term mortgage bonds to provide interim financing for restoration costs associated with Hurricane Laura, Hurricane Delta, and Hurricane Zeta. Subsequently, Entergy

Louisiana and the LPSC staff filed a joint motion seeking approval to exclude from the derivation of Entergy Louisiana’s capital structure and cost rate of debt for ratemaking purposes, including the allowance for funds used during construction, shorter-term debt up to $ 1.1 billion issued by Entergy Louisiana to fund costs associated with

Hurricane Laura, Hurricane Delta, and Hurricane Zeta costs on an interim basis. In November 2020 the LPSC issued an order approving the joint motion, and Entergy Louisiana issued $ 1.1 billion of 0.62 % Series mortgage bonds due November 2023. Also in November 2020, Entergy Louisiana withdrew $ 257 million from its funded storm reserves.

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

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

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that Entergy Louisiana charges for its services significantly influence its financial position, results of operations, and liquidity. Entergy Louisiana is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the LPSC, is primarily responsible for approval of the rates charged to customers.

Retail Rates - Electric

Filings with the LPSC

2017 Formula Rate Plan Filing

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

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

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

2018 Formula Rate Plan Filing

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

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

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

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

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

2019 Formula Rate Plan Filing

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

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

2020 Formula Rate Plan Filing

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

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Request for Extension and Modification of Formula Rate Plan

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

Investigation of Costs Billed by Entergy Services

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

Fuel and purchased power recovery

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

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

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

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

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

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

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

COVID-19 Orders

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

Net Metering Rulemaking

In September 2019 the LPSC issued an order modifying its rules regarding net metering installations. Among other things, the rule provides for 2-channel billing for net metering with excess energy put to the grid being compensated at the utility's avoided cost. However, the rule does provide that net meter installations in place as of December 31, 2019 will be subject to 1:1 net metering with excess energy put to the grid being compensated at the full retail rate for a period of 15 years (through December 31, 2034), after which those installations will be subject to 2-channel billing. The rule also eliminates the existing limit on the cumulative number of net meter installations.

Industrial and Commercial Customers

Entergy Louisiana's large industrial and commercial customers continually explore ways to reduce their energy costs. In particular, cogeneration is an option available to a portion of Entergy Louisiana's industrial customer base. Entergy Louisiana responds by working with industrial and commercial customers and negotiating electric service contracts to provide competitive rates that match specific customer needs and load profiles. Entergy Louisiana actively participates in economic development, customer retention, and reclamation activities to increase industrial and commercial demand, from both new and existing customers.

Federal Regulation

See the " **Rate, Cost-recovery, and Other Regulation – Federal Regulation** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis and Note 2 to the financial statements for a discussion of federal regulation.

Nuclear Matters

Entergy Louisiana owns and, through an affiliate, operates the River Bend and Waterford 3 nuclear power plants. Entergy Louisiana is, therefore, subject to the risks related to owning and operating nuclear plants. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals; the performance and capacity factors of these nuclear plants; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license amendments, and decommissioning; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident. In the event of an unanticipated early shutdown of River Bend or Waterford 3, Entergy Louisiana may be required to provide additional funds or credit support to satisfy regulatory requirements for decommissioning. Waterford 3's operating license expires in 2044 and River Bend's operating license expires in 2045.

Environmental Risks

Entergy Louisiana'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 Louisiana is in substantial compliance with environmental regulations currently applicable to its facilities and operations, with reference to possible exceptions noted in " **Regulation of Entergy's Business - Environmental Regulation** " in Part I, Item 1. Because environmental regulations are subject to change, future compliance costs cannot be precisely estimated.

Critical Accounting Estimates

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

Entergy Louisiana's financial position or results of operations.

Nuclear Decommissioning Costs

See " **Nuclear Decommissioning Costs** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates inherent in accounting for nuclear decommissioning costs.

Utility Regulatory Accounting

See " **Utility Regulatory Accounting** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of accounting for the effects of rate regulation.

Impairment of Long-lived Assets

See " **Impairment of Long-lived Assets** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for discussion of the estimates associated with the impairment of long-lived assets.

Taxation and Uncertain Tax Positions

See " **Taxation and Uncertain Tax Positions** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion.

Qualified Pension and Other Postretirement Benefits

Entergy Louisiana's qualified pension and other postretirement reported costs, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. See " **Qualified Pension and Other Postretirement Benefits** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for further discussion. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate.

Cost Sensitivity

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Qualified Pension Cost	Impact on 2021 Projected Qualified Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$2,265	$46,936
Rate of return on plan assets	(0.25%)	$3,132	$ —
Rate of increase in compensation	0.25%	$2,307	$10,908

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

Actuarial Assumption	Change in Assumption	Impact on 2022 Postretirement Benefit Cost	Impact on 2021 Accumulated postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$788	$7,934
Health care cost trend	0.25%	$923	$5,453

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

Costs and Employer Contributions

Total qualified pension cost for Entergy Louisiana in 2021 was $117.2 million, including $61.9 million in settlement costs. Entergy Louisiana anticipates 2022 qualified pension cost to be $44.4 million. Entergy Louisiana contributed $59.9 million to its qualified pension plans in 2021 and estimates pension contributions will be approximately $22.9 million in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022.

Total postretirement health care and life insurance benefit costs for Entergy Louisiana in 2021 were $5.4 million. Entergy Louisiana expects 2022 postretirement health care and life insurance benefit costs of approximately $6 million. Entergy Louisiana contributed $11.3 million to its other postretirement plans in 2021 and estimates that 2022 contributions will be approximately $15.8 million.

Other Contingencies

See " **Other Contingencies** " in the " **Critical Accounting Estimates** " section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of the estimates associated with environmental, litigation, and other risks.

New Accounting Pronouncements

See " **New Accounting Pronouncements** " section of Note 1 to the financial statements for a discussion of new accounting pronouncements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the member and Board of Directors of
Entergy Louisiana, LLC and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Louisiana, LLC and Subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity (pages 351 through 356 and applicable items in pages 49 through 233), for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

Rate and Regulatory Matters —Entergy Louisiana, LLC and Subsidiaries — Refer to Note 2 to the financia statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Louisiana Public Service Commission (the "LPSC"), which has jurisdiction with respect to the rates of electric companies in Louisiana, and to wholesale rate regulation by the Federal Energy Regulatory Commission ("FERC"). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; income taxes; operating revenues; operation and maintenance expense; and depreciation and amortization expense.

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

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs, including major storm restoration costs, and refunds to customers. Auditing management's judgments regarding the outcome of future decisions by the LPSC and the FERC, involved especially subjective judgment and specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

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

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the LPSC and the FERC for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the LPSC's and the FERC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, including major storm restoration costs, we inspected the Company's filings with the LPSC and the FERC, including the annual formula rate plan filing, and considered the filings with the LPSC and the FERC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions .
- We obtained an analysis from management and support from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order, including major storm restoration costs, to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 25, 2022

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

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING REVENUES			
Electric	$ 4,994,459	$ 4,019,063	$ 4,223,027
Natural gas	73,989	50,799	62,148
TOTAL	5,068,448	4,069,862	4,285,175
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,302,291	700,152	845,108
Purchased power	768,546	596,480	810,462
Nuclear refueling outage expenses	49,373	55,305	54,170
Other operation and maintenance	1,034,427	969,630	994,637
Decommissioning	68,575	65,225	59,346
Taxes other than income taxes	224,079	208,902	194,222
Depreciation and amortization	656,132	609,931	535,791
Other regulatory charges (credits) - net	38,245	(584)	(105,203)
TOTAL	4,141,668	3,205,041	3,388,533
OPERATING INCOME	926,780	864,821	896,642
OTHER INCOME			
Allowance for equity funds used during construction	28,648	38,151	74,023
Interest and investment income	282,200	225,627	231,985
Miscellaneous - net	(125,886)	(116,366)	(115,427)
TOTAL	184,962	147,412	190,581
INTEREST EXPENSE			
Interest expense	350,227	331,352	309,493
Allowance for borrowed funds used during construction	(12,878)	(19,147)	(35,430)
TOTAL	337,349	312,205	274,063
INCOME BEFORE INCOME TAXES	774,393	700,028	813,160
Income taxes	120,409	(382,324)	121,623
NET INCOME	$ 653,984	$ 1,082,352	$ 691,537

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2021	2020	2019
		(In Thousands)	
Net Income	$ 653,984	$ 1,082,352	$ 691,537
Other comprehensive income (loss)			
Pension and other postretirement liabilities			
(net of tax expense (benefit) of $ 1,523 , ($ 83), and $ 3,781)	3,951	(235)	10,715
Other comprehensive income (loss)	3,951	(235)	10,715
Comprehensive Income	$ 657,935	$ 1,082,117	$ 702,252

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2021	2020	2019
	(In Thousands)		
OPERATING ACTIVITIES			
Net income	$ 653,984	$ 1,082,352	$ 691,537
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	818,389	783,616	685,062
Deferred income taxes, investment tax credits, and non-current taxes accrued	175,700	(356,256)	196,533
Changes in working capital:			
Receivables	(58,466)	(79,451)	13,942
Fuel inventory	7,722	(9,067)	(7,195)
Accounts payable	358,536	160,659	(33,375)
Prepaid taxes and taxes accrued	21,631	50,576	(38,827)
Interest accrued	803	4,505	4,294
Deferred fuel costs	(43,124)	(57,895)	24,234
Other working capital accounts	(45,517)	(76,284)	(62,536)
Changes in provisions for estimated losses	(449)	(295,480)	9,664
Changes in other regulatory assets	(1,050,600)	(410,855)	(210,134)
Changes in other regulatory liabilities	(16,478)	71,698	(35,881)
Changes in pension and other postretirement liabilities	(164,263)	12,199	35,162
Other	394,658	192,669	(36,478)
Net cash flow provided by operating activities	1,052,526	1,072,986	1,236,002
INVESTING ACTIVITIES			
Construction expenditures	(3,621,775)	(1,960,787)	(1,673,194)
Allowance for equity funds used during construction	28,648	38,151	74,023
Nuclear fuel purchases	(85,419)	(92,831)	(85,984)
Proceeds from the sale of nuclear fuel	13,254	44,511	11,596
Payments to storm reserve escrow account	—	(1,488)	(6,353)
Receipts from storm reserve escrow account	—	297,363	—
Changes in securitization account	2,700	951	(32)
Proceeds from nuclear decommissioning trust fund sales	944,703	347,021	412,559
Investment in nuclear decommissioning trust funds	(1,004,888)	(372,227)	(442,501)
Changes in money pool receivable - net	(1,113)	(13,426)	46,843
Proceeds from sale of assets	15,000	—	—
Payment for purchase of assets	—	(236,999)	—
Insurance proceeds	—	—	7,040
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	8,691	5,090	2,369
Net cash flow used in investing activities	(3,700,199)	(1,944,671)	(1,653,634)
FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	3,769,166	3,675,083	2,691,133
Retirement of long-term debt	(1,895,091)	(1,962,635)	(2,199,053)
Capital contribution from parent	125,000	—	—
Change in money pool payable - net	—	(82,826)	82,826
Distributions paid:			
Common equity	(60,000)	(21,500)	(208,000)
Other	(849)	(10,423)	9,368
Net cash flow provided by financing activities	1,938,226	1,597,699	376,274
Net increase (decrease) in cash and cash equivalents	(709,447)	726,014	(41,358)
Cash and cash equivalents at beginning of period	728,020	2,006	43,364
Cash and cash equivalents at end of period	$ 18,573	$ 728,020	$ 2,006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	$ 337,926	$ 318,352	$ 296,842
Income taxes	($ 18,453)	($ 14,714)	$ 15,272

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31, 2021	December 31, 2020
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$ 195	$ 1,303
Temporary cash investments	18,378	726,717
Total cash and cash equivalents	18,573	728,020
Accounts receivable:		
Customer	355,265	317,905
Allowance for doubtful accounts	(29,231)	(45,693)
Associated companies	96,539	81,624
Other	36,674	41,760
Accrued unbilled revenues	174,768	178,840
Total accounts receivable	634,015	574,436
Deferred fuel costs	45,374	2,250
Fuel inventory	42,958	50,680
Materials and supplies - at average cost	485,325	437,933
Deferred nuclear refueling outage costs	39,582	48,407
Prepayments and other	44,187	36,813
TOTAL	1,310,014	1,878,539
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	1,390,587	1,390,587
Decommissioning trust funds	2,114,523	1,794,042
Non-utility property - at cost (less accumulated depreciation)	337,247	323,110
Other	13,744	13,399
TOTAL	3,856,101	3,521,138
UTILITY PLANT		
Electric	28,055,038	25,619,789
Natural gas	285,006	262,744
Construction work in progress	847,924	667,281
Nuclear fuel	209,418	210,128
TOTAL UTILITY PLANT	29,397,386	26,759,942
Less - accumulated depreciation and amortization	9,860,252	9,372,224
UTILITY PLANT - NET	19,537,134	17,387,718
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Other regulatory assets (includes securitization property of $ —as of December 31, 2021 and $ 5,088 as of December 31, 2020)	2,776,666	1,726,066
Deferred fuel costs	168,122	168,122
Other	27,801	23,924
TOTAL	2,972,589	1,918,112
TOTAL ASSETS	$ 27,675,838	$ 24,705,507

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31, 2021	December 31, 2020
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$ 200,000	$ 240,000
Accounts payable:		
Associated companies	183,172	103,148
Other	1,481,902	1,450,008
Customer deposits	150,697	152,612
Taxes accrued	64,248	42,617
Interest accrued	93,052	92,249
Current portion of unprotected excess accumulated deferred income taxes	24,291	31,138
Other	68,995	62,968
TOTAL	2,266,357	2,174,740
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,433,854	2,138,522
Accumulated deferred investment tax credits	102,588	107,317
Regulatory liability for income taxes - net	313,693	447,628
Other regulatory liabilities	1,042,597	918,293
Decommissioning	1,653,198	1,573,307
Accumulated provisions	24,490	24,939
Pension and other postretirement liabilities	528,213	692,728
Long-term debt (includes securitization bonds of $ —as of December 31, 2021 and $ 10,278 as of December 31, 2020)	10,714,346	8,787,451
Other	415,930	382,894
TOTAL	17,228,909	15,073,079
Commitments and Contingencies		
EQUITY		
Member's equity	8,172,294	7,453,361
Accumulated other comprehensive income	8,278	4,327
TOTAL	8,180,572	7,457,688
TOTAL LIABILITIES AND EQUITY	$ 27,675,838	$ 24,705,507

See Notes to Financial Statements.

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

	Common Equity		
	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total
		(In Thousands)	
Balance at December 31, 2018	$ 5,909,071	($ 6,153)	$ 5,902,918
Net income	691,537	—	691,537
Other comprehensive income	—	10,715	10,715
Distributions declared on common equity	(208,000)	—	(208,000)
Other	(52)	—	(52)
Balance at December 31, 2019	$ 6,392,556	$ 4,562	$ 6,397,118
Net income	1,082,352	—	1,082,352
Other comprehensive loss	—	(235)	(235)
Distributions declared on common equity	(21,500)	—	(21,500)
Other	(47)	—	(47)
Balance at December 31, 2020	$ 7,453,361	$ 4,327	$ 7,457,688
Net income	653,984	—	653,984
Other comprehensive loss	—	3,951	3,951
Contributions from parent	125,000	—	125,000
Distributions declared on common equity	(60,000)	—	(60,000)
Other	(51)	—	(51)
Balance at December 31, 2021	$ 8,172,294	$ 8,278	$ 8,180,572

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, LLC

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

2021 Compared to 2020

Net Income

Net income increased $26.3 million primarily due to higher retail electric price, partially offset by higher depreciation and amortization expenses, a higher effective income tax rate, higher taxes other than income taxes, 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	$1,247.9
Fuel, rider, and other revenues that do not significantly affect net income	89.0
Retail electric price	66.5
Volume/weather	2.9
2021 operating revenues	**$1,406.3**

Entergy Mississippi'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 retail electric price variance is primarily due to increases in the formula rate plan rates effective April 2020, April 2021, and July 2021. See Note 2 to the financial statements for further discussion of the formula rate plan filings.

The volume/weather variance is primarily due to an increase of 343 GWh, or 3%, in billed electricity usage, including the effect of more favorable weather on residential sales and an increase in commercial usage, partially offset by a decrease in industrial usage and a decrease in usage during the unbilled sales period. The increase in commercial usage was primarily due to an increase in customers and reduced impacts from the COVID-19 pandemic on businesses as compared to prior year. The decrease in industrial usage is primarily due to a decrease in demand from mid-to-small customers.

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

	2021	2020	% Change
	(GWh)		
Residential	5,568	5,378	4
Commercial	4,469	4,283	4
Industrial	2,298	2,343	(2)
Governmental	410	398	3
Total retail	12,745	12,402	3
Sales for resale:			
Non-associated companies	4,364	4,316	1
Total	17,109	16,718	2

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

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

- an increase of $4.6 million as a result of the amount of transmission costs allocated by MISO;
- an increase of $4.3 million in compensation and benefits costs in 2021 primarily due to lower healthcare claims activity in 2020 as a result of the COVID-19 pandemic, an increase in healthcare cost rates, 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, and higher incentive-based compensation accruals in 2021 as compared to prior year. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs ;
- an increase of $3.1 million in distribution maintenance work to improve reliability;
- an increase of $3.0 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 $2.4 million primarily due to the amortization of deferred litigation costs related to the Mississippi Attorney General complaint against Entergy Mississippi, which was dismissed by the Hinds County Chancery Court in February 2020; and
- several individually insignificant items.

The increase was partially offset by:

- a decrease of $8.9 million in energy efficiency expenses due to the timing of recovery from customers;
- a decrease of $2.9 million in loss provisions; and
- a decrease of $2.6 million in meter reading expenses as a result of the deployment of advanced metering systems.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes resulting from higher assessments.

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

Other regulatory charges (credits) - net includes regulatory credits of $19.9 million, recorded in the second quarter 2021, to reflect the effects of the joint stipulation reached in the 2021 formula rate plan filing proceeding and regulatory credits of $19 million, recorded in the fourth quarter 2021, to reflect that the 2021 earned return is below the formula bandwidth. See Note 2 to the financial statements for discussion of the formula rate plan filings.

Interest expense increased primarily due to the issuance of $170 million of 3.50% Series mortgage bonds in May 2020 and an additional $200 million in a reopening of the same series in March 2021.

The effective income tax rates were 21.4% for 2021 and 16.2% 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 Mississippi'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	$18	$51,601	$36,954
Net cash provided by (used in):			
Operating activities	350,960	300,314	339,952
Investing activities	(686,654)	(530,762)	(733,684)
Financing activities	383,303	178,865	408,379
Net increase (decrease) in cash and cash equivalents	47,609	(51,583)	14,647
Cash and cash equivalents at end of period	$47,627	$18	$51,601

2021 Compared to 2020

Operating Activities

Net cash flow provided by operating activities increased $50.6 million in 2 021 primarily due to higher collections from customers and an increase of $11.6 million in income tax refunds. The increase was partially offset by the timing of payments to vendors, increased fuel costs, including those related to Winter Storm Uri, and an increase of approximately $12.3 million in storm spending in 2021, primarily due to Winter Storm Uri. Entergy Mississippi received income tax refunds in 2021 and 2020, each in accordance with an intercompany income tax allocation agreement. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery.

Investing Activities

Net cash flow used in investing activities increased $155.9 million in 2021 primarily due to:

- an increase $89.9 million in distribution construction expenditures primarily due to increased spending on the reliability and infrastructure of the distribution system and higher capital expenditures for storm restoration in 2021, partially offset by decreased spending on advanced metering infrastructure; and
- money pool activity.

The increase was partially offset by $24.6 million in plant upgrades for the Choctaw Generating Station in March 2020.

Increases in Entergy Mississippi's receivable from the money pool are a use of cash flow, and Entergy Mississippi's receivable from the money pool increased by $40.5 million in 2021 compared to decreasing by $44.7 million in 2020. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow provided by financing activities increased $204.4 million in 2021 primarily due to the issuance of $200 million of 3.50% Series first mortgage bonds in March 2021 and the issuance of $200 million of 2.55% Series first mortgage bonds in November 2021. The increase was partially offset by the issuance of $170 million of 3.50% Series mortgage bonds in May 2020 and money pool activity.

Decreases in Entergy Mississippi's payable to the money pool are a use of cash flow, and Entergy Mississippi's payable to the money pool decreased $16.5 million in 2021 as compared to increasing by $16.5 million in 2020.

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

	December 31, 2021	**December 31, 2020**
Debt to capital	54.3 %	51.7 %
Effect of subtracting cash	(0.5 %)	—%
Net debt to net capital	53.8 %	51.7 %

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 Mississippi 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 Mississippi's financial condition. Entergy Mississippi 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 Mississippi's financial condition because net debt indicates Entergy Mississippi's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Mississippi 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 Mississippi 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 financed entirely with debt and reducing distributions, Entergy Mississippi may receive equity contributions to maintain its capital structure.

Uses of Capital

Entergy Mississippi requires capital resources for:

- construction and other capital investments;
- debt maturities or retirements;
- working capital purposes, including the financing of fuel and purchased power costs; and
- distributions and interest payments.

Following are the amounts of Entergy Mississippi's planned construction and other capital investments.

	2022	2023	2024
		(In Millions)	
Planned construction and capital investment:			
Generation	$185	$85	$50
Transmission	80	90	100
Distribution	220	250	225
Utility Support	100	50	30
Total	$585	$475	$405

In addition to routine capital spending to maintain operations, the planned capital investment estimate for Entergy Mississippi includes generation projects to modernize, decarbonize, and diversify Entergy Mississippi's portfolio, such as the Sunflower Solar Facility; distribution and Utility support spending to improve reliability, resilience, and customer experience; transmission spending to drive reliability and resilience while supporting renewables expansion; and other investments. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints and requirements, environmental compliance, business opportunities, market volatility, economic trends, business restructuring, changes in project plans, and the ability to access capital.

Following are the amounts of Entergy Mississippi's existing debt and lease obligations (includes estimated interest payments).

	2022	2023	2024	2025-2026	After 2026
			(In Millions)		
Long-term debt (a)	$77	$323	$167	$131	$3,128
Operating leases (b)	$6	$4	$3	$3	$2
Finance leases (b)	$2	$2	$2	$3	$1

(a) Long-term debt is discussed in Note 5 to the financial statements.
(b) Lease obligations are discussed in Note 10 to the financial statements.

Other Obligations

Entergy Mississippi currently expects to contribute approximately $12.9 million to its qualified pension plans and approximately $130 thousand to other postretirement health care and life insurance plans in 2022, although the 2022 required pension contributions will be known with more certainty when the January 1, 2022 valuations are completed, which is expected by April 1, 2022. See " **Critical Accounting Estimates – Qualified Pension and Other Postretirement Benefits** " below for a discussion of qualified pension and other postretirement benefits funding.

Entergy Mississippi has $160.8 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

In addition, Entergy Mississippi enters into fuel and purchased power agreements that contain minimum purchase obligations. Entergy Mississippi has rate mechanisms in place to recover fuel, purchased power, and associated costs incurred under these purchase obligations. See Note 8 to the financial statements for discussion of Entergy Mississippi's obligations under the Unit Power Sales Agreement.

As a wholly-owned subsidiary of Entergy Utility Holding Company, LLC, Entergy Mississippi pays distributions from its earnings at a percentage determined monthly.

Sunflower Solar Facility

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

Sources of Capital

Entergy Mississippi's sources to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- the Entergy System money pool;
- storm reserve escrow accounts;
- debt or preferred membership interest issuances, including debt issuances to refund or retire currently outstanding or maturing indebtedness;
- capital contributions; and
- bank financing under new or existing facilities.

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

All debt and preferred membership interest issuances by Entergy Mississippi require prior regulatory approval. Debt issuances are also subject to issuance tests set forth in its bond indenture and other agreements. Entergy Mississippi has sufficient capacity under these tests to meet its foreseeable capital needs for the next twelve months and beyond.

Entergy Mississippi's receivables from or (payables to) the money pool were as follows as of December 31 for each of the following years.

2021	2020	2019	2018
	(In Thousands)		
$40,456	($16,516)	$44,693	$41,380

See Note 4 to the financial statements for a description of the money pool.

Entergy Mississippi has three separate credit facilities in the aggregate amount of $82.5 million scheduled to expire in April 2022. No borrowings were outstanding under the credit facilities as of December 31, 2021. In addition, Entergy Mississippi is a party to an uncommitted letter of credit facility primarily as a means to post collateral to support its obligations to MISO. As of December 31, 2021, $9.3 million in MISO letters of credit and $1 million in non-MISO letters of credit were outstanding under this facility. See Note 4 to the financial statements for additional discussion of the credit facilities.

Entergy Mississippi obtained authorization from the FERC through October 2023 for short-term borrowings not to exceed an aggregate amount of $200 million at any time outstanding and long-term borrowings and security issuances. See Note 4 to the financial statements for further discussion of Entergy Mississippi's short-term borrowing limits.

Entergy Mississippi has $33 million in its storm reserve escrow account at December 31, 2021.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that Entergy Mississippi charges for electricity significantly influence its financial position, results of operations, and liquidity. Entergy Mississippi is regulated and the rates charged to its customers are determined in regulatory proceedings. A governmental agency, the MPSC, is primarily responsible for approval of the rates charged to customers.

Formula Rate Plan Revisions

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

2019 Formula Rate Plan Filing

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

2020 Formula Rate Plan Filing

In March 2020, Entergy Mississippi submitted its formula rate plan 2020 test year filing and 2019 look-back filing showing Entergy Mississippi's earned return for the historical 2019 calendar year to be below the formula rate plan bandwidth and projected earned return for the 2020 calendar year to be below the formula rate plan bandwidth. The 2020 test year filing shows a $24.6 million rate increase is necessary to reset Entergy