

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

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

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

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

## **Grand Gulf - Related Agreements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Nuclear Plant Decommissioning**

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

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

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

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

### **Coal Combustion Residuals**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

**Qualified Pension Plans**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
<b>Change in Projected Benefit Obligation (PBO)</b>						
Balance at January 1	\$1,739,382	\$1,927,271	\$510,109	\$220,287	\$410,664	\$441,148
Service cost	28,632	38,271	9,070	3,038	6,921	8,851
Interest cost	35,683	39,740	10,446	4,392	8,381	9,087
Actuarial gain	(41,227)	(28,439)	(14,831)	(9,118)	(3,971)	(14,746)
Benefits paid (a)	(183,124)	(240,447)	(65,936)	(23,219)	(50,193)	(49,546)
Balance at December 31	<u>\$1,579,346</u>	<u>\$1,736,396</u>	<u>\$448,858</u>	<u>\$195,380</u>	<u>\$371,802</u>	<u>\$394,794</u>
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$1,285,856	\$1,476,306	\$371,394	\$172,551	\$349,748	\$310,818
Actual return on plan assets	133,207	150,917	37,251	17,639	35,405	32,125
Employer contributions	66,649	59,882	13,715	5,395	6,955	18,663
Benefits paid (a)	<u>(183,124)</u>	<u>(240,447)</u>	<u>(65,936)</u>	<u>(23,219)</u>	<u>(50,193)</u>	<u>(49,546)</u>
Fair value of assets at December 31	<u>\$1,302,588</u>	<u>\$1,446,658</u>	<u>\$356,424</u>	<u>\$172,366</u>	<u>\$341,915</u>	<u>\$312,060</u>
<b>Funded status</b>	<u>(\$276,758)</u>	<u>(\$289,738)</u>	<u>(\$92,434)</u>	<u>(\$23,014)</u>	<u>(\$29,887)</u>	<u>(\$82,734)</u>
<b>Amounts recognized in the balance sheet (funded status)</b>						
Non-current liabilities	(\$276,758)	(\$289,738)	(\$92,434)	(\$23,014)	(\$29,887)	(\$82,734)
<b>Amounts recognized as regulatory asset</b>						
Net loss	\$612,963	\$556,345	\$173,511	\$62,805	\$113,790	\$153,782
<b>Amounts recognized as AOCI (before tax)</b>						
Net loss	\$—	\$23,181	\$—	\$—	\$—	\$—

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

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

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

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

#### Accumulated Pension Benefit Obligation

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

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

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

### **Other Postretirement Benefits**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

2021	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
(In Thousands)						
<b>Change in APBO</b>						
Balance at January 1	\$209,369	\$255,571	\$61,990	\$31,707	\$74,233	\$47,701
Service cost	4,135	6,174	1,448	437	1,384	1,340
Interest cost	3,726	4,520	1,110	521	1,269	878
Plan amendments	(85)	357	—	—	(3,776)	69
Plan participant contributions	5,637	5,186	1,386	403	1,491	1,353
Actuarial (gain)/loss	14,323	(2,367)	(1,335)	988	4,270	1,289
Benefits paid	(15,954)	(16,460)	(3,604)	(2,194)	(6,923)	(4,769)
Medicare Part D subsidy received	32	50	6	4	13	14
Balance at December 31	\$221,183	\$253,031	\$61,001	\$31,866	\$71,961	\$47,875
<b>Change in Plan Assets</b>						
Fair value of assets at January 1	\$304,192	\$—	\$93,475	\$102,734	\$174,096	\$52,619
Actual return on plan assets	22,387	—	7,024	10,068	13,523	4,235
Employer contributions	(767)	11,274	(393)	126	98	1,212
Plan participant contributions	5,637	5,186	1,386	403	1,491	1,353
Benefits paid	(15,954)	(16,460)	(3,604)	(2,194)	(6,923)	(4,769)
Fair value of assets at December 31	\$315,495	\$—	\$97,888	\$111,137	\$182,285	\$54,650
<b>Funded status</b>	\$94,312	(\$253,031)	\$36,887	\$79,271	\$110,324	\$6,775
<b>Amounts recognized in the balance sheet</b>						
Current liabilities	\$—	(\$15,839)	\$—	\$—	\$—	\$—
Non-current liabilities	94,312	(237,192)	36,887	79,271	110,324	6,775
<b>Total funded status</b>	<u>\$94,312</u>	<u>(\$253,031)</u>	<u>\$36,887</u>	<u>\$79,271</u>	<u>\$110,324</u>	<u>\$6,775</u>
<b>Amounts recognized in regulatory asset</b>						
Prior service cost/(credit)	\$8,691	\$—	(\$4,109)	(\$3,814)	(\$20,532)	(\$1,249)
Net (gain)/loss	(6,797)	—	(4,254)	(16,003)	2,571	2,967
	<u>\$1,894</u>	<u>\$—</u>	<u>(\$8,363)</u>	<u>(\$19,817)</u>	<u>(\$17,961)</u>	<u>\$1,718</u>
<b>Amounts recognized in AOCI (before tax)</b>						
Prior service credit	\$—	(\$16,967)	\$—	\$—	\$—	\$—
Net gain	—	(17,551)	—	—	—	—
	<u>\$—</u>	<u>(\$34,518)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Accounting for Pension and Other Postretirement Benefits**

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

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

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

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

### **Qualified Pension Settlement Cost**

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

### **Entergy Texas Reserve**

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

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

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

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

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

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

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

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

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

  

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

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

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

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

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

### Concentrations of Credit Risk

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

### Fair Value Measurements

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

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

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

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

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

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



**Qualified Defined Benefit Pension Plan Trusts**

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

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

**Other Postretirement Trusts**

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

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

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

### Estimated Future Benefit Payments

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

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

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

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

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

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

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

### **Contributions**

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

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

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

## Actuarial Assumptions

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

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

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

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

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

### **Defined Contribution Plans**

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

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

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

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

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

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

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

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

## Stock Options

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

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

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

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

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

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



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

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

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

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

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

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

### **Restricted Stock Awards**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Restricted Stock Unit Awards**

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

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

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

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

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

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

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

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

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

Entergy's segment financial information was as follows:

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

  

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

  

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

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

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

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

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

### **Entergy Wholesale Commodities**

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

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

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

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

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

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

### Geographic Areas

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

### Registrant Subsidiaries

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

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

### Acquisitions

#### **Searcy Solar Facility**

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

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

### **Hardin County Peaking Facility**

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

### **Washington Parish Energy Center**

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

### **Choctaw Generating Station**

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

### **Dispositions**

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

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



## **Pilgrim**

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

## **Vermont Yankee**

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

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

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

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

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

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

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

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

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

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

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

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

### **Market Risk**

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

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

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

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

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

## **Derivatives**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

### **Fair Values**

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

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

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

The three levels of the fair value hierarchy are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Entergy Arkansas

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



**Entergy Louisiana**

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

**Entergy Mississippi**

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

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

**Entergy New Orleans**

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

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

**Entergy Texas**

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

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

**System Energy**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Entergy Arkansas**

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

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

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

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

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

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

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

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

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

### **Entergy Louisiana**

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

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

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

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

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

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

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

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

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

### **System Energy**

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

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



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

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

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

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

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

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

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

#### Allowance for expected credit losses

Entergy implemented ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, effective January 1, 2020. In accordance with the new standard, Entergy estimates the expected credit losses for its available for sale securities based on the current credit rating and remaining life of the securities. To the extent an individual security is determined to be uncollectible it is written off against this allowance. Entergy's available-for-sale securities are held in trusts managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Specifically, available-for-sale securities are subject to credit worthiness restrictions, with requirements for both the average credit rating of the portfolio and minimum credit ratings for individual debt

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

Other-than-temporary impairments and unrealized gains and losses

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

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

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

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

Entergy Gulf States Reconstruction Funding I, LLC, and Entergy Texas Restoration Funding, LLC, companies wholly-owned and consolidated by Entergy Texas, are variable interest entities and Entergy Texas is the primary beneficiary. In June 2007, Entergy Gulf States Reconstruction Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Rita reconstruction costs. Although the principal amount was not due until June 2022, Entergy Gulf States Reconstruction Funding made principal payments on the bonds in 2021, after which the bonds were fully repaid. In November 2009, Entergy Texas Restoration Funding issued senior secured transition bonds (securitization bonds) to finance Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs. With the proceeds, the variable interest entities purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. The transition property is reflected as a regulatory asset on the consolidated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<b><u>Intercompany Interest and Investment Income</u></b>						
	<b><u>Entergy Arkansas</u></b>	<b><u>Entergy Louisiana</u></b>	<b><u>Entergy Mississippi</u></b>	<b><u>Entergy New Orleans</u></b>	<b><u>Entergy Texas</u></b>	<b><u>System Energy</u></b>
	(In Millions)					
2021	\$—	\$127.6	\$—	\$—	\$—	\$—
2020	\$—	\$127.7	\$0.1	\$—	\$—	\$0.2
2019	\$0.4	\$128.5	\$0.4	\$—	\$0.4	\$1.0

#### **Transactions with Equity Method Investees**

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

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

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

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

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

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

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

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

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

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

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

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

### Electric Revenues

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

To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies record an estimate for energy delivered since the latest billings. The Utility operating companies calculate the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and market prices of power in the respective jurisdiction. The inputs are revised as needed to approximate actual usage and cost. Each month, estimated unbilled amounts are recorded as unbilled revenue and accounts receivable, and the prior month's estimate is reversed. Price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the other.



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

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

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

## **Natural Gas**

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

## **Competitive Businesses Revenues**

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

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

## Practical Expedients and Exceptions

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

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

## Recovery of Fuel Costs

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

## Taxes Imposed on Revenue-Producing Transactions

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

## Allowance for doubtful accounts

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

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

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

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

The allowance for currently expected credit losses is calculated as the historical rate of customer write-offs multiplied by the current accounts receivable balance, taking into account the length of time the receivable balances have been outstanding. Although the rate of customer write-offs has historically experienced minimal variation, management monitors the current condition of individual customer accounts to manage collections and ensure bad debt expense is recorded in a timely manner.

**Entergy Texas, Inc.  
Cost of Service  
Schedule J-1 Reconciliation - Total Company to Total Electric  
Electric  
For the Twelve Months Ended December 31, 2021**

Schedule J-1  
2022 TX Rate Case  
Page 1 of 1

No reconciliation is required. Entergy Texas, Inc. is a total electric utility company.

**ENTERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**  
**For the Twelve Months Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
	<b>(In Thousands, Except Share Data)</b>	
<b>OPERATING REVENUES</b>		
Electric	\$ 10,873,995	\$ 9,046,643
Natural gas	170,610	124,008
Competitive businesses	698,291	942,985
<b>TOTAL</b>	<b>11,742,896</b>	<b>10,113,636</b>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	2,458,096	1,564,371
Purchased power	1,271,677	904,268
Nuclear refueling outage expenses	172,636	184,157
Other operation and maintenance	2,968,621	3,002,626
Asset write-offs, impairments, and related charges	263,625	26,623
Decommissioning	306,411	381,861
Taxes other than income taxes	660,290	652,840
Depreciation and amortization	1,684,286	1,613,086
Other regulatory charges (credits) - net	111,628	14,609
<b>TOTAL</b>	<b>9,897,270</b>	<b>8,344,441</b>
<b>OPERATING INCOME</b>	<b>1,845,626</b>	<b>1,769,195</b>
<b>OTHER INCOME</b>		
Allowance for equity funds used during construction	70,473	119,430
Interest and investment income	430,466	392,818
Miscellaneous - net	(201,778)	(210,633)
<b>TOTAL</b>	<b>299,161</b>	<b>301,615</b>
<b>INTEREST EXPENSE</b>		
Interest expense	863,712	837,981
Allowance for borrowed funds used during construction	(29,018)	(52,318)
<b>TOTAL</b>	<b>834,694</b>	<b>785,663</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,310,093</b>	<b>1,285,147</b>
Income taxes	191,374	(121,506)
<b>CONSOLIDATED NET INCOME</b>	<b>1,118,719</b>	<b>1,406,653</b>
Preferred dividend requirements of subsidiaries and noncontrolling interest	227	18,319
<b>NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION</b>	<b>\$ 1,118,492</b>	<b>\$ 1,388,334</b>
Earnings per average common share:		
Basic	\$ 5.57	\$ 6.94
Diluted	\$ 5.54	\$ 6.90
Basic average number of common shares outstanding	200,941,511	200,106,945
Diluted average number of common shares outstanding	201,873,024	201,102,220

See Notes to Financial Statements, pages 6 through 191, Schedule J  
Amounts may not add or tie to other schedules due to rounding.  
Sponsored by: Allison P. Lofton

**ENTERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Twelve Months Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
	<u>(In Thousands)</u>	
<b>Net Income</b>	\$ 1,118,719	\$ 1,406,653
<b>Other comprehensive income (loss)</b>		
Cash flow hedges net unrealized loss		
(net of tax benefit of \$7,935 and \$14,776)	(29,754)	(55,487)
Pension and other postretirement liabilities		
(net of tax expense of \$55,161 and \$5,600)	195,929	22,496
Net unrealized investment gain (loss)		
(net of tax expense (benefit) of (\$28,435) and \$17,586)	(49,496)	30,704
Other comprehensive income (loss)	<u>116,679</u>	<u>(2,287)</u>
<b>Comprehensive Income</b>	1,235,398	1,404,366
Preferred dividend requirements of subsidiaries and noncontrolling interest	<u>227</u>	<u>18,319</u>
<b>Comprehensive Income Attributable to Entergy Corporation</b>	<u>\$ 1,235,171</u>	<u>\$ 1,386,047</u>

See Notes to Financial Statements, pages 6 through 191, Schedule J

Amounts may not add or tie to other schedules due to rounding.

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ENTERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Twelve Months Ended December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	\$ 1,118,719	\$ 1,406,653
Adjustments to reconcile consolidated net income to net cash flow provided by operating		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	2,242,944	2,257,750
Deferred income taxes, investment tax credits, and non-current taxes accrued	248,719	(131,114)
Asset write-offs, impairments, and related charges	263,599	26,379
Changes in working capital:		
Receivables	(84,629)	(139,296)
Fuel inventory	18,359	(27,458)
Accounts payable	269,797	137,457
Taxes accrued	(21,183)	207,556
Interest accrued	(10,640)	7,662
Deferred fuel costs	(466,050)	(49,484)
Other working capital accounts	(53,883)	(143,451)
Changes in provisions for estimated losses	(85,713)	(291,193)
Changes in other regulatory assets	(536,707)	(784,494)
Changes in other regulatory liabilities	43,631	238,669
Changes in pension and other postretirement liabilities	(897,167)	50,379
Other	250,917	(76,149)
Net cash flow provided by operating activities	2,300,713	2,689,866
INVESTING ACTIVITIES		
Construction/capital expenditures	(6,087,296)	(4,694,076)
Allowance for equity funds used during construction	70,473	119,430
Nuclear fuel purchases	(166,512)	(215,664)
Payment for purchase of plant or assets	(168,304)	(247,121)
Net proceeds from sale of assets	17,421	—
Changes in securitization account	13,669	5,099
Payments to storm reserve escrow account	(25)	(2,273)
Receipts from storm reserve escrow account	83,105	297,588
Decrease (increase) in other investments	2,343	(12,755)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	49,236	72,711
Proceeds from nuclear decommissioning trust fund sales	5,553,629	3,107,812
Investment in nuclear decommissioning trust funds	(5,547,015)	(3,203,057)
Net cash flow used in investing activities	(6,179,276)	(4,772,306)
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	8,308,427	12,619,201
Preferred stock of subsidiary	—	—
Treasury stock	5,977	42,600
Common stock	200,776	—
Retirement of long-term debt	(4,827,827)	(8,152,378)
Repurchase / redemptions of preferred stock	—	—
Changes in credit borrowings and commercial paper - net	(426,312)	(319,238)
Capital contributions from noncontrolling interest	51,202	—
Other	43,221	(7,524)
Dividends paid:		
Common stock	(775,122)	(748,342)
Preferred stock	(18,319)	(18,502)
Net cash flow provided by financing activities	2,562,023	3,415,817
Net increase (decrease) in cash and cash equivalents	(1,316,540)	1,333,377
Cash and cash equivalents at beginning of period	1,759,099	425,722
Cash and cash equivalents at end of period	\$ 442,559	\$ 1,759,099
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	\$ 843,228	\$ 803,923
Income taxes	\$ 98,377	\$ (31,228)

See Notes to Financial Statements, pages 6 through 191, Schedule J.  
Amounts may not add or tie to other schedules due to rounding.  
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ENTERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
ASSETS  
December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash	\$ 44,944	\$ 128,851
Temporary cash investments	397,615	1,630,248
Total cash and cash equivalents	442,559	1,759,099
Accounts receivable:		
Customer	786,866	833,478
Allowance for doubtful accounts	(68,608)	(117,784)
Other	231,843	135,208
Accrued unbilled revenues	420,255	434,835
Total accounts receivable	1,370,356	1,285,727
Deferred fuel costs	324,394	4,380
Fuel inventory - at average cost	154,575	172,934
Materials and supplies - at average cost	1,041,515	962,185
Deferred nuclear refueling outage costs	133,422	179,150
Prepayments and other	156,774	196,424
<b>TOTAL</b>	<b>3,623,585</b>	<b>4,559,899</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Decommissioning trust funds	5,514,016	7,253,215
Non-utility property - at cost (less accumulated depreciation)	357,576	343,328
Other	159,455	214,222
<b>TOTAL</b>	<b>6,031,047</b>	<b>7,810,765</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Electric	64,263,250	59,696,443
Natural gas	658,989	610,768
Construction work in progress	1,511,966	2,012,030
Nuclear fuel	577,006	601,281
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>67,011,211</b>	<b>62,920,522</b>
Less - accumulated depreciation and amortization	24,767,051	24,067,745
<b>PROPERTY, PLANT AND EQUIPMENT - NET</b>	<b>42,244,160</b>	<b>38,852,777</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>		
Regulatory assets:		
Other regulatory assets (includes securitization property of \$49,579 as of December 31, 2021 and \$119,238 as of December 31, 2020)	6,613,256	6,076,549
Deferred fuel costs	240,953	240,422
Goodwill	377,172	377,172
Accumulated deferred income taxes	54,166	76,289
Other	269,873	245,339
<b>TOTAL</b>	<b>7,555,440</b>	<b>7,015,771</b>
<b>TOTAL ASSETS</b>	<b>\$ 59,454,242</b>	<b>\$ 58,239,212</b>

See Notes to Financial Statements, pages 6 through 191, Schedule J  
Amounts may not add or tie to other schedules due to rounding.  
Sponsored by: Allison P. Lofton



ENTERGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
LIABILITIES AND EQUITY  
December 31, 2021 and 2020

	2021	2020
	(In Thousands)	
<b>CURRENT LIABILITIES</b>		
Currently maturing long-term debt	\$ 1,039,329	\$ 1,164,015
Notes payable and commercial paper	1,201,177	1,627,489
Accounts payable	2,610,132	2,739,437
Customer deposits	395,184	401,512
Taxes accrued	419,828	441,011
Interest accrued	191,151	201,791
Deferred fuel costs	7,607	153,113
Pension and other postretirement liabilities	68,336	61,815
Current portion of unprotected excess accumulated deferred income taxes	53,385	63,663
Other	204,613	206,640
<b>TOTAL</b>	<b>6,190,742</b>	<b>7,060,506</b>
<b>NON-CURRENT LIABILITIES</b>		
Accumulated deferred income taxes and taxes accrued	4,706,797	4,361,772
Accumulated deferred investment tax credits	211,975	212,494
Regulatory liability for income taxes-net	1,255,692	1,521,757
Other regulatory liabilities	2,643,845	2,323,851
Decommissioning and asset retirement cost liabilities	4,757,084	6,469,452
Accumulated provisions	157,122	242,835
Pension and other postretirement liabilities	1,949,325	2,853,013
Long-term debt (includes securitization bonds of \$83,639 as of December 31, 2021 and \$174,835 as of December 31, 2020)	24,841,572	21,205,761
Other	815,284	807,219
<b>TOTAL</b>	<b>41,338,696</b>	<b>39,998,154</b>
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	219,410	219,410
<b>EQUITY</b>		
Preferred stock, no par value, authorized 1,000,000 shares in 2021 and 0 shares in 2020; issued shares in 2021 and 2020 - none	—	—
Common stock, \$0.01 par value, authorized 499,000,000 shares in 2021 and 500,000,000 shares in 2020; issued 271,965,510 shares in 2021 and 270,035,180 shares in 2020	2,720	2,700
Paid-in capital	6,766,239	6,549,923
Retained earnings	10,240,552	9,897,182
Accumulated other comprehensive loss	(332,528)	(449,207)
Less - treasury stock, at cost (89,312,326 shares in 2021 and 89,790,346 shares in 2020)	5,039,699	5,074,456
<b>Total common shareholders' equity</b>	<b>11,637,284</b>	<b>10,926,142</b>
Subsidiaries' preferred stock without sinking fund and noncontrolling interest	68,110	35,000
<b>TOTAL</b>	<b>11,705,394</b>	<b>10,961,142</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 58,454,242</b>	<b>\$ 58,239,212</b>

See Notes to Financial Statements, pages 6 through 191, Schedule J  
Amounts may not add or tie to other schedules due to rounding.  
Sponsored by: Allison P. Lofton

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

	Subsidiaries' Preferred Stock and Noncontrolling Interest	Common Shareholders' Equity				Accumulated Other Comprehensiv e Income (Loss)	Total
		Common Stock	Treasury Stock	Paid-in Capital (In Thousands)	Retained Earnings		
<b>Balance at December 31, 2019</b>	\$ 35,000	\$ 2,700	\$ (5,154,150)	\$ 6,564,436	\$ 9,257,609	\$ (446,920)	\$ 10,258,675
Implementation of accounting standards	—	—	—	—	(419)	—	(419)
<b>Balance at January 1, 2020</b>	\$ 35,000	\$ 2,700	\$ (5,154,150)	\$ 6,564,436	\$ 9,257,190	\$ (446,920)	\$ 10,258,256
Consolidated net income (a)	18,319	—	—	—	1,388,334	—	1,406,653
Other comprehensive loss	—	—	—	—	—	(2,287)	(2,287)
Common stock issuances related to stock plans	—	—	79,694	(14,513)	—	—	65,181
Common stock dividends declared	—	—	—	—	(748,342)	—	(748,342)
Preferred dividend requirements of subsidiaries (a)	(18,319)	—	—	—	—	—	(18,319)
<b>Balance at December 31, 2020</b>	\$ 35,000	\$ 2,700	\$ (5,074,456)	\$ 6,549,923	\$ 9,897,182	\$ (449,207)	\$ 10,961,142
Consolidated net income (a)	227	—	—	—	1,118,492	—	1,118,719
Other comprehensive income	—	—	—	—	—	116,679	116,679
Common stock issuances and sales under the at the market equity distribution program	—	20	—	204,194	—	—	204,214
Common stock issuance costs	—	—	—	(3,438)	—	—	(3,438)
Common stock issuances related to stock plans	—	—	34,767	15,560	—	—	50,317
Common stock dividends declared	—	—	—	—	(775,122)	—	(775,122)
Capital contributions from noncontrolling interest	51,202	—	—	—	—	—	51,202
Preferred dividend requirements of subsidiaries (a)	(18,319)	—	—	—	—	—	(18,319)
<b>Balance at December 31, 2021</b>	\$ 68,110	\$ 2,720	\$ (5,039,699)	\$ 6,766,239	\$ 10,240,552	\$ (332,528)	\$ 11,705,394

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

See Notes to Financial Statements, pages 6 through 191, Schedule J  
Amounts may not add or tie to other schedules due to rounding.  
Sponsored by: Allison P. Lofton

**Entergy Texas, Inc.**  
**Cost of Service**  
**Schedule K-1 Weighted Average Cost of Capital**  
**Electric**  
**For the Test Year Ended December 31, 2021**

		(a)	(b)	(c)	(d)
Line No.	Description	Capital Amount	Capital Ratio	Cost Rate	Rate of Return on Rate Base [1]
1	Long-term Debt	2,289,835,267	47.97%	3.47%	1.66%
2	Preferred Equity	38,750,000	0.81%	5.35%	0.04%
3	Common Equity	2,444,456,560	51.21%	10.80%	5.53%
4	<b>Total</b>	<b>4,773,041,827</b>	<b>100.00%</b>		<b>7.24%</b>
5					
6	Requested Original Cost Rate Base (rounded to tie to Schedule P)				4,411,402,530
7	Overall rate of return claimed by the utility on the Original Cost Rate Base				7.24%
8	Total claimed return expressed in dollars (rounded to tie to Schedule P)				319,302,000

**Notes:**

[1] Column B \* Column C

Entergy Texas, Inc.  
Cost of Service  
Schedule K-2 Weighted Average Cost of Preferred Stock  
Electric  
For the Twelve Months Ended December 31, 2021

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(S,p.2)	(K)	(L)	(M)
LN	SERIES	ISSUANCE DATE	DIVIDEND RATE	MANDATORY REDEMPTION (Y/N)	PAR VALUE AT ISSUANCE	PREMIUM OR (DISCOUNT)	UNDERWRITING FEES AND ISSUANCE EXP.	GAIN(LOSS) ON REDEEMED STOCK	NET PROCEEDS AT ISSUANCE	NET PROCEEDS AS % OF PAR	BOOK VALUE EXCL. SCHEDULED REDEMPTIONS	ISSUE AS % OF TOTAL BOOK VALUE	COST OF MONEY	WEIGHTED AVERAGE COST
1	2019 Series	9/10/2019	5.375%		\$35,000,000	\$0	\$0	\$0	\$35,000,000	100%	\$35,000,000	90.32%	5.375%	4.855%
2	2021 Series	11/9/2021	5.100%		\$3,750,000	\$0	\$0	\$0	\$3,750,000	100%	\$3,750,000	9.68%	5.100%	0.494%
<b>3</b>	<b>TOTAL</b>				<b>\$38,750,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$38,750,000</b>		<b>\$38,750,000</b>	<b>100%</b>		<b>5.348%</b>

The accounting method used to record issuance expenses, premiums or discounts at issuance, gains or losses on stock redemption, and annual amortization of such amounts for ratemaking purposes as well as financial reporting purposes comply with the Federal Energy Regulatory Commission's Code of Federal Regulations Part 101 - Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act.

NOTES

(C) Dividend rate should be expressed as % of par value.

(I) = (E) + (F) - (G) + (H)

(J) = (I)/(E)

(L) = (C)/(J) for issues not subject to mandatory redemptions, and issues with variable dividend rates.

For issues requiring mandatory redemptions, calculate yield to maturity.

(M) = (K)x(L).

Entergy Texas, Inc.  
Cost of Service  
Schedule K-2 Weighted Average Cost of Preferred Stock  
Electric  
For the Twelve Months Ended December 31, 2021

	(A, p.1)	(N)	(O)	(P)	(Q)	(R)	(S)
LINE	SERIES	PAR VALUE OUTSTANDING	PAR VALUE EXCL. SCHEDULED REDEMPTIONS	UNAMORTIZED PREMIUM OR (DISCOUNT)	UNAMORTIZED ISSUANCE EXPENSES	UNAMORTIZED GAIN/(LOSS) ON REDEEMED STOCK	BOOK VALUE EXCL. SCHEDULED REDEMPTIONS
1	2019 Series	\$35,000,000	\$35,000,000	\$0	\$0	\$0	\$35,000,000
2	2021 Series	\$3,750,000	\$3,750,000	\$0	\$0	\$0	\$3,750,000
3		\$38,750,000	\$38,750,000	\$0	\$0	\$0	\$38,750,000

**NOTES**

(O) Scheduled redemptions to be excluded reflect those amounts to be redeemed prior to the anticipated effective date for the rates being requested.

(Q) Unamortized balance of underwriter fees should also be provided here.

(S) = (O) + (P) - (Q) + (R)

Sponsored by: Allison P. Lofton and Bobby R. Sperandio, Jr.  
Amounts may not add or tie to other schedules due to rounding.

Entergy Texas, Inc.  
Cost of Service  
Schedule K-3 Weighted Average Cost of Long Term Debt  
Electric  
For the Twelve Months Ended December 31, 2021

		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(T,p.2)	(L)
LINE	TYPE	SERIES	ISSUANCE DATE	MATURITY DATE	INTEREST RATE	SINKING FUND Y/N	PAR VALUE AT ISSUANCE	PREMIUM OR (DISCOUNT)	UNDERWRITER FEES AND EXPENSES	GAIN/(LOSS) ON REACQUIRED DEBT	NET PROCEEDS AT ISSUANCE	NET PROCEEDS % OF PAR	BOOK VALUE EXCL SCHED. MATURITIES	ISSUE AS % OF TOTAL BOOK VALUE
1	FMB	5.15%	5/21/2015	6/1/2045	5.15%	N	250,000,000	(480,000)	2,728,814	-	246,811,188	98.724%	247,511,772	10.783%
2	FMB	3.45%	11/17/2017	12/1/2027	3.45%	N	150,000,000	(993,000)	1,347,344	-	148,259,656	98.840%	148,970,936	6.478%
3	FMB	4.00%	1/8/2019	3/30/2029	4.00%	N	300,000,000	(558,000)	2,624,321	-	298,817,679	98.939%	297,739,509	12.947%
4	FMB	4.50%	1/8/2019	3/30/2039	4.50%	N	400,000,000	(1,080,000)	3,974,374	-	394,945,628	98.736%	395,683,772	17.207%
5	FMB	3.55%	3/10/2020	9/30/2049	3.55%	N	475,000,000	18,838,000	5,195,781	-	488,643,219	102.872%	487,892,254	21.216%
6	FMB	1.75%	10/1/2020	3/15/2031	1.75%	N	600,000,000	(2,220,000)	4,571,784	-	593,208,218	98.868%	594,012,336	25.831%
7	FMB	1.50%	8/17/2021	9/1/2028	1.50%	N	130,000,000	(308,100)	1,166,718	-	128,525,182	98.866%	128,634,429	5.594%
8	Credit Monitoring								1,888,045		(1,888,045)		(275,099)	-0.012%
9	Line of Credit	3.63%	9/14/2018	9/14/2023	3.63%								(556,905)	-0.024%
10	TOTAL						2,305,000,000	13,819,900	23,497,181	-	2,295,322,719		2,299,813,004	100.0000%

TYPE KEY: FMB = First Mortgage Bond

NOTES

(D) Provide effective annual interest rate for debt requiring letter of credit or commitment fees. Supporting calculations should be provided.

(J) = (F)+(G)-(H)+(I)

(K) = (J)/(F)

Entergy Texas, Inc.  
Cost of Service  
Schedule K-3 Weighted Average Cost of Long Term Debt  
Electric  
For the Twelve Months Ended December 31, 2021

	(A, p.1)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)
		COST OF	WEIGHTED	PRINCIPAL	EXCLUDING	UNAMORTIZED	UNAMORTIZED	UNAMORTIZED	BOOK VALUE
LINE	SERIES	DEBT	AVERAGE	AMOUNT	SCHEDULED	PREMIUM OR	ISSUANCE	GAIN/(LOSS) ON	EXCL SCHED.
			COST	OUTSTANDING	REDEMPTIONS	(DISCOUNT)	EXPENSES	REACQUIRED DEBT	MATURITIES
1	5.150%	5.235%	0.56%	250,000,000	250,000,000	(358,723)	(2,129,504)	-	247,511,772
2	3.450%	3.589%	0.23%	150,000,000	150,000,000	(231,624)	(797,440)	-	148,970,936
3	4.000%	4.128%	0.53%	300,000,000	300,000,000	(395,540)	(1,864,951)	-	297,739,509
4	4.500%	4.596%	0.79%	400,000,000	400,000,000	(921,011)	(3,395,217)	-	395,683,772
5	3.550%	3.395%	0.72%	475,000,000	475,000,000	17,724,577	(4,832,324)	1	487,892,254
6	1.750%	1.870%	0.48%	600,000,000	600,000,000	(1,954,591)	(4,033,073)	-	594,012,336
7	1.500%	1.736%	0.10%	130,000,000	130,000,000	(285,341)	(1,080,230)	-	128,634,429
8	Credit Monitoring						(275,099)	-	(275,099)
9	Line of Credit						(556,905)	-	(556,905)
10	TOTAL		3.42%	2,305,000,000	2,305,000,000	13,577,747	(18,964,744)	1	2,299,613,004
		Adjusted Annual Requirement			79,403,996		Unadjusted Long Term Debt Balance		2,299,613,004
		Adjusted Long Term Debt Balance			2,289,835,268		Unamortized Loss on Reacq Debt (No refunding)		(9,777,736)
		Adjusted Cost of Long Term Debt			3.467673%		Unamortized Gain on Reacquired Debt (No refunding)		-
							Adjusted Long Term Debt Balance		2,289,835,268
NOTES									

**NOTES**

- (M) Yield to maturity should be provided for fixed rate debt. Cost of debt for variable rate issues = (D)/(K)
- (N) = (L) \* (M)
- (O) Scheduled maturities to be excluded reflect those amounts to be retired prior to the anticipated effective date for the rates being requested.
- (R) Unamortized balance of Underwriter fees and issuance expenses.

Annual Requirement	78,681,995
Annual Amortization of Loss on Reacquired Debt	722,002
Annual Amortization of Gain on Reacquired Debt	-
Adjusted Annual Requirement	79,403,996

Sponsored by: Allison P. Lofton and Bobby R. Sperandio, Jr.  
Amounts may not add or tie to other schedules due to rounding.

**Entergy Texas, Inc.**  
**Cost of Service**  
**Schedule K-4 Notes Payable Outstanding**  
**Electric**  
**For the Twelve Months Ended December 31, 2021**

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>% OF TOTAL PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>WEIGHTED AVERAGE COST</u>
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There were no notes payable outstanding for Entergy Texas, Inc. for the 12 months ending December 31, 2021

NOTES PAYABLE OUTSTANDING LAST TWO YEARS:

QUARTER ENDING MAR 31, 2021	\$0
QUARTER ENDING JUN 30, 2021	\$0
QUARTER ENDING SEP 30, 2021	\$0
QUARTER ENDING DEC 31, 2021	\$0
QUARTER ENDING MAR 31, 2020	\$0
QUARTER ENDING JUN 30, 2020	\$0
QUARTER ENDING SEP 30, 2020	\$0
QUARTER ENDING DEC 31, 2020	\$0

ANTICIPATED CHANGES IN NOTES PAYABLE DURING  
TWELVE MONTHS FOLLOWING TEST YEAR:

NONE



ENTERGY TEXAS, INC.  
SUMMARY OF ISSUANCE RESTRICTIONS ON DEBT  
AND PREFERRED STOCK AT DECEMBER 31, 2021

Restrictions placed upon Entergy Texas, Inc. pertaining to its issuance of debt and preferred stock are contained in (A) its Indenture, Deed of Trust and Security Agreement dated as of October 1, 2008, (B) its Third Amended and Restated Credit Agreement dated as of June 3, 2021, as amended and supplemented, (C) the Federal Energy Regulatory Commission Order issued to it on February 23, 2022, and (D) its Amended and Restated Certificate of Formation, as amended, effective November 9, 2021.

DEBT

Entergy Texas, Inc. may issue mortgage bonds under its Indenture, Deed of Trust and Security Agreement (the "Indenture") in an unlimited aggregate principal amount. Such bonds may be authenticated and delivered on the basis of (1) Property Additions that do not constitute Funded Property in a principal amount not exceeding 70% of the balance of the Cost or the Fair Value to Entergy Texas, Inc. of such Property Additions, whichever is less, (2) in an aggregate principal amount not exceeding the aggregate principal amount of Retired Securities, or cash deposited with the trustee under the Indenture. Capitalized terms are used with the meanings ascribed thereto in the Indenture. The Indenture does not contain an earnings coverage test or a dividend limit.

Its Third Amended and Restated Credit Agreement, as amended and supplemented (the "Credit Agreement"), provides that the total principal amount of all Entergy Texas, Inc. Debt may not at any time exceed 65% of its Capitalization, as the terms Debt and Capitalization are defined in the Credit Agreement.

The FERC Order issued to Entergy Texas, Inc. on February 22, 2023, provides that, from February 23, 2022, through October 13, 2023, Entergy Texas, Inc. may issue (1) Long-Term Debt in an aggregate principal amount not to exceed \$3,200,000,000 outstanding at any time and (2) Short-Term Debt in an aggregate principal amount not to exceed \$200,000,000 outstanding at any time.

PREFERRED STOCK

The FERC Order issued to Entergy Texas, Inc. on February 23, 2022, provides that, from February 23, 2022, through October 13, 2023, Entergy Texas, Inc. may issue Preferred Stock in an aggregate amount not to exceed \$200,000,000. Entergy Texas Inc.'s Amended and Restated Certificate of Formation permits it to issue 20,000,000 shares of Preferred Stock. It currently has 1,550,000 shares of Preferred Stock outstanding.

ENTERGY TEXAS, INC.  
SECURITY ISSUANCE RESTRICTIONS  
AS OF DECEMBER 31, 2021  
LEVERAGE RATIO  
**Public**

DESCRIPTION	AMT (\$000s)
<b>DEBT</b>	
"Debt" of any Person means (without duplication) all liabilities, obligations, and indebtedness (whether contingent or otherwise) of such Person	
(i) for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments	
Currently maturing long term debt	\$ -
Notes payable	-
Long-term debt	2,354,148
(ii) to pay the deferred purchase price of property or services (other than such obligations incurred in the ordinary course of business on customary trade terms, provided that such obligations are not more than 30 days past due)	-
(iii) as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases,	
Current obligations under capital lease	1,476
Deferred obligations under capital lease	6,107
(iv) under reimbursement agreements or similar agreements with respect to the issuance of letters of credit (other than obligations in respect of letters of credit opened to provide for the payment of goods or services purchased in the ordinary course of business), and	-
(v) under any Guaranty Obligations.	-
5.02(b) Limitation on Debt. (i) "Debt" and "Capitalization" shall not include	
(A) Hybrid Securities (see definition below)	
(B) any Debt of any Subsidiary of the Borrower that is Non-Recourse Debt	
(C) Eligible Securitization Bonds	
(D) the amount of preferred and debt securities to be redeemed in connection with the ITC Transaction for which funds sufficient (other than any make-whole redemption premium until one Business Day after the amount thereof has been determined) to pay such redemption have been deposited with the trustee or paying agent for such securities or deposited in escrow for such redemption	
ETI Securitization Bonds	(53,979)
<b>TOTAL DEBT</b>	<b>\$ 2,307,752</b>
<b>CAPITALIZATION</b>	
"Capitalization" means, as of any date of determination, with respect to the Borrower and its Subsidiaries determined on a consolidated basis, an amount equal to the sum of	
(i) the total principal amount of all Debt of the Borrower and its Subsidiaries outstanding on such date	
Total Debt	\$ 2,307,752
(ii) Consolidated Net Worth as of such date	
Shareholder's Equity	2,483,206
(iii) To the extent not otherwise included in Capitalization, all preferred stock and other preferred securities of the Borrower and its Subsidiaries, including preferred or preference securities issued by any subsidiary trust, outstanding on such date	-
5.02(b) Limitation on Debt. (ii) "Capitalization" shall exclude changes to other comprehensive income resulting from	
(x) pension and other post-retirement benefits liability adjustments and	
(y) mark-to-market non-cash adjustments relating to accounting for derivatives.	
<b>TOTAL CAPITALIZATION</b>	<b>\$ 4,790,958</b>
<b>LEVERAGE RATIO CALCULATION RESULT</b>	
	<b>48.17%</b>
<b>Limit per Credit Agreement</b>	
	<b>&lt; 65%</b>

"Hybrid Securities" means (i) debt or preferred or preference equity securities (however designated or denominated) of the Borrower or any of its Subsidiaries that are mandatorily convertible into Common Equity or Preferred Equity of the Borrower or any of its Subsidiaries, provided that such securities do not constitute Mandatorily Redeemable Stock, (ii) securities of the Borrower or any of its Subsidiaries that (A) are afforded equity treatment (whether full or partial) by S&P or Moody's at the time of issuance, and (B) require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to 91 days after the Termination Date, (iii) any other securities (however designated or denominated), that are (A) issued by the Borrower or any of its Subsidiaries, (B) not subject to mandatory redemption or mandatory prepayment, and (C) together with any guaranty thereof, subordinate in right of payment to the unsecured and unsubordinated indebtedness (other than trade liabilities incurred in the ordinary course of business and payable in accordance with customary terms) of the issuer of such securities or guaranty and (iv) QUIPS.

Amounts may not add or tie to other schedules due to rounding.

Sponsored by: Bobby Sperandeo and Allison P. Lofton

ENTERGY TEXAS, INC.  
SECURITY ISSUANCE RESTRICTIONS  
AS OF DECEMBER 31, 2020  
LEVERAGE RATIO  
**Public**

DESCRIPTION	AMT (\$000s)
<b>DEBT</b>	
"Debt" of any Person means (without duplication) all liabilities, obligations, and indebtedness (whether contingent or otherwise) of such Person	
(i) for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments	
Currently maturing long term debt	\$ 200,000
Notes payable	-
Long-term debt	2,293,708
(ii) to pay the deferred purchase price of property or services (other than such obligations incurred in the ordinary course of business on customary trade terms, provided that such obligations are not more than 30 days past due)	-
(iii) as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases,	
Current obligations under capital lease	1,327
Deferred obligations under capital lease	4,392
(iv) under reimbursement agreements or similar agreements with respect to the issuance of letters of credit (other than obligations in respect of letters of credit opened to provide for the payment of goods or services purchased in the ordinary course of business), and	-
(v) under any Guaranty Obligations.	-
5.02(b) Limitation on Debt. (i) "Debt" and "Capitalization" shall not include	
(A) Hybrid Securities (see definition below)	
(B) any Debt of any Subsidiary of the Borrower that is Non-Recourse Debt	
(C) Eligible Securitization Bonds	
(D) the amount of preferred and debt securities to be redeemed in connection with the ITC Transaction for which funds sufficient (other than any make-whole redemption premium until one Business Day after the amount thereof has been determined) to pay such redemption have been deposited with the trustee or paying agent for such securities or deposited in escrow for such redemption	
ETI Securitization Bonds	(123,066)
<b>TOTAL DEBT</b>	<b>\$ 2,376,361</b>
<b>CAPITALIZATION</b>	
"Capitalization" means, as of any date of determination, with respect to the Borrower and its Subsidiaries determined on a consolidated basis, an amount equal to the sum of	
(i) the total principal amount of all Debt of the Borrower and its Subsidiaries outstanding on such date	
Total Debt	\$ 2,376,361
(ii) Consolidated Net Worth as of such date	
Shareholder's' Equity	2,157,578
(iii) To the extent not otherwise included in Capitalization, all preferred stock and other preferred securities of the Borrower and its Subsidiaries, including preferred or preference securities issued by any subsidiary trust, outstanding on such date	-
5.02(b) Limitation on Debt. (ii) "Capitalization" shall exclude changes to other comprehensive income resulting from	
(x) pension and other post-retirement benefits liability adjustments and	-
(y) mark-to-market non-cash adjustments relating to accounting for derivatives.	-
<b>TOTAL CAPITALIZATION</b>	<b>\$ 4,533,939</b>

<b>LEVERAGE RATIO CALCULATION RESULT</b>	<b>52.41%</b>
<b>Limit per Credit Agreement</b>	<b>&lt; 65%</b>

"Hybrid Securities" means (i) debt or preferred or preference equity securities (however designated or denominated) of the Borrower or any of its Subsidiaries that are mandatorily convertible into Common Equity or Preferred Equity of the Borrower or any of its Subsidiaries, provided that such securities do not constitute Mandatorily Redeemable Stock, (ii) securities of the Borrower or any of its Subsidiaries that (A) are afforded equity treatment (whether full or partial) by S&P or Moody's at the time of issuance, and (B) require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to 91 days after the Termination Date, (iii) any other securities (however designated or denominated), that are (A) issued by the Borrower or any of its Subsidiaries, (B) not subject to mandatory redemption or mandatory prepayment, and (C) together with any guaranty thereof, subordinate in right of payment to the unsecured and unsubordinated indebtedness (other than trade liabilities incurred in the ordinary course of business and payable in accordance with customary terms) of the issuer of such securities or guaranty and (iv) QUIPS.

Amounts may not add or tie to other schedules due to rounding.

ENTERGY TEXAS, INC.  
SECURITY ISSUANCE RESTRICTIONS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021  
LEVERAGE RATIO

**Public**

DESCRIPTION	AMT (\$000s)
Information contained on pages 4-9 is highly sensitive.	