ENTERGY CORPORATION
AND SUBSIDIARIES

2016 ANNUAL REPORT

Entergy®

WE POWER LIFE℠

Entergy Corporation and Subsidiaries 2016

Entergy Corporation (NYSE: ETR) is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including nearly 10,000 megawatts of nuclear power. Entergy delivers electricity to 2.9 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of approximately $10.8 billion and more than 13,000 employees.

In addition to our Annual Report to Shareholders, Entergy produces an Integrated Report, highlighting our economic, environmental and social performance. Producing an integrated report reinforces our belief that our stakeholders – owners, customers, employees and communities – are linked and that we must deliver sustainable value to all stakeholders in order to succeed.

We encourage you to visit our 2016 Integrated Report at integratedreport.entergy.com.

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To Our Stakeholders

What if our customers never had to experience a power outage – even in the most severe weather? What if our customers could monitor energy usage in real time and choose the best time to purchase power and save money? “What if?” – it’s a question that unleashes imaginations to envision possibilities that in the past were not even dreamed of.

With technology, people are gaining greater choice and control in virtually every aspect of their lives, and energy usage is no different. At Entergy we are exploring the possibilities. Across our company, we are executing today to deliver a smarter energy future – an integrated energy network that leverages advanced technologies to meet our customers’ evolving expectations.

We view the integrated energy network of the future as a dynamic, interactive power delivery system that includes centralized generation and distributed energy resources, such as solar, battery storage and electric vehicles, connected by an intelligent, resilient, multi-directional network. The network will enable enhanced products and services beyond basic power delivery that are environmentally friendly, and give our customers more control and greater reliability.

Our Role in an Integrated Energy Network

Entergy has a critical role to play in developing, managing and optimizing this future network. The current utility model within which we operate provides universal access, affordability, reliability and sustainability. Leveraging this model to integrate future supply and demand resources will ultimately result in the most accessible, affordable, reliable and sustainable energy mix for the future.

While many utilities are working to achieve the promise of the integrated energy network, we believe Entergy is uniquely positioned to lead the way. Because we are a vertically integrated utility, we have the ability to invest across the spectrum of operations and better optimize solutions for our customers. As we design and construct our resource mix, we can add technologies when they are proven and economic, and provide seamless integration, interoperability and security. Our rate advantage gives us time to evaluate nontraditional technologies, formulate the right strategies and make the right investments while maintaining some of the lowest rates in the country. Moving now on advanced metering infrastructure, for example, enables us to learn from earlier deployments and adopt the latest technology. Entergy is the natural provider of capital for energy resources, distributed or otherwise, and the natural integrator of these new technologies into a grid that continues to provide accessible, affordable, reliable and sustainable power to our customers.

And as Entergy delivers value to customers, our owners have an opportunity to earn returns on productive programs and investments. Entergy employees will learn to work with new technologies that provide career development and growth opportunities, and our communities gain greater economic development, improved resiliency and enhanced quality of life. We have a track record of successfully executing ambitious plans, adapting to change and delivering value for our stakeholders, and we are ready to lead.

2016: A Pivotal Year

We delivered on our commitment to grow our core utility business in 2016 and we completed our plan to exit our merchant power business and transition to a pure-play utility. Our accomplishments today are the outcome of the disciplined execution of our strategy for the past few years and have positioned us well to deliver on the promise of the integrated energy network of tomorrow.

We continue to transform our generation portfolio with investments in cleaner, more efficient generation to improve the reliability of our system, increase environmental efficiency and reduce costs for customers. These investments include new-build generating units that represent nearly 4,000 MW of highly efficient, low-emission capacity. In 2016, we placed more than $1 billion in transmission capital projects into service. These projects connect new generation units that support economic development and enhance system reliability, efficiency and resiliency. We also filed in four jurisdictions to implement advanced metering and expect to file in Texas in 2017. Advanced meters will enable operating efficiencies and faster outage response while providing customers with better information and control of their energy use. Ahead of meter deployment, which we anticipate will begin in 2019, we are constructing and implementing back office systems, new distribution and outage management systems and new communications infrastructure. In addition to advanced meters, we are pursuing several pilot programs to further lay the foundation for the integrated energy network: installing chargers for electric vehicles in each jurisdiction and our corporate headquarters to gain experience with EV resource integration, developing plans for expanded operations and integration of our utility solar and battery storage facility in New Orleans and completing smart thermostat installations to help low-income customers in New Orleans save on their energy consumption. As we work today to design and construct the right resource mix and distribution infrastructure for our customers, we also are gaining valuable experience in how to optimize and operate the grid of the future.

In our Entergy Wholesale Commodities business, we finalized plans to sell or shut down all remaining nuclear plants in our merchant portfolio. With sustained low wholesale energy prices and increased operating costs, exiting our merchant power business is a sound strategic decision. However, we recognize the impact of this decision on employees and people in our local communities. We are committed to treating our employees fairly and working with them to identify opportunities after each plant's planned shutdown. While we have completed our plans to sell or close each nuclear plant, we will continue to operate many of these assets over the near term. We are committed to the safe, secure and reliable operation of these assets until the completion of EWC's deliberate and orderly wind-down.

Completed Our Plan to Exit Merchant Operations

In 2016, we completed our plan to exit the merchant power business and transition to a pure-play utility. We announced the sale or closure of each of our remaining merchant nuclear assets and the sale of our wind assets. We have pursued a multiyear process to cease our merchant operations in a deliberate, planned and orderly way. The process began with the shutdown of Vermont Yankee Nuclear Power Station at the end of 2014, followed by the sale of the Rhode Island State Energy Center CCGT in 2015. In 2016, we announced the sale of James A. FitzPatrick Nuclear Power Plant to Exelon, with the transaction scheduled to close in 2017. In 2018, we expect to close Palisades Power Plant, followed by Pilgrim Nuclear Power Station in 2019 and Indian Point Energy Center Unit 2 in 2020 and Unit 3 in 2021.

Sustainable Value for All Stakeholders

Our strong operational execution in 2016 translated into strong financial performance. We achieved 40 percent year-over-year growth in adjusted earnings in Utility, Parent & Other, our core business. For the second consecutive year, we increased our dividend, a trend we expect to continue subject to board approval. We received positive response on our financial position from the credit rating agencies. In 2016, Moody's placed the ratings of Entergy Corporation under "review for upgrade," and S&P revised its outlook on Entergy to "positive" from "stable." However, while we delivered positive shareholder returns for the year, our total shareholder return of 12.5 percent ranked in the bottom quartile of our peer group. We believe our strategy to fundamentally reposition our company as a pure-play utility – with a focus on a steady, predictable earnings trajectory – has clear potential to deliver top-quartile returns for our owners.

Our ability to deliver sustainable value for all stakeholders was recognized again in 2016. Entergy was named to the Dow Jones Sustainability North America Index in 2016, our 15th consecutive year to appear on the World or North America Index or both. Entergy ranked 18th and was the highest-ranking electric utility on *Corporate Responsibility Magazine*'s 2016 list of 100 Best Corporate Citizens. This recognition validates our approach to achieving our mission, which is to create sustainable value for our owners, customers, employees and communities.

I want to thank Entergy employees for living by our values, working safely and acting with integrity to achieve our mission. Their ideas and can-do spirit make Entergy a better company. I also want to thank EWC President Bill Mohl, who retired in early 2017 after more than 35 years in the energy business. We will miss his trusted counsel and friendship, and we wish him the best in the next chapter of his life.

A Smarter Energy Future

Asking "What if?" represents a new way of thinking at Entergy. Our employees are asking "What if?" more and more in all aspects of our business, innovating and opening the door to new possibilities. We are focused on what's next and that promises to be some of the most exciting work we will ever do.

It has taken several years of hard work and discipline to get to where we are today at Entergy. Our operating and financial positions are strong, and our strategic direction is clear. We are a pure-play utility that is connected to the future – a future that promises transformative change and once-in-a-lifetime opportunity. Now is the time to build a smarter energy future for our stakeholders and at Entergy we are well positioned, inspired and eager to lead the way.

Leo P. Denault
Chairman of the Board and Chief Executive Officer
March 21, 2017

Forward-Looking Information and Regulation G Compliance

Forward-Looking Information
In this report and from time to time, Entergy Corporation makes statements as a registrant concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "could," "project," "believe," "anticipate," "intend," "expect," "estimate," "continue," "potential," "plan," "predict," "forecast," and other similar words or expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although Entergy believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (a) those factors discussed or incorporated by reference in Item 1A. Risk Factors contained in the Form 10-K for the year ended Dec. 31, 2016, (b) those factors discussed or incorporated by reference in Management's Financial Discussion and Analysis contained in the Form 10-K for the year ended Dec. 31, 2016 and (c) the following factors (in addition to others described elsewhere in this report and in subsequent securities filings):

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions, Entergy's utility supply plan, and recovery of fuel and purchased power costs;
- long-term risks and uncertainties associated with the termination of the System Agreement in 2016, including the potential absence of federal authority to resolve certain issues among the Utility operating companies and their retail regulators;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies' participation in MISO, including the effect of current or projected MISO market rules and market and system conditions in the MISO markets, the allocation of MISO system transmission upgrade costs, and the effect of planning decisions that MISO makes with respect to future transmission investments by the Utility operating companies;
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC or the U.S. Department of Justice;
- changes in the regulation or regulatory oversight of Entergy's nuclear generating facilities and nuclear materials and fuel, including with respect to the planned potential or actual shutdown of nuclear generating facilities owned or operated by Entergy Wholesale Commodities, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications or other authorizations required of nuclear generating facilities and the effect of public and political opposition on these applications, regulatory proceedings and litigation;
- the performance of and deliverability of power from Entergy's generation resources, including the capacity factors at its nuclear generating facilities;

- the operation and maintenance of Entergy’s nuclear generating facilities require the commitment of substantial human and capital resources that can result in increased costs and capital expenditures;
- Entergy’s ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- prices for power generated by Entergy’s merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants;
- the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy’s ability to meet credit support requirements for fuel and power supply contracts;
- volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;
- changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;
- changes in environmental laws and regulations or associated litigation, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, particulate matter, heat, and other regulated air and water emissions, and changes in costs of compliance with environmental laws and regulations;
- the effects of changes in federal, state or local laws and regulations, and other governmental actions or policies, including changes in monetary, fiscal, tax, environmental, or energy policies;
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal and the level of spent fuel and nuclear waste disposal fees charged by the U.S. government or other providers related to such sites;
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;
- effects of climate change, including the potential for increases in sea levels or coastal land and wetland loss;
- changes in the quality and availability of water supplies and the related regulation of water use and diversion;
- Entergy’s ability to manage its capital projects and operation and maintenance costs;
- Entergy’s ability to purchase and sell assets at attractive prices and on other attractive terms;
- the economic climate, and particularly economic conditions in Entergy’s Utility service area and the Northeast United States and events and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;
- the effects of Entergy’s strategies to reduce tax payments;
- changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy’s ability to refinance existing securities, execute share repurchase programs, and fund investments and acquisitions;
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies’ ratings criteria;

- changes in inflation and interest rates;
- the effect of litigation and government investigations or proceedings;
- changes in technology, including with respect to new, developing, or alternative sources of generation
- the effects, including increased security costs, of threatened or actual terrorism, cyber-attacks or data security breaches, natural or man-made electromagnetic pulses that affect transmission or generation infrastructure, accidents, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;
- Entergy's ability to attract and retain talented management and directors;
- changes in accounting standards and corporate governance;
- declines in the market prices of marketable securities and resulting funding requirements and the effects on benefits costs for Entergy's defined benefit pension and other postretirement benefit plans;
- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;
- the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by as early as 2021, including the implementation of the planned shutdown of Pilgrim, Palisades, Indian Point 2, and Indian Point 3 and the planned shutdown or sale of FitzPatrick;
- the effectiveness of Entergy's risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;
- factors that could lead to impairment of long-lived assets; and
- the ability to successfully complete strategic transactions Entergy may undertake, including mergers, acquisitions, or divestitures, regulatory or other limitations imposed as a result of any such strategic transaction, and the success of the business following any such strategic transaction.

Regulation G

This report includes the non-GAAP financial measure of Utility, Parent & Other adjusted earnings per share. The reconciliation of this measure to the most directly comparable GAAP measure is below.

GAAP to Non-GAAP Reconciliation

Utility, Parent & Other Adjusted Earnings Per Share	**2016**	**2015**
(per share in dollars)		
Utility, Parent & Other as-reported earnings	5.10	4.97
Less:		
Special items	–	–
Weather	0.06	0.19
Utility, Parent & Other tax items, net of customer sharing	0.66	1.70
Utility, Parent & Other adjusted earnings	4.38	3.08

ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

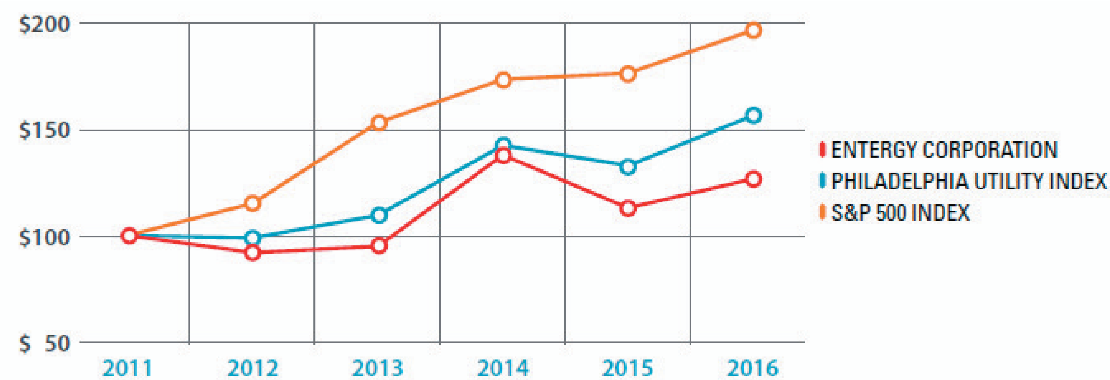
	2016	2015	2014	2013	2012
	(In Thousands, Except Percentages and Per Share Amounts)				
Operating revenues	$10,845,645	$11,513,251	$12,494,921	$11,390,947	$10,302,079
Net income (loss)	($564,503)	($156,734)	$960,257	$730,572	$868,363
Earnings (loss) per share:					
Basic	($3.26)	($0.99)	$5.24	$3.99	$4.77
Diluted	($3.26)	($0.99)	$5.22	$3.99	$4.76
Dividends declared per share	$3.42	$3.34	$3.32	$3.32	$3.32
Return on common equity	(6.73%)	(1.83%)	9.58%	7.56%	9.33%
Book value per share, year-end	$45.12	$51.89	$55.83	$54.00	$51.72
Total assets	$45,904,434	$44,647,681	$46,414,455	$43,290,290	$43,087,339
Long-term obligations (a)	$14,695,422	$13,456,742	$12,627,180	$12,265,971	$12,026,207

(a) Includes long-term debt (excluding currently maturing debt), non-current capital lease obligations, and subsidiary preferred stock without sinking fund that is not presented as equity on the balance sheet.

	2016	2015	2014	2013	2012
	(Dollars In Millions)				
Utility electric operating revenues:					
Residential	$3,288	$3,518	$3,555	$3,396	$3,022
Commercial	2,362	2,516	2,553	2,415	2,174
Industrial	2,327	2,462	2,623	2,405	2,034
Governmental	217	223	227	218	198
Total retail	8,194	8,719	8,958	8,434	7,428
Sales for resale	236	249	330	210	179
Other	437	341	304	298	264
Total	$8,867	$9,309	$9,592	$8,942	$7,871
Utility billed electric energy sales (GWh):					
Residential	35,112	36,068	35,932	35,169	34,664
Commercial	29,197	29,348	28,827	28,547	28,724
Industrial	45,739	44,382	43,723	41,653	41,181
Governmental	2,547	2,514	2,428	2,412	2,435
Total retail	112,595	112,312	110,910	107,781	107,004
Sales for resale	11,054	9,274	9,462	3,020	3,200
Total	123,649	121,586	120,372	110,801	110,204
Entergy Wholesale Commodities:					
Operating revenues	$1,850	$2,062	$2,719	$2,313	$2,326
Billed electric energy sales (GWh)	35,881	39,745	44,424	45,127	46,178

Comparison of Five-Year Cumulative Return

The following graph compares the performance of the common stock of Entergy Corporation with the Philadelphia Utility Index and the S&P 500 Index (each of which includes Entergy Corporation) for the last five years ended December 31.



	2011	2012	2013	2014	2015	2016
ENTERGY CORPORATION	$100.00	$ 91.63	$ 95.62	$138.42	$113.27	$127.45
PHILADELPHIA UTILITY INDEX	$100.00	$ 99.44	$110.35	$142.28	$133.38	$156.58
S&P 500 INDEX	$100.00	$115.99	$153.55	$174.55	$176.95	$198.10

Assumes $100 invested at the closing price on Dec. 31, 2011, in Entergy Corporation common stock, the Philadelphia Utility Index and the S&P 500 Index, and reinvestment of all dividends.

Source: Bloomberg

DEFINITIONS

Certain abbreviations or acronyms used in the text and notes are defined below:

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASLB	Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council	Council of the City of New Orleans, Louisiana
D. C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana.
Entergy Louisiana	Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes.
Entergy Texas	Entergy Texas, Inc., a Texas corporation formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Wholesale Commodities	Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy

Abbreviation or Acronym	Term
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
Mcf	1,000 cubic feet of gas
MISO	Midcontinent Independent System Operator, Inc., a regional transmission organization
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatts
MWh	Megawatt-hour(s)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, 70% of which is co-owned by Entergy Louisiana (57.5%) and Entergy Texas (42.5%) and 10.9% of which is owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned and operated
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
Palisades	Palisades Nuclear Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Parent & Other	The portions of Entergy not included in the Utility or Entergy Wholesale Commodities segments, primarily consisting of the activities of the parent company, Entergy Corporation
Pilgrim	Pilgrim Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
PPA	Purchased power agreement or power purchase agreement
PRP	Potentially responsible party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
River Bend	River Bend Station (nuclear), owned by Entergy Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources. The agreement terminated effective August 2016.
System Energy	System Energy Resources, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

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

Following are the percentages of Entergy's consolidated revenues and net income generated by its operating segments and the percentage of total assets held by them.

	% of Revenue			% of Net Income (Loss)			% of Total Assets		
Segment	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Utility	83	82	78	204	711	88	89	86	82
Entergy Wholesale Commodities	17	18	22	(265)	(680)	31	15	18	22
Parent & Other	—	—	—	(39)	(131)	(19)	(4)	(4)	(4)

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

Net income (loss) for 2016 includes $2,836 million ($1,829 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2, and Indian Point 3 plants and related assets to their fair values. Net income (loss) for 2015 includes $2,036 million ($1,317 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' FitzPatrick, Pilgrim, and Palisades plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges.

Results of Operations

2016 Compared to 2015

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing 2016 to 2015 showing how much the line item increased or (decreased) in comparison to the prior period.

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
		(In Thousands)		
2015 Consolidated Net Income (Loss)	$1,114,516	($1,065,657)	($205,593)	($156,734)
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	350,528	(123,791)	(33)	226,704
Other operation and maintenance	(83,265)	15,269	9,726	(58,270)
Asset write-offs, impairments, and related charges	(68,672)	799,403	—	730,731
Taxes other than income taxes	(10,229)	(16,259)	(432)	(26,920)
Depreciation and amortization	49,600	(39,180)	(509)	9,911
Gain on sale of asset	—	(154,037)	—	(154,037)
Other income	15,153	8,666	4,281	28,100
Interest expense	14,414	(3,930)	12,417	22,901
Other expenses	19,589	(15,074)	—	4,515
Income taxes	407,627	(581,924)	(35)	(174,332)
2016 Consolidated Net Income (Loss)	$1,151,133	($1,493,124)	($222,512)	($564,503)

(a) Parent & Other includes eliminations, which are primarily intersegment activity.

Refer to "**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON OF ENTERGY CORPORATION AND SUBSIDIARIES**" which accompanies Entergy Corporation's financial statements in this report for further information with respect to operating statistics.

Results of operations for 2016 include $2,836 million ($1,829 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2, and Indian Point 3 plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges. Results of operations for 2016 also include a reduction of income tax expense, net of unrecognized tax benefits, of $238 million as a result of a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes; income tax benefits as a result of the settlement of the 2010-2011 IRS audit, including a $75 million tax benefit recognized by Entergy Louisiana related to the treatment of the Vidalia purchased power agreement and a $54 million net benefit recognized by Entergy Louisiana related to the treatment of proceeds received in 2010 for the financing of Hurricane Gustav and Hurricane Ike storm costs pursuant to Louisiana Act 55; and a reduction in expenses of $100 million ($64 million net-of-tax) due to the effects of recording in 2016 the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. See Note 3 to the financial statements for additional discussion of the income tax items. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

Results of operations for 2015 include $2,036 million ($1,317 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' FitzPatrick, Pilgrim, and

Palisades plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges. As a result of the Entergy Louisiana and Entergy Gulf States Louisiana business combination, results of operations for 2015 also include two items that occurred in October 2015: 1) a deferred tax asset and resulting net increase in tax basis of approximately $334 million and 2) a regulatory liability of $107 million ($66 million net-of-tax) as a result of customer credits to be realized by electric customers of Entergy Louisiana, consistent with the terms of the stipulated settlement in the business combination proceeding. See Note 2 to the financial statements for further discussion of the business combination and customer credits. Results of operations for 2015 also include the sale in December 2015 of the 583 MW Rhode Island State Energy Center for a realized gain of $154 million ($100 million net-of-tax) on the sale and the $77 million ($47 million net-of-tax) write-off and regulatory charges to recognize that a portion of the assets associated with the Waterford 3 replacement steam generator project is no longer probable of recovery. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale. See Note 2 to the financial statements for further discussion of the Waterford 3 write-off.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing 2016 to 2015.

	Amount
	(In Millions)
2015 net revenue	$5,829
Retail electric price	289
Louisiana business combination customer credits	107
Volume/weather	14
Louisiana Act 55 financing savings obligation	(17)
Other	(43)
2016 net revenue	**$6,179**

The retail electric price variance is primarily due to:

- an increase in base rates at Entergy Arkansas, as approved by the APSC. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. The increase includes an interim base rate adjustment surcharge, effective with the first billing cycle of April 2016, to recover the incremental revenue requirement for the period February 24, 2016 through March 31, 2016. A significant portion of the increase is related to the purchase of Power Block 2 of the Union Power Station;
- an increase in the purchased power and capacity acquisition cost recovery rider for Entergy New Orleans, as approved by the City Council, effective with the first billing cycle of March 2016, primarily related to the purchase of Power Block 1 of the Union Power Station;
- an increase in formula rate plan revenues for Entergy Louisiana, implemented with the first billing cycle of March 2016, to collect the estimated first-year revenue requirement related to the purchase of Power Blocks 3 and 4 of the Union Power Station; and
- an increase in revenues at Entergy Mississippi, as approved by the MPSC, effective with the first billing cycle of July 2016, and an increase in revenues collected through the storm damage rider.

See Note 2 to the financial statements for further discussion of the rate proceedings. See Note 14 to the financial statements for discussion of the Union Power Station purchase.

The Louisiana business combination customer credits variance is due to a regulatory liability of $107 million recorded by Entergy in October 2015 as a result of the Entergy Gulf States Louisiana and Entergy Louisiana business combination. Consistent with the terms of the stipulated settlement in the business combination proceeding, electric customers of Entergy Louisiana will realize customer credits associated with the business combination; accordingly, in October 2015, Entergy recorded a regulatory liability of $107 million ($66 million net-of-tax). These costs are being amortized over a nine-year period beginning December 2015. See Note 2 to the financial statements for further discussion of the business combination and customer credits.

The volume/weather variance is primarily due to the effect of more favorable weather during the unbilled period and an increase in industrial usage, partially offset by the effect of less favorable weather on residential sales. The increase in industrial usage is primarily due to expansion projects, primarily in the chemicals industry, and increased demand from new customers, primarily in the industrial gases industry.

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings results from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 3 to the financial statements for additional discussion of the settlement and benefit sharing.

Included in Other is a provision of $23 million recorded in 2016 related to the settlement of the Waterford 3 replacement steam generator prudence review proceeding, offset by a provision of $32 million recorded in 2015 related to the uncertainty at that time associated with the resolution of the Waterford 3 replacement steam generator prudence review proceeding. See Note 2 to the financial statements for a discussion of the Waterford 3 replacement steam generator prudence review proceeding.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing 2016 to 2015.

	Amount
	(In Millions)
2015 net revenue	$1,666
Nuclear realized price changes	(149)
Rhode Island State Energy Center	(44)
Nuclear volume	(36)
FitzPatrick reimbursement agreement	41
Nuclear fuel expenses	68
Other	(4)
2016 net revenue	**$1,542**

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by approximately $124 million in 2016 primarily due to:

- lower realized wholesale energy prices and lower capacity prices, although the average revenue per MWh shown in the table below for the nuclear fleet is slightly higher because it includes revenues from the FitzPatrick reimbursement agreement with Exelon, the amortization of the Palisades below-market PPA, and Vermont Yankee capacity revenue. The effect of the amortization of the Palisades below-market PPA and Vermont Yankee capacity revenue on the net revenue variance from 2015 to 2016 is minimal;
- the sale of the Rhode Island State Energy Center in December 2015. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale; and
- lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more refueling outage days in 2016 as compared to 2015 and larger exercise of resupply options in 2016 as compared to 2015. See "**Nuclear**

Matters - Indian Point 2 Outage" below for discussion of the extended Indian Point 2 outage in the second quarter 2016.

The decrease was partially offset by:

- an increase resulting from the reimbursement agreement with Exelon pursuant to which Exelon is reimbursing Entergy for specified out-of-pocket costs associated with preparing for the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017. Revenues received from Exelon under the reimbursement agreement are offset in nuclear fuel expenses and other operation and maintenance expenses and have no material effect on net income. See "**Entergy Wholesale Commodities Exit from the Merchant Power Business - Planned Sale of FitzPatrick**" below for further discussion of the reimbursement agreement; and
- a decrease in nuclear fuel expenses primarily related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets. See Note 14 to the financial statements for discussion of the impairments.

Following are key performance measures for Entergy Wholesale Commodities for 2016 and 2015.

	2016	2015
Owned capacity (MW) (a)	4,800	4,880
GWh billed	35,881	39,745
Average revenue per MWh	$51.55	$51.88
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	87%	91%
GWh billed	33,551	35,859
Average revenue per MWh	$51.90	$51.49
Refueling Outage Days:		
FitzPatrick	—	—
Indian Point 2	102	—
Indian Point 3	—	23
Palisades	—	32
Pilgrim	—	34

(a) The reduction in owned capacity is due to Entergy's sale of its 50% membership interest in Top Deer Wind Ventures, LLC in November 2016. See Note 14 to the financial statements for discussion of the sale.

Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from $2,443 million for 2015 to $2,360 million for 2016 primarily due to:

- a decrease of $78 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- the effects of recording final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately $19 million of spent nuclear

fuel storage costs previously recorded as other operation and maintenance expense. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;
- the deferral in 2016 of $8 million of previously-incurred costs related to ANO post-Fukushima compliance and $10 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC in February 2016 as part of the Entergy Arkansas 2015 rate case settlement. These costs are being amortized over a ten-year period beginning March 2016. See Note 2 to the financial statements for further discussion of the rate case settlement; and
- a decrease of $13 million in energy efficiency costs, including the effects of true-ups to energy efficiency filings for fixed costs to be collected from customers and incentives recognized as a result of participation in energy efficiency programs.

The decrease was partially offset by an increase of $61 million in nuclear generation expenses primarily due to higher nuclear labor costs, including contract labor, and an overall higher scope of work done during plant outages in 2016 as compared to prior year.

The asset write-offs, impairments, and related charges variance is due to the following activity:

- the $45 million ($28 million net-of-tax) write-off in 2015 to recognize that a portion of the assets associated with the Waterford 3 replacement steam generator project was no longer probable of recovery; and
- the $23.5 million ($15.3 million net-of-tax) write-off in 2015 of the regulatory asset associated with the Spindletop gas storage facility as a result of the approval of the System Agreement termination settlement agreement.

See Note 2 to the financial statements for further discussion of the asset write-offs.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Union Power Station purchased in March 2016, partially offset by the effects of recording the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately $11 million in 2016 of spent nuclear fuel storage costs previously recorded as depreciation. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

Other expenses increased primarily due to an increase in nuclear refueling outage expenses as a result of amortization of higher costs associated with refueling outages and increases in decommissioning expenses in 2016 primarily due to revised decommissioning cost studies in 2015 for Grand Gulf and Waterford 3. See Note 9 to the financial statements for further discussion of the revised decommissioning cost studies.

Entergy Wholesale Commodities

Other operation and maintenance expenses increased from $899 million for 2015 to $915 million for 2016 primarily due to:

- an increase of $60 million in severance and retention costs related to the planned shutdown or sale of the Pilgrim and FitzPatrick plants. See "**Entergy Wholesale Commodities Exit From the Merchant Power Business**" below and Note 14 to the financial statements for discussion of the decisions to cease operations of the plants;
- $41 million associated with preparing to refuel FitzPatrick in January 2017. Exelon reimbursed Entergy for these costs in accordance with the reimbursement agreement discussed in "**Entergy Wholesale Commodities Exit From the Merchant Power Business - Planned Sale of FitzPatrick**" below; and
- an increase of $26 million in costs related to Pilgrim's response to a planned NRC enhanced inspection as a result of the NRC placing Pilgrim in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix in September 2015. See Note 8 to the financial statements for further discussion of the NRC's decision and Pilgrim's response.

The increase was partially offset by:

- the effects of recording the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately $60 million in 2016 compared to the reimbursement of approximately $2 million in 2015 of spent nuclear fuel storage costs previously recorded as other operation and maintenance expenses. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;
- a decrease of $32 million as a result of the sale of the Rhode Island State Energy Center in December 2015. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale; and
- a decrease of $21 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs.

The asset write-offs, impairments, and related charges variance is due to $2,836 million ($1,829 million net-of-tax) in 2016 of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2, and Indian Point 3 plants and related assets to their fair values, partially offset by $2,036 million ($1,317 million net-of-tax) in 2015 of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' FitzPatrick, Pilgrim, and Palisades plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of these charges.

Depreciation and amortization expenses decreased primarily due to:

- decreases in depreciable asset balances as a result of the impairments of the FitzPatrick, Pilgrim, and Palisades plants. See Note 14 to the financial statements for further discussion of the impairments;
- the effects of recording the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately $15 million in 2016 compared to the reimbursement of approximately $4 million in 2015 of spent nuclear fuel storage costs previously recorded as depreciation. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- a decrease in depreciable asset balances as a result of the sale of the Rhode Island State Energy Center in December 2015. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale.

The gain on sale of asset resulted from the sale in December 2015 of the 583 MW Rhode Island State Energy Center in Johnston, Rhode Island, a business wholly-owned by Entergy in the Entergy Wholesale Commodities segment. Entergy sold Rhode Island State Energy Center for approximately $490 million and realized a pre-tax gain of $154 million on the sale. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale.

Other expenses decreased primarily due to the reduction in deferred refueling outage amortization costs related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets, partially offset by increases in decommissioning expenses primarily as a result of a trust transfer agreement Entergy entered into with NYPA in August 2016 to transfer the decommissioning trusts and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy and a revision to the estimated decommissioning cost liability for the Entergy Wholesale Commodities' Pilgrim plant as a result of a revised decommissioning cost study in 2015. See Note 14 to the financial statements for further discussion of the impairments and related charges and Note 9 to the financial statements for further discussion of nuclear decommissioning costs.

Income Taxes

See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35% to the effective income tax rates, and for additional discussion regarding income taxes.

The effective income tax rate for 2016 was 59.1%. The difference in the effective income tax rate versus the statutory rate of 35% for 2016 was primarily due to a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes and the reversal of a portion of the provision for uncertain tax positions as a result of the settlement of the 2010-2011 IRS audit, partially offset by state income taxes and certain book and tax differences related to utility plant items. See Note 3 to the financial statements for additional discussion of the tax election, the tax settlement, and a reconciliation of the federal statutory rate of 35% to the effective income tax rate.

The effective income tax rate for 2015 was 80.4%. The difference in the effective income tax rate versus the statutory rate of 35% for 2015 was primarily due to the tax effects of the Louisiana business combination. See Note 3 to the financial statements for further discussion of the tax effects of the Louisiana business combination and a reconciliation of the federal statutory rate of 35% to the effective income tax rate.

2015 Compared to 2014

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing 2015 to 2014 showing how much the line item increased or (decreased) in comparison to the prior period.

	Utility	Entergy Wholesale Commodities	Parent & Other	Entergy
		(In Thousands)		
2014 Consolidated Net Income (Loss)	$846,496	$294,521	($180,760)	$960,257
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	94,195	(558,060)	(1,885)	(465,750)
Other operation and maintenance	166,812	(123,645)	1,278	44,445
Asset write-offs, impairments, and related charges	(3,553)	1,928,707	—	1,925,154
Taxes other than income taxes	35,010	(20,196)	2	14,816
Depreciation and amortization	57,076	(36,892)	(1,546)	18,638
Gain on sale of asset	—	154,037	—	154,037
Other income	(3,993)	(4,899)	(18,607)	(27,499)
Interest expense	11,403	10,142	(5,583)	15,962
Other expenses	10,821	(19,533)	—	(8,712)
Income taxes	(455,387)	(787,327)	10,190	(1,232,524)
2015 Consolidated Net Income (Loss)	$1,114,516	($1,065,657)	($205,593)	($156,734)

Refer to "**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON OF ENTERGY CORPORATION AND SUBSIDIARIES**" which accompanies Entergy Corporation's financial statements in this report for further information with respect to operating statistics.

Results of operations for 2015 include $2,036 million ($1,317 million net-of-tax) of impairment and related charges to write down the carrying values of certain Entergy Wholesale Commodities' plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges. As a result of the Entergy Louisiana and Entergy Gulf States Louisiana business combination, results of operations for 2015 also include two items that occurred in October 2015: 1) a deferred tax asset and resulting net increase in tax basis of approximately $334 million and 2) a regulatory liability of $107 million ($66 million net-of-tax) as a result of customer credits to be realized by electric customers of Entergy Louisiana, consistent with the terms of the stipulated settlement in the business combination proceeding. See Note 2 to the financial statements for further discussion of the business combination and customer credits. Results of operations for 2015 also include the sale in December 2015 of the 583 MW Rhode Island State Energy Center for a realized gain of $154 million ($100 million net-of-tax) on the sale and the $77 million ($47 million net-of-tax) write-off and regulatory charges to recognize that a portion of the assets associated with the Waterford 3 replacement steam generator project is no longer probable of recovery. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale. See Note 2 to the financial statements for further discussion of the Waterford 3 write-off.

Results of operations for 2014 include $154 million ($100 million net-of-tax) of charges related to Vermont Yankee primarily resulting from the effects of an updated decommissioning cost study completed in the third quarter 2014 along with reassessment of the assumptions regarding the timing of decommissioning cash flows and severance and employee retention costs. See Note 14 to the financial statements for further discussion of the charges. Results of operations for 2014 also include the $56.2 million ($36.7 million net-of-tax) write-off in 2014 of Entergy Mississippi's regulatory asset associated with new nuclear generation development costs as a result of a joint stipulation entered into with the Mississippi Public Utilities Staff, subsequently approved by the MPSC, in which Entergy Mississippi agreed not to pursue recovery of the costs deferred by an MPSC order in the new nuclear generation docket. See Note 2 to the financial statements for further discussion of the new nuclear generation development costs and the joint stipulation.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing 2015 to 2014.

	Amount
	(In Millions)
2014 net revenue	$5,735
Retail electric price	187
Volume/weather	95
Waterford 3 replacement steam generator provision	(32)
MISO deferral	(35)
Louisiana business combination customer credits	(107)
Other	(14)
2015 net revenue	**$5,829**

The retail electric price variance is primarily due to:

- formula rate plan increases at Entergy Louisiana, as approved by the LPSC, effective December 2014 and January 2015;
- an increase in energy efficiency rider revenue primarily due to increases in the energy efficiency rider at Entergy Arkansas, as approved by the APSC, effective July 2015 and July 2014, and new energy efficiency riders at Entergy Louisiana and Entergy Mississippi that began in the fourth quarter 2014; and
- an annual net rate increase at Entergy Mississippi of $16 million, effective February 2015, as a result of the MPSC order in the June 2014 rate case.

See Note 2 to the financial statements for a discussion of rate and regulatory proceedings.

The volume/weather variance is primarily due to an increase of 1,402 GWh, or 1%, in billed electricity usage, including an increase in industrial usage and the effect of more favorable weather. The increase in industrial sales was primarily due to expansion in the chemicals industry and the addition of new customers, partially offset by decreased demand primarily due to extended maintenance outages for existing chemicals customers.

The Waterford 3 replacement steam generator provision is due to a regulatory charge of approximately $32 million recorded in 2015 related to the uncertainty associated with the resolution of the Waterford 3 replacement steam generator project. See Note 2 to the financial statements for a discussion of the Waterford 3 replacement steam generator prudence review proceeding.

The MISO deferral variance is primarily due to the deferral in 2014 of non-fuel MISO-related charges, as approved by the LPSC and the MPSC. The deferral of non-fuel MISO-related charges is partially offset in other operation and maintenance expenses. See Note 2 to the financial statements for further discussion of the recovery of non-fuel MISO-related charges.

The Louisiana business combination customer credits variance is due to a regulatory liability of $107 million recorded by Entergy in October 2015 as a result of the Entergy Gulf States Louisiana and Entergy Louisiana business combination. Consistent with the terms of the stipulated settlement in the business combination proceeding, electric customers of Entergy Louisiana will realize customer credits associated with the business combination; accordingly, in October 2015, Entergy recorded a regulatory liability of $107 million ($66 million net-of-tax). See Note 2 to the financial statements for further discussion of the business combination and customer credits.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing 2015 to 2014.

	Amount
	(In Millions)
2014 net revenue	$2,224
Nuclear realized price changes	(310)
Vermont Yankee shutdown in December 2014	(305)
Nuclear volume, excluding Vermont Yankee effect	20
Other	37
2015 net revenue	**$1,666**

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by approximately $558 million in 2016 primarily due to:

- lower realized wholesale energy prices, primarily due to significantly higher Northeast market power prices in 2014, and lower capacity prices in 2015; and
- a decrease in net revenue as a result of Vermont Yankee ceasing power production in December 2014.

The decrease was partially offset by higher volume in the Entergy Wholesale Commodities nuclear fleet, excluding Vermont Yankee, resulting from fewer refueling outage days in 2015 as compared to 2014, partially offset by more unplanned outage days in 2015 as compared to 2014.

Following are key performance measures for Entergy Wholesale Commodities for 2015 and 2014.

	2015	2014
Owned capacity (MW) (a)	4,880	6,068
GWh billed	39,745	44,424
Average revenue per MWh	$51.88	$60.84
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	91%	91%
GWh billed	35,859	40,253
Average revenue per MWh	$51.49	$60.35
Refueling Outage Days:		
FitzPatrick	—	44
Indian Point 2	—	24
Indian Point 3	23	—
Palisades	32	56
Pilgrim	34	—

(a) The reduction in owned capacity is due to the retirement of the 605 MW Vermont Yankee plant in December 2014 and the sale of the 583 MW Rhode Island State Energy Center in December 2015.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from $2,276 million for 2014 to $2,443 million for 2015 primarily due to:

- an increase of $59 million in nuclear generation expenses primarily due to an increase in regulatory compliance costs, higher labor costs, and an overall higher scope of work done in 2015. The increase in regulatory compliance costs is primarily related to additional NRC inspection activities in 2015 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See "**ANO Damage, Outage, and NRC Reviews**" below for a discussion of the ANO stator incident and subsequent NRC reviews;
- an increase of $28 million in compensation and benefits costs primarily due to an increase in net periodic pension and other postretirement benefit costs as a result of lower discount rates and changes in retirement and mortality assumptions, partially offset by a decrease in the accrual for incentive-based compensation. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;
- an increase of $27 million in energy efficiency costs, including the effects of true-ups to energy efficiency filings for fixed costs to be collected from customers;
- an increase of $26 million in distribution expenses primarily due to higher vegetation maintenance and higher labor costs in 2015 as compared to 2014; and
- an increase of $24 million in transmission expenses primarily due to an increase in the amount of transmission costs allocated by MISO. See Note 2 to the financial statements for further information on the recovery of these costs.

The increase was partially offset by a decrease of $23 million in storm damage provisions primarily at Entergy Mississippi. See Note 2 to the financial statements for a discussion of storm cost recovery.

The asset write-offs, impairments, and related charges variance is due to the following activity:

- the $45 million ($28 million net-of-tax) write-off in 2015 to recognize that a portion of the assets associated with the Waterford 3 replacement steam generator project was no longer probable of recovery and the $16 million ($11 million net-of-tax) write-off in 2014 due to the uncertainty at the time associated with the resolution of the Waterford 3 replacement steam generator project prudence review;
- the $23.5 million ($15.3 million net-of-tax) write-off in 2015 of the regulatory asset associated with the Spindletop gas storage facility as a result of the approval of the System Agreement termination settlement agreement; and
- the $56 million ($37 million net-of-tax) write-off in 2014 of Entergy Mississippi's regulatory asset associated with new nuclear generation development costs.

See Note 2 to the financial statements for further discussion of the asset write-offs.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes, payroll taxes, and franchise taxes.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Ninemile Unit 6 project, which was placed in service in December 2014, and higher depreciation rates at Entergy Mississippi effective February 2015, as approved by the MPSC.

Interest expense increased primarily due to net debt issuances in the fourth quarter 2014 by certain Utility operating companies including the issuance by Entergy Louisiana in November 2014 of $250 million of 4.95% Series first mortgage bonds due January 2045 and the issuance by Entergy Arkansas in December 2014 of $250 million of 4.95% Series first mortgage bonds due December 2044.

Other expenses increased primarily due to increases in decommissioning expenses in 2015 as a result of revised decommissioning cost studies in 2014 for Grand Gulf, ANO 1, ANO 2, and Waterford 3. See Note 9 to the financial statements for further discussion of the revised decommissioning cost studies.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from $1,023 million for 2014 to $899 million for 2015 primarily due to the shutdown of Vermont Yankee, which ceased power production in December 2014. The decrease was partially offset by an increase of $12 million in compensation and benefits costs primarily due to an increase in net periodic pension and other postretirement benefit costs as a result of lower discount rates and changes in retirement and mortality assumptions, partially offset by a decrease in the accrual for incentive-based compensation. See "**Critical Accounting Estimates**" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs.

The asset write-offs, impairments, and related charges variance is primarily due to $2,036 million ($1,317 million net-of-tax) in 2015 of impairment and related charges to write down the carrying values of certain Entergy Wholesale Commodities' plants and related assets to their fair values, partially offset by $107 million ($69 million net-of-tax) in 2014 of impairment charges related to Vermont Yankee primarily resulting from the effects of an updated decommissioning cost study completed in the third quarter 2014. See Note 14 to the financial statements for further discussion of these charges.

Taxes other than income taxes decreased primarily due to the shutdown of Vermont Yankee, which ceased power production in December 2014.

Depreciation and amortization expenses decreased primarily due to decreases in depreciable asset balances as a result of the shutdown of Vermont Yankee, which ceased power production in December 2014. See Note 14 to the financial statements for further discussion of impairment of long-lived assets.

The gain on sale of asset resulted from the sale in December 2015 of the 583 MW Rhode Island State Energy Center in Johnston, Rhode Island, a business wholly-owned by Entergy in the Entergy Wholesale Commodities segment. Entergy sold Rhode Island State Energy Center for approximately $490 million and realized a pre-tax gain of $154 million on the sale. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale.

Other income decreased primarily due to $37 million ($24 million net-of-tax) in 2015 of impairment and related charges resulting from the write-down of the carrying values of the generating assets of Entergy's equity method investee Top Deer Wind Ventures, LLC to their fair values, partially offset by higher realized gains on decommissioning trust fund investments in 2015 as compared to 2014, including portfolio reallocations for the Vermont Yankee nuclear decommissioning trust funds.

Other expenses decreased primarily due to a decrease in nuclear refueling outage costs that are being amortized over the estimated period to the next outage as a result of the impairments and related charges in 2015 to write down the carrying values of the FitzPatrick and Pilgrim plants and related assets and the shutdown of Vermont Yankee, which ceased power production in December 2014. See Note 14 to the financial statements for further discussion of the impairment and related charges.

Income Taxes

See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35% to the effective income tax rates, and for additional discussion regarding income taxes.

The effective income tax rate for 2015 was 80.4%. The difference in the effective income tax rate versus the statutory rate of 35% for 2015 was primarily due to the tax effects of the Louisiana business combination. See Note 3 to the financial statements for further discussion of the tax effects of the Louisiana business combination and a reconciliation of the federal statutory rate of 35% to the effective income tax rate.

The effective income tax rate for 2014 was 38%. The difference in the effective income tax rate versus the statutory rate of 35% for 2014 was primarily due to state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions, partially offset by a deferred state income tax reduction related to a New York tax law change and book and tax differences related to the allowance for equity funds used during construction.

ANO Damage, Outage, and NRC Reviews

In March 2013, during a scheduled refueling outage at ANO 1, a contractor-owned and operated heavy-lifting apparatus collapsed while moving the generator stator out of the turbine building. The collapse resulted in the death of an ironworker and injuries to several other contract workers, caused ANO 2 to shut down, and damaged the ANO turbine building. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately $95 million. Entergy Arkansas is pursuing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. During 2014, Entergy Arkansas collected $50 million from Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants. Litigation remains pending.

In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC approved Entergy Arkansas's request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

Shortly after the stator incident, the NRC deployed an augmented inspection team to review the plant's response. In July 2013 a second team of NRC inspectors visited ANO to evaluate certain items that were identified as requiring follow-up inspection to determine whether performance deficiencies existed. In March 2014 the NRC issued an inspection report on the follow-up inspection that discussed two preliminary findings, one that was preliminarily determined to be "red with high safety significance" for Unit 1 and one that was preliminarily determined to be "yellow with substantial safety significance" for Unit 2, with the NRC indicating further that these preliminary findings may warrant additional regulatory oversight. This report also noted that one additional item related to flood barrier effectiveness was still under review.

In March 2015, after several NRC inspections and regulatory conferences, the NRC issued a letter notifying Entergy of its decision to move ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site's root cause evaluation associated with flood barrier effectiveness and stator issues, an assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Entergy Arkansas incurred incremental costs of approximately $53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas also incurred approximately $44 million in 2016 in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expense is expected to be ongoing annually after 2016, until ANO transitions out of Column 4.

The NRC completed the supplemental inspection required for ANO's Column 4 designation in February 2016, and published its inspection report in June 2016. In its inspection report, the NRC concluded that the ANO site is being operated safely and that Entergy understands the depth and breadth of performance concerns associated with ANO's performance decline. Also in June 2016, the NRC issued a confirmatory action letter to confirm the actions Entergy Arkansas has taken and will continue to take to improve performance at ANO. The NRC will verify the completion of those actions through quarterly follow-up inspections, the results of which will determine when ANO should transition out of Column 4.

Entergy Wholesale Commodities Exit from the Merchant Power Business

Entergy management has undertaken a strategy to manage and reduce the risk of the Entergy Wholesale Commodities business, which includes taking actions to reduce the size of the merchant fleet. Management evaluated the challenges for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs. Management continues to look for ways to mitigate the operational and decommissioning risks associated with the merchant power business. Assumptions regarding the operating life of the plants and the decommissioning timeline and process continue to be evaluated. Changes to current assumptions could result in revisions to the asset retirement obligations and affect compliance with certain NRC minimum financial assurance requirements for meeting obligations to decommission the plants. Increases in the asset retirement obligations could result in an increase in operating expense in the period of a revision. Assumptions regarding the possibility that a plant may have an operating life shorter than previously assumed will likely result in the need for additional contributions to decommissioning trust funds, or the posting of parent guarantees, letters of credit, or other surety mechanisms.

Entergy Wholesale Commodities includes the ownership of the following nuclear reactors:

	Location	Market	Capacity	Planned Transaction
Vermont Yankee	Vernon, VT	ISO-NE	605 MW	Planned sale of shutdown plant in 2018
FitzPatrick	Oswego, NY	NYISO	838 MW	Planned sale in 2017
Palisades	Covert, MI	MISO	811 MW	Planned shutdown in 2018
Pilgrim	Plymouth, MA	ISO-NE	688 MW	Planned shutdown in 2019
Indian Point 2	Buchanan, NY	NYISO	1,028 MW	Planned shutdown in 2020
Indian Point 3	Buchanan, NY	NYISO	1,041 MW	Planned shutdown in 2021

Entergy Wholesale Commodities also includes the ownership of two non-operating nuclear facilities, Big Rock Point in Michigan and Indian Point 1 in New York that were acquired when Entergy purchased the Palisades and Indian Point 2 nuclear plants, respectively. These facilities are in various stages of the decommissioning process. In addition, Entergy Wholesale Commodities provides operations and management services, including decommissioning services, to nuclear power plants owned by other utilities in the United States. A relatively minor portion of the Entergy Wholesale Commodities business is the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Shutdown and Planned Sale of Vermont Yankee

On December 29, 2014, the Vermont Yankee plant ceased power production and entered its decommissioning phase. In November 2016, Entergy entered into an agreement to sell 100% of the membership interests in Entergy Nuclear Vermont Yankee, LLC to a subsidiary of NorthStar. Entergy Nuclear Vermont Yankee is the owner of the Vermont Yankee plant and is in the Entergy Wholesale Commodities segment. The sale of Entergy Nuclear Vermont Yankee to NorthStar will include the transfer of the nuclear decommissioning trust fund and the asset retirement obligation for the spent fuel management and decommissioning of the plant.

Entergy Nuclear Vermont Yankee has an outstanding credit facility with borrowing capacity of $100 million to pay for dry fuel storage costs. This credit facility is guaranteed by Entergy Corporation. At or before closing, a subsidiary of Entergy will assume the obligations under the existing credit facility or enter into a new credit facility, and Entergy will guarantee the credit facility. At the closing of the sale transaction, NorthStar will pay $1,000 for the membership interests in Entergy Nuclear Vermont Yankee, and NorthStar will cause Entergy Nuclear Vermont Yankee to issue a promissory note to the Entergy entity selling the membership interests in Entergy Nuclear Vermont Yankee. The amount of the promissory note issued will be equal to the amount drawn under the credit facility or the amount drawn under the new credit facility, plus borrowing fees and costs incurred by Entergy in connection with such facility. The principal amount drawn under the outstanding credit facility was $45 million as of December 31, 2016, and the net book value of Entergy Nuclear Vermont Yankee, including unrealized gains on the decommissioning trust fund, as of December 31, 2016, was approximately $88 million.

Entergy plans to transfer all spent nuclear fuel to dry cask storage by the end of 2018, subject to obtaining necessary regulatory approvals, in advance of the planned transaction close. Under the sale agreement and related agreements to be entered into at the closing, NorthStar will commit to initiate decommissioning and site restoration by 2021 and complete those activities by 2030. The original completion date, as outlined in Entergy's Post Shutdown Decommissioning Activities Report filed with the NRC, was 2075. Entergy Nuclear Vermont Yankee, under NorthStar ownership, will be required to repay the promissory note issued to Entergy with certain of the proceeds from the recovery of damages under its claims against the DOE related to spent nuclear fuel disposal, with any balance remaining due at partial site restoration, subject to extension not to exceed two years from partial site restoration.

The transaction is subject to certain closing conditions, including approval by the NRC; approval by the State of Vermont Public Service Board, including approval of site restoration standards that will be proposed as part of the transaction; the transfer of all spent nuclear fuel to dry fuel storage on the independent spent fuel storage installation; and that the market value of the fund assets held in the decommissioning trust fund for the Vermont Yankee Nuclear Power Station, less the hypothetical income tax on the aggregate unrealized net gain of such fund assets at closing, is equal to or exceeds $451.95 million, subject to adjustments. The transaction is expected to close by the end of 2018, subject to certain conditions, including the condition that Entergy contribute to the decommissioning trust fund if the value is less than provided for in the agreement with NorthStar.

Sale of Rhode Island State Energy Center

In December 2015, Entergy sold the Rhode Island State Energy Center, a 583 MW natural gas-fired combined-cycle generating plant owned by Entergy in the Entergy Wholesale Commodities segment. Entergy sold Rhode Island State Energy Center for approximately $490 million and realized a pre-tax gain of $154 million on the sale.

Sale of Top Deer Investment

In November 2016, Entergy sold its 50% membership interest in Top Deer Wind Ventures, LLC, a wind-powered electric generation joint venture owned by Entergy in the Entergy Wholesale Commodities segment and accounted for as an equity method investment. Entergy sold its 50% membership interest in Top Deer for approximately $0.5 million and realized a pre-tax loss of $0.2 million on the sale.

Planned Sale of FitzPatrick

In October 2015, Entergy determined that it would close the FitzPatrick plant. The original expectation was to shut down the FitzPatrick plant at the end of its fuel cycle in January 2017. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to cease operations earlier than expected.

In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust funds and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. When Entergy purchased Indian Point 3 and FitzPatrick in 2000 from NYPA, NYPA retained the decommissioning trust funds and the decommissioning liabilities. NYPA and Entergy subsidiaries executed decommissioning agreements, which specified their decommissioning obligations. NYPA had the right to require the Entergy subsidiaries to assume each of the decommissioning liabilities provided that it assigned the corresponding decommissioning trust, up to a specified level, to the Entergy subsidiaries. Under the original agreements, if the decommissioning liabilities were retained by NYPA, the Entergy subsidiaries would perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trust funds. At the time of the acquisition of the plants Entergy recorded a contract asset that represented an estimate of the present value of the difference between the stipulated contract amount for decommissioning the plants less the decommissioning costs estimated in independent decommissioning cost studies. The asset was increased by monthly accretion based on the applicable discount rate necessary to ultimately provide for the estimated future value of the decommissioning contract. The monthly accretion was recorded as interest income. As a result of the agreement with NYPA, in the third quarter 2016, Entergy removed the contract asset from its balance sheet, and recorded receivables for the beneficial interests in the decommissioning trust funds and asset retirement obligations for the decommissioning liabilities. The asset retirement obligations are accreted monthly through a charge to decommissioning expense. The transaction was contingent upon receiving approval from the NRC, which was received in January 2017. The decommissioning trust funds for the Indian Point 3 and FitzPatrick plants were transferred to Entergy by NYPA in January 2017. See Note 9 to the financial statements for further discussion of Indian Point 3 and FitzPatrick's decommissioning liabilities and see Note 16 to the financial statements for further discussion of the receivables for the beneficial interests in Indian Point 3 and FitzPatrick's decommissioning trust funds.

In August 2016, Entergy entered into an agreement to sell the FitzPatrick plant to Exelon. The transaction is expected to close in the first half of 2017. The purchase price is $100 million and the assumption by Exelon of certain liabilities related to the FitzPatrick plant, with an additional $10 million non-refundable signing fee, which was paid upon the signing of the agreement. The transaction is contingent upon, among other things, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of necessary regulatory approvals from the FERC, the NRC, and the Public Service Commission of the State of New York (NYPSC), and the receipt of a private letter ruling from the IRS. NRC approval has not yet been received, but all other necessary regulatory approvals have been received. Because certain specified conditions were satisfied in November 2016, including the continued effectiveness of the Clean Energy Standards/Zero Emissions Credit program (CES/ZEC), the establishment of certain long-term agreements on acceptable terms with the Energy Research and Development Authority of the State of New York in connection with the CES/ZEC program, and NYPSC approval of the transaction on acceptable terms, Entergy refueled the FitzPatrick plant in January and February 2017. Entergy expects to operate the FitzPatrick plant until the asset purchase agreement closing date. Entergy entered into a reimbursement agreement with Exelon pursuant to which Exelon will reimburse Entergy for specified out-of-pocket costs associated with the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017. Pursuant to the reimbursement agreement, as of December 31, 2016 Exelon reimbursed Entergy $56 million for nuclear fuel expenses and $41 million for other operation and maintenance expenses associated with preparing to refuel FitzPatrick in 2017. In addition, Entergy entered into a transfer agreement whereby Exelon will be entitled to all revenues from FitzPatrick's electricity and capacity sales for the period that commenced upon completion of the refueling outage through the asset purchase agreement closing date. If the asset purchase agreement is terminated, a termination fee of up to $30 million will be payable to Entergy under certain circumstances. If it is consummated, the transaction could result in a gain or loss because of fluctuations in the decommissioning trust fund earnings and asset retirement obligation accretion. Upon the closing of the sale, the FitzPatrick decommissioning trust along with the decommissioning obligation for that plant will be transfered to Exelon.

As a result of the agreement and the status of the necessary regulatory approvals, the assets and liabilities associated with the sale of FitzPatrick to Exelon are classified as held for sale on Entergy Corporation and Subsidiaries' Consolidated Balance Sheet. As of December 31, 2016, the $785 million receivable for the beneficial interest in the decommissioning trust fund within other deferred debits and the $714 million asset retirement obligation within other non-current liabilities are classified as held for sale. The transaction also includes property, plant, and equipment with a net book value of zero.

Planned Shutdown of Palisades

Most of the Palisades output is sold under a power purchase agreement (PPA) with Consumers Energy, entered into when the plant was acquired in 2007, that is currently scheduled to expire in 2022. The PPA prices currently exceed market prices and escalate each year, up to $61.50/MWh in 2022.

In December 2016, Entergy reached an agreement with Consumers Energy to terminate the PPA for the Palisades plant on May 31, 2018. Pursuant to the PPA termination agreement, Consumers Energy will pay Entergy $172 million for the early termination of the PPA. The PPA termination agreement is subject to regulatory approvals. Separately, and assuming regulatory approvals are obtained for the PPA termination agreement, Entergy intends to shut down the Palisades nuclear power plant permanently on October 1, 2018, after refueling in the spring of 2017 and operating through the end of that fuel cycle. Entergy expects to enter into a new PPA with Consumers Energy under which the plant would continue to operate through October 1, 2018. See Note 14 to the financial statements for discussion of the impairment charges associated with the PPA termination agreement and the decision to cease operations earlier than expected.

Planned Shutdown of Pilgrim

In October 2015, Entergy determined that it would close the Pilgrim plant. The decision came after management's extensive analysis of the economics and operating life of the plant following the NRC's decision in September 2015 to place the plant in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix. The Pilgrim plant is expected to cease operations on May 31, 2019, after refueling in the spring of 2017 and operating through the end of that fuel cycle. See Note 14 to the financial statements for discussion of the impairment charges associated with the decision to cease operations earlier than expected and see Note 8 for further discussion on the placement of Pilgrim in Column 4.

Planned Shutdown of Indian Point 2 and Indian Point 3

Indian Point 2 and Indian Point 3 have been involved, and have faced opposition, in extensive licensing proceedings. In January 2017, Entergy announced that it reached a settlement with New York State to shut down Indian Point 2 by April 30, 2020 and Indian Point 3 by April 30, 2021. See further discussion of the licensing proceedings and the settlement reached with New York State in "**Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants**" below.

As discussed above, in August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust fund and decommissioning liability for the Indian Point 3 plant to Entergy. The decommissioning trust fund for the Indian Point 3 plant was transferred to Entergy by NYPA in January 2017.

See Note 14 to the financial statements for further discussion of the impairment charges associated with management's evaluation of alternatives to the continued operation of the Indian Point plants.

Costs Associated with Entergy Wholesale Commodities Strategic Transactions

Entergy incurred approximately $95 million in costs in 2016 associated with these strategic decisions and transactions to exit the merchant power business, primarily employee retention and severance expenses and other benefits-related costs, and contracted economic development contributions. Entergy expects to incur employee retention and severance expenses of approximately $100 million in 2017, and approximately $235 million from 2018 through the end of 2021 associated with these strategic transactions. See Note 13 to the financial statements for further discussion of these costs.

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

The NRC operating license for Palisades expires in 2031, for Pilgrim expires in 2032, and for FitzPatrick expires in 2034. See Note 14 to the financial statements for additional discussion regarding the planned sales of the Vermont Yankee and FitzPatrick plants and the planned shutdowns and associated impairment and related charges for the Palisades and Pilgrim plants.

Indian Point NRC/ASLB Proceedings

In January 2017, Entergy reached a settlement with New York State, several State agencies, and Riverkeeper, Inc. under which Indian Point 2 and Indian Point 3 will cease commercial operation by April 30, 2020 and April 30, 2021, respectively, subject to certain conditions, including New York State's withdrawal of opposition to Indian Point's license renewals and issuance of contested permits and similar authorizations. See "**Overview of Settlement**" below for further discussion on the settlement with New York State.

In April 2007, Entergy submitted to the NRC a joint application to renew the operating licenses for Indian Point 2 and Indian Point 3 for an additional 20 years. The original expiration dates of the NRC operating licenses for Indian Point 2 and Indian Point 3 were in September 2013 and December 2015, respectively. Authorization to operate Indian Point 2 and Indian Point 3 rests on Entergy's having timely filed a license renewal application that remains pending before the NRC. Each of Indian Point 2 and Indian Point 3 has now entered its "period of extended operation" after expiration of the plant's initial license term under "timely renewal," which is a federal statutory rule of general applicability providing for extension of a license for which a renewal application has been timely filed with the licensing agency. The license renewal application for Indian Point 2 and Indian Point 3 qualifies for timely renewal protection because it met NRC regulatory standards for timely filing.

The scope of NRC license renewal applications is focused primarily on whether the licensee has in place aging management programs (detailed diagnostic analyses performed when and as prescribed) to ensure that passive systems, structures, and components (such as pipes and concrete and metal structures) can continue to perform their intended safety functions. Other aspects of nuclear plant operations (maintenance of active components like pumps and control systems, security, and emergency preparedness) are regulated by the NRC on an ongoing basis and, as such, are outside the scope of license renewal proceedings. The NRC also determines whether there are any environmental impacts that would affect license renewal.

Every application for renewal of a reactor operating license undergoes comprehensive NRC staff review to ensure the adequacy of the application and the aging management programs detailed in it. NRC staff's conclusions following such review are set forth in a Final Safety Evaluation Report (FSER). Issuance of a renewed operating license is a "major federal action" under the National Environmental Policy Act, so NRC staff also are required to prepare an Environmental Impact Statement (EIS) regarding the proposed licensing action. The NRC has elected to address certain EIS issues on a generic basis via the rulemaking process. As a result, the EIS for a particular license renewal proceeding has two components: the Generic Environmental Impact Statement and a Final Supplemental Environmental Impact Statement (FSEIS) addressing site-specific EIS issues. Both the FSER and the FSEIS are subject to updating by NRC staff in an individual license renewal proceeding.

Where, as in the case of Indian Point, one or more intervenors proposes for admission contentions alleging errors and omissions in the applicant's license renewal application or the NRC staff's review of related safety and environmental issues, the NRC appoints an ASLB to determine whether the contentions satisfy threshold standards and, if so, to adjudicate such "admitted" contentions. Safety-related contentions address issues that will be or have been described in the FSER and environmental-related contentions address issues that will be or have been described in the FSEIS. Contentions may be proposed at any time before license issuance based on new and material information, subject to timeliness and admissibility standards. Final ASLB orders on admissibility or resolving contentions, whether after hearing or on summary disposition, are appealable to the NRC.

Various governmental and private intervenors sought and obtained party status to express opposition to renewal of the Indian Point 2 and Indian Point 3 licenses. The ASLB has admitted 16 consolidated contentions based on 21 contentions originally proposed by the State of New York or other parties. Thirteen "Track 1" contentions have been resolved in favor of Entergy, whether by the ASLB or by the NRC on appeal from an ASLB decision. Hearings on the three remaining contentions, which are designated "Track 2," were conducted by the ASLB in November 2015. The ASLB scheduled the filing of post-hearing submissions through late-March 2016, but extended that schedule several times to allow the submission of supplemental testimony addressing the results of the 2016 reactor vessel internal inspection at Unit 2. That inspection led to the replacement of a substantial number of baffle former bolts, as described further in "**Nuclear Matters**" below. In January 2017 the ASLB issued an order suspending the schedule for completion of Track 2 filings following notification of the settlement with New York State.

Independent of the ASLB process, the NRC staff has performed its technical and environmental reviews of the Indian Point 2 and Indian Point 3 license renewal application. The NRC staff issued an FSER in August 2009, a supplement to the FSER in August 2011, an FSEIS in December 2010, a supplement to the FSEIS in June 2013, and a further supplement to the FSER in November 2014. In November 2014 the NRC staff advised of its proposed schedule for issuance of a further FSEIS supplement to address new information received by NRC staff since preparation and publication of the previous FSEIS supplement in June 2013. The NRC staff issued a draft of the new FSEIS supplement in December 2015. The target date for issuance of a final FSEIS supplement has not been announced. In addition, NRC staff has not formally announced whether it plans to issue a further FSEIS supplement addressing sensitivity analyses of severe accident mitigation alternatives that the NRC directed staff to perform as part of an order resolving appeal of one Track 1 contention in favor of NRC staff and Entergy.

Entergy will continue to work with the NRC staff as it completes its technical and environmental reviews of the Indian Point 2 and Indian Point 3 license renewal applications.

Indian Point NYSDEC Water Quality Certification Proceedings

The New York State Department of Environmental Conservation (NYSDEC) has taken the position that Indian Point must obtain a new state-issued Clean Water Act Section 401 water quality certification as part of the license renewal process. Entergy submitted its application for a water quality certification to NYSDEC in April 2009, with a reservation of rights regarding the applicability of Section 401 in this case. Subsequently, Entergy submitted certain additional information in response to NYSDEC requests for additional information. In February 2010 the NYSDEC staff determined that Entergy's water quality certification application was complete. In April 2010 the NYSDEC staff issued a proposed notice of denial of Entergy's water quality certification application (the Notice). NYSDEC staff's Notice triggered an administrative adjudicatory hearing before NYSDEC ALJs on the proposed Notice. Between 2011 and 2016, the ALJs conducted more than 50 days of trial on issues identified by NYSDEC staff as bases for denying Indian Point's proposed water quality certificate, and those issues were briefed by the parties. Entergy also submitted information and analysis to the NRC indicating that a water quality certificate was not legally required for license renewal; NYSDEC disputed Entergy's position. At the time the Indian Point settlement with New York State was reached, the ALJs had not issued a recommended decision to the Commissioner.

Under the Indian Point settlement, in January 2017, the NYSDEC Commissioner approved the NYSDEC staff's earlier issuance of the water quality certification and water discharge permit, and the ALJs terminated the proceedings. The settlement agreement provides for issuance of a supplemental environmental analysis in May 2017 reflecting early shutdown.

Indian Point Coastal Zone Management Act Proceedings

In addition, before the NRC may issue renewed operating licenses it must resolve its obligation to address the requirements of the Coastal Zone Management Act (CZMA). Most commonly, those requirements are met by the applicant's demonstration that the activity authorized by the federal permit being sought is consistent with the host state's federally-approved coastal management policies. Entergy has undertaken three independent initiatives to resolve CZMA issues: "grandfathering;" "previous review;" and a "consistency certification."

First, Entergy filed with the New York State Department of State (NYSDOS) in November 2012 a petition for declaratory order that Indian Point is grandfathered under either of two criteria prescribed by the New York Coastal Management Program, which sets forth the state coastal policies applied in a CZMA consistency review. NYSDOS denied the motion by order dated January 2013. Entergy appealed NYSDOS's decision to the New York State courts. In November 2016 the New York Court of Appeals held that Indian Point was not grandfathered, and therefore subject to CZMA review by NYSDOS in conjunction with NRC license renewal.

Second, in July 2012, Entergy filed a supplement to the Indian Point license renewal applications currently pending before the NRC. Following a series of filings with the NRC, the NRC staff advised the ASLB in February 2015 that it was reviewing the information it had received regarding previous review and would provide further information when available.

Third, in December 2012, Entergy filed with NYSDOS a consistency determination explaining why Indian Point satisfies all applicable New York Coastal Management Program policies while noting that Entergy did not concede NYSDOS's right to conduct a new CZMA review for Indian Point. In November 2014, Entergy filed with the NRC and with NYSDOS a notice withdrawing the consistency certification.

NYSDOS disputed the effectiveness of Entergy's November 2014 notice withdrawing the consistency certification. In December 2014, Entergy and NYSDOS executed an agreement intended to preserve the parties' respective positions on withdrawal which was extended several times; upon expiration of the last extension, NYSDOS issued an objection in November 2015. Entergy then filed with the National Oceanographic and Atmospheric Administration (NOAA), the agency within the U.S. Department of Commerce that has been delegated authority to act on CZMA appeals, a motion requesting a determination that Entergy's November 2014 withdrawal notice was effective or, alternatively, an extension of the deadline for Entergy to file a notice of appeal and the consolidated record of proceedings which by law must be assembled by the federal licensing agency, here the NRC. In November 2015, after receiving papers in opposition from NYSDOS, NOAA issued a letter (1) deferring until after the New York Court of Appeals ruled on grandfathering the determination whether Entergy's withdrawal notice was effective, and (2) extending until that time Entergy's deadline for filing a notice of appeal and the consolidated record. In January 2016, Entergy filed suit in the U.S. District Court for the Northern District of New York challenging the New York State Department of Environmental Conservation's objection to Entergy's withdrawn Coastal Zone Management Act consistency certification on federal preemption grounds. Entergy's complaint requested a determination that the objection, which cites nuclear safety concerns, is preempted and thus invalid. The NYSDOS filed a motion to dismiss Entergy's lawsuit in March 2016, and Entergy filed its response in May 2016.

Overview of Settlement

The Indian Point settlement requires New York State agencies to issue environmental certifications needed for license renewal and a renewed water discharge permit based on current plant configuration. It also requires the New York State Attorney General and Riverkeeper to withdraw their Track 2 contentions pending before the ASLB. In exchange, Entergy commits to cease commercial operation of Indian Point 2 by April 30, 2020 and Indian Point 3 by April 30, 2021. Operations may be extended up to four years for each unit by mutual agreement of Entergy and New York State based on an exigent reliability need for Indian Point generation. See Note 14 to the financial statements for a discussion of the impairment and related charges associated with the settlement with New York State.

The settlement establishes a detailed timeline for implementation of steps necessary to allow Indian Point to receive renewed licenses and to implement Entergy's commitment to shorten the life of the facility. Under that timeline, Indian Point expects to receive by the end of the first quarter 2017 a water quality certification and water discharge permit from NYSDEC and a concurrence from NYSDOS with a new CZMA consistency certification to be filed by Entergy. The settlement provides for issuance of a supplemental environmental analysis in May 2017 reflecting early shutdown. Consistent with the settlement, in January 2017 the NYSDEC Commissioner issued an order affirming the NYSDEC staff's issuance of a final water quality certification and a final water discharge permit, and on the same day the ALJs terminated proceedings before them. Each of the water quality certification and CZMA concurrence will be filed with the NRC. In February 2017 the New York State Attorney General and Riverkeeper filed with the ASLB a motion to withdraw their pending Track 2 contentions. There is no schedule for the ASLB to act, but based on past practice the ASLB is expected to act by mid-2017. The NRC is not expected to be in a position to issue renewed licenses earlier than mid-2018, as its staff must first issue one, and potentially two, FSEIS.

In addition to contractually agreeing to cease commercial operations early, in February 2017 Entergy filed with the NRC an amendment to its license renewal application changing the term of the requested licenses to coincide with the latest possible extension by mutual agreement based on exigent reliability needs: April 30, 2024 for Indian Point 2 and April 30, 2025 for Indian Point 3. If Entergy reasonably determines that the NRC will treat the amendment other than as a routine amendment, Entergy may withdraw the amendment.

Other provisions of the settlement include termination of all investigations of Indian Point by the agencies signing the agreement, which include NYSDEC, NYSDOS, the New York State Department of Public Service, the New York State Department of Health, and the New York State Attorney General. The settlement recognizes the right of New York State agencies to pursue new investigations and enforcement actions with respect to new circumstances or existing conditions that become materially exacerbated.

Another provision of the settlement obligates Entergy to establish a $15 million fund for environmental projects and community support. Apportionment and allocation of funds to beneficiaries are to be determined by mutual agreement of New York State and Entergy. The settlement recognizes New York State's right to perform an annual inspection of Indian Point, with scope and timing to be determined by mutual agreement.

Liquidity and Capital Resources

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

Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy as of December 31, 2016 is primarily due to the issuance of long-term debt in 2016 and a decrease in retained earnings. See Entergy's Consolidated Statements of Changes in Equity for details of the decrease in retained earnings.

	2016	2015
Debt to capital	64.8%	59.1%
Effect of excluding securitization bonds	(1.0%)	(1.4%)
Debt to capital, excluding securitization bonds (a)	63.8%	57.7%
Effect of subtracting cash	(2.0%)	(2.7%)
Net debt to net capital, excluding securitization bonds (a)	61.8%	55.0%

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

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

Long-term debt, including the currently maturing portion, makes up most of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2016. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2016. The amounts below include payments on the Entergy Louisiana's Waterford 3 lease obligation and System Energy's Grand Gulf sale-leaseback transaction, which are included in long-term debt on the balance sheet.

Long-term debt maturities and estimated interest payments	2017	2018	2019	2020-2021	after 2021
			(In Millions)		
Utility	$1,021	$1,390	$1,219	$2,299	$14,758
Entergy Wholesale Commodities	—	45	—	—	—
Parent and Other	87	87	87	1,287	1,518
Total	$1,108	$1,522	$1,306	$3,586	$16,276

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in August 2021. Entergy Corporation also has the ability to issue letters of credit against 50% of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the year ended December 31, 2016 was 2.23% on the drawn portion of the facility.

As of December 31, 2016, amounts outstanding and capacity available under the $3.5 billion credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
	(In Millions)		
$3,500	$700	$6	$2,794

A covenant in Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio, as defined, of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility is different than the calculation of the debt to capital ratio above. Entergy is currently in compliance with the covenant and expects to remain in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the Entergy Corporation credit facility's maturity date may occur.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to $1.5 billion. At December 31, 2016, Entergy Corporation had $344 million of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2016 was 1.13%.

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

	2017	2018	2019	2020-2021	after 2021
			(In Millions)		
Capital lease payments	$5	$4	$3	$6	$22

The capital leases are discussed in Note 10 to the financial statements.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2016 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2016	Letters of Credit Outstanding as of December 31, 2016
Entergy Arkansas	April 2017	$20 million (b)	2.02%	—	—
Entergy Arkansas	August 2021	$150 million (c)	2.02%	—	—
Entergy Louisiana	August 2021	$350 million (d)	2.02%	—	$6.4 million
Entergy Mississippi	May 2017	$10 million (e)	2.27%	—	—
Entergy Mississippi	May 2017	$20 million (e)	2.27%	—	—
Entergy Mississippi	May 2017	$35 million (e)	2.27%	—	—
Entergy Mississippi	May 2017	$37.5 million (e)	2.27%	—	—
Entergy New Orleans	November 2018	$25 million (f)	2.52%	—	$0.8 million
Entergy Texas	August 2021	$150 million (g)	2.27%	—	$4.7 million

(a) The interest rate is the rate as of December 31, 2016 that would be applied to outstanding borrowings under the facility.
(b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
(c) The credit facility allows Entergy Arkansas to issue letters of credit against 50% of the borrowing capacity of the facility.
(d) The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility.
(e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.
(f) The credit facility allows Entergy New Orleans to issue letters of credit against $10 million of the borrowing capacity of the facility.
(g) The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility.

Each of the credit facilities requires the Registrant Subsidiary borrower to maintain a debt ratio, as defined, of 65% or less of its total capitalization. Each Registrant Subsidiary is in compliance with this covenant.

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into one or more uncommitted standby letter of credit facilities as a means to post collateral to support its obligations related to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2016:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2016 (a)
Entergy Arkansas	$25 million	0.70%	$1.0 million
Entergy Louisiana	$125 million	0.70%	$5.7 million
Entergy Mississippi	$40 million	0.70%	$7.1 million
Entergy New Orleans	$15 million	1.00%	$6.2 million
Entergy Texas	$50 million	0.70%	$14.7 million

(a) As of December 31, 2016, letters of credit posted with MISO covered FTR exposure of $0.3 million for Entergy Arkansas and $0.1 million for Entergy Mississippi. See Note 15 to the financial statements for discussion of FTRs.

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of $100 million which expires in January 2018. As of December 31, 2016, $45 million in cash borrowings were outstanding under the credit facility. Entergy Nuclear Vermont Yankee also has an uncommitted credit facility guaranteed by Entergy Corporation with a borrowing capacity of $85 million which expires in January 2018. As of December 31, 2016, there were no cash borrowings outstanding under the uncommitted credit facility. See Note 4 to the financial statements for additional discussion of the Vermont Yankee facilities.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition, results of operations, or cash flows. Following are Entergy's payment obligations as of December 31, 2016 on non-cancelable operating leases with a term over one year:

	2017	2018	2019	2020-2021	after 2021
			(In Millions)		
Operating lease payments	$76	$70	$67	$93	$91

The operating leases are discussed in Note 10 to the financial statements.

Summary of Contractual Obligations of Consolidated Entities

Contractual Obligations	2017	2018-2019	2020-2021	after 2021	Total
			(In Millions)		
Long-term debt (a)	$1,108	$2,828	$3,586	$16,276	$23,798
Capital lease payments (b)	$5	$7	$6	$22	$40
Operating leases (b) (c)	$76	$137	$93	$91	$397
Purchase obligations (d)	$1,435	$1,868	$1,392	$3,127	$7,822

(a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
(b) Lease obligations are discussed in Note 10 to the financial statements.
(c) Does not include power purchase agreements that are accounted for as leases that are included in purchase obligations.
(d) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Almost all of the total are fuel and purchased power obligations.

In addition to the contractual obligations stated above, Entergy currently expects to contribute approximately $409 million to its pension plans and approximately $53 million to other postretirement plans in 2017, although the 2017 required pension contributions will be known with more certainty when the January 1, 2017 valuations are completed, which is expected by April 1, 2017. See "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits**" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, Entergy has $978 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2017 through 2019.

Planned construction and capital investments	2017	2018	2019
		(In Millions)	
Utility:			
Generation	$1,390	$1,520	$1,465
Transmission	845	860	820
Distribution	755	800	805
Other	530	360	255
Total	3,520	3,540	3,345
Entergy Wholesale Commodities	230	130	60
Total	$3,750	$3,670	$3,405

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

- Investments, including the St. Charles Power Station, Lake Charles Power Station, New Orleans Power Station, and Montgomery County Power Station, discussed below, and potential construction of additional generation.
- Entergy Wholesale Commodities investments associated with specific investments such as component replacements, software and security, and dry cask storage.
- Investments in Entergy's nuclear fleet. See "**Nuclear Matters**" below for discussion of this initiative.
- Transmission spending to enhance reliability, reduce congestion, and enable economic growth.
- Distribution spending to enhance reliability and improve service to customers, including initial investment to support advanced metering.

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

St. Charles Power Station

In August 2015, Entergy Louisiana filed with the LPSC an application seeking certification that the public necessity and convenience would be served by the construction of the St. Charles Power Station, a nominal 980 megawatt combined-cycle generating unit, on land adjacent to the existing Little Gypsy plant in St. Charles Parish, Louisiana. It is currently estimated to cost $869 million to construct, including transmission interconnection and other related costs. Testimony was filed by LPSC staff and intervenors, with LPSC staff concluding that the construction of the project serves the public convenience and necessity. Three intervenors contended that Entergy Louisiana had not established that construction of the project is in the public interest, claiming that the request for proposal excluded consideration of certain resources that could be more cost effective, that the request for proposal provided undue preference to the self-build option, and that a 30-year capacity commitment was not warranted by current supply conditions. The request for proposal independent monitor also filed testimony and a report affirming that the St. Charles Power Station was selected through an objective and fair request for proposal that showed no undue preference to any proposal. An evidentiary hearing was held in April 2016, and in July 2016 an ALJ issued a final recommendation that the LPSC certify that the construction of St. Charles Power Station is in the public interest. The LPSC issued its order approving certification of St. Charles Power Station in December 2016. Construction is in progress and commercial operation is estimated to occur by mid-2019.

Lake Charles Power Station

In November 2016, Entergy Louisiana filed an application with the LPSC seeking certification that the public convenience and necessity would be served by the construction of the Lake Charles Power Station, a nominal 994 megawatt combined-cycle generating unit in Westlake, Louisiana, on land adjacent to the existing Nelson plant in Calcasieu Parish. The current estimated cost of the Lake Charles Power Station is $872 million, including estimated costs of transmission interconnection and other related costs. A procedural schedule has been issued, with an evidentiary hearing scheduled for May and June 2017. Subject to timely approval by the LPSC and receipt of other permits and approvals, commercial operation is estimated to occur by mid-2020.

New Orleans Power Station

In June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 megawatt advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility, which facility was deactivated effective May 31, 2016. The current estimated cost of the New Orleans Power Station is $216 million. A procedural schedule has been established with a decision expected no later than April 2017. Subject to timely approval by the City Council and receipt of other permits and approvals, commercial operation is estimated to occur by late-2019. In January 2017 several intervenors filed testimony opposing the construction of the New Orleans Power Station on various grounds. In February 2017, Entergy New Orleans filed a motion to temporarily suspend the procedural schedule to allow for further analysis regarding its proposal, and that motion was granted. A status conference is scheduled in March 2017.

Montgomery County Power Station

In October 2016, Entergy Texas filed an application with the PUCT seeking certification that the public convenience and necessity would be served by the construction of the Montgomery County Power Station, a nominal 993 megawatt combined-cycle generating unit in Montgomery County, Texas on land adjacent to the existing Lewis Creek plant. The current estimated cost of the Montgomery County Power Station is $937 million, including estimated costs of transmission interconnection and network upgrades and other related costs. The independent monitor, who oversaw the request for proposal process, filed testimony and a report affirming that the Montgomery County Power Station was selected through an objective and fair request for proposal that showed no undue preference to any proposal. Discovery has commenced and a procedural schedule has been established for this proceeding, including an evidentiary hearing in May 2017. A PUCT decision regarding the application is expected by October 2017, pursuant to a Texas statute requiring the PUCT to issue an order regarding a certificate of convenience and necessity within 366 days of the filing. Subject to timely approval by the PUCT and receipt of other permits and approvals, commercial operation is estimated to occur by mid-2021.

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its January 2017 meeting, the Board declared a dividend of $0.87 per share. Entergy paid $612 million in 2016, $599 million in 2015, and $596 million in 2014 in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plans, Entergy periodically grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plans, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans.

In addition to the authority to fund grant exercises, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a $500 million share repurchase program. As of December 31, 2016, $350 million of authority remains under the $500 million share repurchase program. The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities, or if limitations in the credit markets continue for a prolonged period.

Sources of Capital

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

- internally generated funds;
- cash on hand ($1,188 million as of December 31, 2016);
- securities issuances;
- bank financing under new or existing facilities or commercial paper; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future.

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

The FERC has jurisdiction over securities issuances by the Utility operating companies and System Energy, except securities with maturities longer than one year issued by Entergy Arkansas and Entergy New Orleans, which are subject to the jurisdiction of the APSC and the City Council, respectively. No regulatory approvals are necessary for Entergy Corporation to issue securities. The current FERC-authorized short-term borrowing limits are effective through October 2017. Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through October 2017. Entergy Arkansas has obtained long-term financing authorization from the APSC that extends through December 2018. Entergy New Orleans has obtained long-term financing authorization from the City Council that extends through June 2018. Entergy Arkansas, Entergy Louisiana, and System Energy each have obtained long-term financing authorizations from the FERC that extend through October 2017 for issuances by its respective nuclear fuel company variable interest entity. In addition to borrowings from commercial banks, the Registrant Subsidiaries may also borrow from the Entergy System money pool. The money pool is an intercompany borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short-term borrowings combined may not exceed the FERC-authorized short-term borrowing limits. See Notes 4 and 5 to the financial statements for further discussion of Entergy's borrowing limits, authorizations, and amounts outstanding.

Hurricane Isaac

In June 2014 the LPSC voted to approve a series of orders which (i) quantified $290.8 million of Hurricane Isaac system restoration costs as prudently incurred; (ii) determined $290 million as the level of storm reserves to be re-established; (iii) authorized Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs; and (iv) granted other requested relief associated with storm reserves and Act 55 financing of Hurricane Isaac system restoration costs. Entergy Louisiana committed to pass on to customers a minimum of $30.8 million of customer benefits through annual customer credits of approximately $6.2 million for five years. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation and the Louisiana State Bond Commission. See Note 2 to the financial statements for a discussion of the August 2014 issuance of bonds under Act 55 of the Louisiana Legislature.

In May 2015, the City Council issued a financing order authorizing the issuance of securitization bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs of $31.8 million, including carrying costs, the costs of funding and replenishing the storm recovery reserve in the amount of $63.9 million, and approximately $3 million for estimated up-front financing costs associated with the securitization. See Note 5 to the financial statements for a discussion of the July 2015 issuance of the securitization bonds.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the years ended December 31, 2016, 2015, and 2014 were as follows:

	2016	2015	2014
		(In Millions)	
Cash and cash equivalents at beginning of period	$1,351	$1,422	$739
Net cash provided by (used in):			
Operating activities	2,999	3,291	3,890
Investing activities	(3,850)	(2,609)	(2,955)
Financing activities	688	(753)	(252)
Net increase (decrease) in cash and cash equivalents	(163)	(71)	683
Cash and cash equivalents at end of period	$1,188	$1,351	$1,422

Operating Activities

2016 Compared to 2015

Net cash provided by operating activities decreased by $292 million in 2016 primarily due to:

- a decrease due to the timing of recovery of fuel and purchased power costs in 2016 as compared to 2015. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
- lower Entergy Wholesale Commodities net revenue in 2016 as compared to 2015, as discussed previously; and
- an increase of $83 million in interest paid in 2016 as compared to 2015 primarily due to an interest payment of $60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford 3 leased assets and an increase in interest expense primarily due to 2016 net debt issuances by various Utility operating companies, partially offset by a decrease in interest paid in 2016 on the Grand Gulf sale-leaseback obligation. See Note 10 to the financial statements for a discussion of Entergy Louisiana's purchase of a beneficial interest

in the Waterford 3 leased assets and for details of the Grand Gulf lease obligation. See Note 5 to the financial statements for a discussion of long-term debt.

The decrease was partially offset by:

- higher Utility net revenues in 2016 as compared to 2015, as discussed above;
- proceeds of $102 million received in 2016 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;
- a decrease of $46 million in spending on nuclear refueling outages in 2016 as compared to 2015; and
- a decrease of $19 million in spending related to the shutdown of Vermont Yankee, which ceased power production in December 2014.

2015 Compared to 2014

Net cash provided by operating activities decreased by $599 million in 2015 primarily due to:

- lower Entergy Wholesale Commodities net revenues in 2015 as compared to 2014, as discussed previously;
- proceeds of $310 million received from the Louisiana Utilities Restoration Corporation in August 2014 as a result of the Louisiana Act 55 storm cost financing. See Note 2 to the financial statements and "Hurricane Isaac" above for a discussion of the Act 55 storm cost financing;
- spending of $78 million in 2015 on activities related to the decommissioning of Vermont Yankee, which ceased power production in December 2014;
- an increase of $52 million in interest paid in 2015 primarily due to an increase in interest paid on the Grand Gulf sale-leaseback obligation. See Note 10 to the financial statements for details of the Grand Gulf lease obligation;
- an increase in spending of $48 million in 2015 related to Vermont Yankee, including the severance and retention payments accrued in 2014 and defueling activities that took place after the plant ceased power production in December 2014; and
- an increase in income tax payments of $26 million primarily due to payments made in 2015 for the final settlement of amounts outstanding associated with the 2006-2007 IRS audit. See Note 3 to the financial statements for a discussion of the finalized tax and interest computations for the 2006-2007 IRS audit.

The decrease was partially offset by:

- an increase due to the timing of recovery of fuel and purchased power costs in 2015;
- higher Utility net revenues in 2015 as compared to 2014, as discussed above; and
- a decrease of $46 million in storm spending in 2015 as compared to 2014.

Investing Activities

2016 Compared to 2015

Net cash flow used in investing activities increased by $1,241 million in 2016 primarily due to:

- the purchase of the Union Power Station for approximately $949 million in March 2016. See Note 14 to the financial statements for discussion of the Union Power Station purchase;
- proceeds of approximately $490 million from the sale in December 2015 of Rhode Island State Energy Center. See Note 14 to the financial statements for further discussion of the sale; and
- an increase of $279 million in construction expenditures, primarily in the Utility business. The increase in construction expenditures in the Utility business is primarily due to an increase of $114 million in transmission construction expenditures primarily due to an overall higher scope of work performed on transmission projects

in 2016 as compared to 2015, an increase of $106 million in nuclear construction expenditures primarily due to a higher scope of work on various nuclear projects in 2016 as compared to 2015, an increase of $95 million in fossil-fueled generation construction expenditures primarily due to spending on the St. Charles Power Station project in 2016, an increase of $79 million in distribution construction expenditures primarily due to a higher scope of non-storm related work performed in 2016 as compared to the same period in 2015 and higher storm restoration spending in 2016, and an increase of $65 million in information technology construction expenditures due to various information technology projects and upgrades in 2016. The increase was partially offset by a decrease of $148 million in spending related to compliance with NRC post-Fukushima requirements in the Utility and Entergy Wholesale Commodities businesses.

The increase was partially offset by:

- a decrease of $179 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle;
- an increase of $151 million in proceeds received from the DOE in 2016 as compared to the prior year resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;
- a $71 million NYPA value sharing payment in 2015. See Note 14 to the financial statements for further discussion of Entergy's NYPA value sharing agreements; and
- the deposit of $64 million into Entergy New Orleans's storm reserve escrow accounts in 2015.

2015 Compared to 2014

Net cash flow used in investing activities decreased by $346 million in 2015 primarily due to:

- proceeds of approximately $490 million from the sale in December 2015 of Rhode Island State Energy Center. See Note 14 to the financial statements for further discussion of the sale;
- the deposit of a total of $64 million into Entergy New Orleans's storm reserve escrow accounts in 2015 compared to the deposit of a total of $268 million into Entergy Louisiana's storm reserve escrow accounts in 2014;
- $58 million in disbursements from the Vermont Yankee decommissioning trust funds to Entergy in 2015; and
- a decrease in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

The decrease was partially offset by:

- an increase in construction expenditures primarily due to an overall higher scope of work on various projects in 2015 as compared to 2014 and compliance with NRC post-Fukushima requirements, partially offset by a decrease in storm restoration spending and a decrease in spending on the Ninemile Unit 6 project;
- a change in collateral deposit activity, reflected in the "Decrease (increase) in other investments" line on the Consolidated Statements of Cash Flows, as Entergy received net deposits of $47 million in 2014. Entergy Wholesale Commodities' forward sales contracts are discussed in the "**Market and Credit Risk Sensitive Instruments**" section below; and
- a decrease of $16 million in insurance proceeds primarily due to $13 million received in 2015 related to the unplanned outage event that occurred at the Baxter Wilson (Unit 1) power plant in September 2013; and
- $12 million received in 2015 for property damages related to the generator stator incident at ANO compared to $37 million received in 2014 for property damages related to the generator stator incident at ANO. See Note 8 to the financial statements for a discussion of the ANO stator incident.

Financing Activities

2016 Compared to 2015

Entergy's financing activities provided $688 million of cash for 2016 compared to using $753 million of cash for 2015 primarily due to the following activity:

- long-term debt activity providing approximately $1,489 million of cash in 2016 compared to providing $41 million of cash in 2015. Included in the long-term debt activity is net repayments of borrowings of $135 million in 2016 compared to net borrowings of $140 million in 2015 on the Entergy Corporation long-term credit facility;
- the issuance of $110 million of preferred stock in 2015. See Note 6 to the financial statements for further discussion;
- $100 million of common stock repurchased in 2015, as discussed above;
- a net increase of $41 million in 2016 in short-term borrowings by the nuclear fuel company variable interest entities; and
- an increase of $21 million in the repurchase or redemption of preferred stock. In September 2015, Entergy Louisiana redeemed its $100 million 6.95% Series preferred membership interests, of which $16 million was owned by Entergy Louisiana Holdings, an Entergy subsidiary, and Entergy Gulf States Louisiana repurchased its $10 million Series A 8.25% preferred membership interests as part of a multi-step process to effectuate the Entergy Louisiana and Entergy Gulf States Louisiana business combination. See Note 2 to the financial statements for a discussion of the combination. In 2016, Entergy Arkansas redeemed its $75 million of 6.45% Series preferred stock and its $10 million of 6.08% Series preferred stock and Entergy Mississippi redeemed its $30 million of 6.25% Series preferred stock.

2015 Compared to 2014

Net cash flow used in financing activities increased $501 million in 2015 primarily due to:

- long-term debt activity providing approximately $41 million of cash in 2015 compared to providing $777 million of cash in 2014. Included in the long-term debt activity is $140 million in 2015 and $440 million in 2014 for the repayment of borrowings on the Entergy Corporation long-term credit facility;
- a decrease of $171 million in treasury stock issuances in 2015 primarily due to a larger amount of previously repurchased Entergy Corporation stock issued in 2014 to satisfy stock option exercises;
- a net decrease of $154 million in 2015 in short-term borrowings by the nuclear fuel company variable interest entities; and
- the repurchase or redemption of $94 million of preferred membership interests in 2015. Entergy Louisiana redeemed its $100 million 6.95% Series preferred membership interests, of which $16 million was owned by Entergy Louisiana Holdings, an Entergy subsidiary, and repurchased its $10 million Series A 8.25% preferred membership interests as part of a multi-step process to effectuate the Entergy Louisiana and Entergy Gulf States Louisiana business combination. See Note 2 to the financial statements for a discussion of the business combination.

The increase was partially offset by:

- net repayments of $62 million of commercial paper in 2015 compared to net repayments of $561 million of commercial paper in 2014;
- the issuance of $110 million of preferred stock in 2015. See Note 6 to the financial statements for further discussion of preferred stock issuances; and
- a decrease of $83 million of common stock repurchased in 2015 as compared to 2014, as discussed above.

For the details of Entergy's commercial paper program and the nuclear fuel company variable interest entities' short-term borrowings, see Note 4 to the financial statements. See Note 5 to the financial statements for details of long-term debt.

Rate, Cost-recovery, and Other Regulation

State and Local Rate Regulation and Fuel-Cost Recovery

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

Company	Authorized Return on Common Equity
Entergy Arkansas	9.25% - 10.25%
Entergy Louisiana	9.15% - 10.75% Electric; 9.45% - 10.45% Gas
Entergy Mississippi	9.89% - 11.97%
Entergy New Orleans	10.7% - 11.5% Electric; 10.25% - 11.25% Gas
Entergy Texas	9.8%

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

Federal Regulation

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

Market and Credit Risk Sensitive Instruments

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

- The commodity price risk associated with the sale of electricity by the Entergy Wholesale Commodities business.
- The interest rate and equity price risk associated with Entergy's investments in pension and other postretirement benefit trust funds. See Note 11 to the financial statements for details regarding Entergy's pension and other postretirement benefit trust funds.

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

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

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

<u>Commodity Price Risk</u>

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. In addition to selling the energy produced by its plants, Entergy Wholesale Commodities sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of December 31, 2016.

Entergy Wholesale Commodities Nuclear Portfolio

	2017	2018	2019	2020	2021
Energy					
Percent of planned generation under contract (a):					
Unit-contingent (b)	87%	66%	5%	—%	—%
Firm LD (c)	10%	—%	—%	—%	—%
Offsetting positions (d)	(10%)	(10%)	—%	—%	—%
Total	87%	56%	5%	—%	—%
Planned generation (TWh) (e) (f)	27.3	26.7	18.8	11.7	2.9
Average revenue per MWh on contracted volumes:					
Minimum	$43.7	$36.4	$53.2	$—	$—
Expected based on market prices as of December 31, 2016	$44.0	$36.4	$53.2	$—	$—
Sensitivity: -/+ $10 per MWh market price change	$43.8-$44.5	$34.9-$37.8	$53.2	$—	$—
Capacity					
Percent of capacity sold forward (g):					
Bundled capacity and energy contracts (h)	22%	10%	—%	—%	—%
Capacity contracts (i)	31%	23%	12%	—%	—%
Total	53%	33%	12%	—%	—%
Planned net MW in operation (average) (f)	3,568	3,365	2,356	1,384	347
Average revenue under contract per kW per month (applies to capacity contracts only)	$4.9	$9.4	$11.1	$—	$—
Total Nuclear Energy and Capacity Revenues (j)					
Expected sold and market total revenue per MWh	$50.6	$44.6	$44.4	$43.6	$48.1
Sensitivity: -/+ $10 per MWh market price change	$49.5-$52.0	$39.3-$49.9	$34.9-$53.9	$33.6-$53.6	$38.1-$58.1

(a) Percent of planned generation output sold or purchased forward under contracts, forward physical contracts, forward financial contracts, or options that mitigate price uncertainty that may require regulatory approval or approval of transmission rights. Positions that are not classified as hedges are netted in the planned generation under contract.

(b) Transaction under which power is supplied from a specific generation asset; if the asset is not operating, the seller is generally not liable to buyer for any damages. Certain unit-contingent sales include a guarantee of availability. Availability guarantees provide for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.

(c) Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset) or settles financially on notional quantities; if a party fails to deliver or receive energy, defaulting party must compensate the other party as specified in the contract, a portion of which may be capped through the use of risk management products. This also includes option transactions that may expire without being exercised.

(d) Transactions for the purchase of energy, generally to offset a Firm LD transaction.

(e) Amount of output expected to be generated by Entergy Wholesale Commodities resources considering plant operating characteristics, outage schedules, and expected market conditions that affect dispatch.
(f) Assumes the sale of FitzPatrick to Exelon in the second quarter 2017, planned shutdown of Palisades on October 1, 2018, planned shutdown of Pilgrim on May 31, 2019, planned shutdown of Indian Point 2 on April 30, 2020, and planned shutdown of Indian Point 3 on April 30, 2021. Assumes NRC license renewals for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations while its application is pending) and Indian Point 3 (December 2015 and now operating under its period of extended operations while its application is pending). For a discussion regarding the planned sale of the FitzPatrick plant and planned shutdown of the Palisades, Pilgrim, Indian Point 2, and Indian Point 3 plants, see "**Entergy Wholesale Commodities Exit from the Merchant Power Business**" above. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "**Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants**" above.
(g) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
(h) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
(i) A contract for the sale of an installed capacity product in a regional market.
(j) Includes assumptions on converting a portion of the portfolio to contracted with fixed price cost or discount and excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, mark-to-market activity, and service revenues.

Entergy estimates that a positive $10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on the respective year-end market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of $37 million in 2017 and would have had a corresponding effect on pre-tax income of $99 million in 2016. A negative $10 per MWh change in the annual average energy price in the markets based on the respective year-end market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of ($31) million in 2017 and would have had a corresponding effect on pre-tax income of ($74) million in 2016.

Entergy's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, NYPA and the subsidiaries that own the FitzPatrick and Indian Point 3 plants amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, the Entergy subsidiaries agreed to make annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Entergy subsidiaries paid NYPA $6.59 per MWh for power sold from Indian Point 3, up to an annual cap of $48 million, and $3.91 per MWh for power sold from FitzPatrick, up to an annual cap of $24 million. The annual payment for each year's output was due by January 15 of the following year. Entergy recorded the liability for payments to NYPA as power is generated and sold by Indian Point 3 and FitzPatrick. In 2014, Entergy Wholesale Commodities recorded a liability of approximately $72 million for generation during that year. An amount equal to the liability was recorded each year to the plant asset account as contingent purchase price consideration for the plants.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At December 31, 2016, based on power prices at that time, Entergy had liquidity exposure of $128 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and $8 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of December 31, 2016, Entergy would have been required to provide approximately $57 million of additional cash or letters of credit under some of the agreements. As of December 31, 2016, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by $238 million for a $1 per MMBtu increase in gas prices in both the short-and long-term markets.

As of December 31, 2016, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2021 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

In 2016, Entergy conducted a comprehensive evaluation of the Entergy nuclear fleet and determined that it is necessary to increase investments in its nuclear plants to position the fleet to meet its operational goals. These investments will result in increased operating and capital costs associated with operating Entergy's nuclear plants going forward. The preliminary estimates of the increase to planned capital costs for 2017 through 2019 identified through and associated with this initiative are estimated to be $870 million for Utility. The preliminary estimates indicate that the capital costs identified through this initiative for Entergy Wholesale Commodities are expected to have a minimal effect on Entergy's preliminary capital investment plan estimate for 2017 through 2019. The current estimates of the capital costs identified through this initiative are included in Entergy's preliminary capital investment plan estimate for 2017 through 2019 given in "Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital" above. The increase to planned other operation and maintenance expenses identified through and associated with this initiative is preliminarily estimated to be approximately $125 million in 2017 for Utility, with a similar level of expenses expected to continue going forward, and approximately $25 million in 2017 for Entergy Wholesale Commodities, with a similar level of expenses expected to continue going forward while the merchant nuclear plants are operating. In addition, nuclear refueling outage expenses are expected to increase going forward for both Utility and Entergy Wholesale Commodities.

The nuclear industry continues to address susceptibility to stress corrosion cracking of certain materials within the plant systems. The issue is applicable at all nuclear units to varying degrees and is managed in accordance with industry standard practices and guidelines that include in-service examinations, replacements, and mitigation strategies. Developments in the industry or identification of issues at the nuclear units could require unanticipated remediation efforts that cannot be quantified in advance.

ANO

See "**ANO Damage, Outage, and NRC Reviews**" above and Note 8 to the financial statements for discussion of the NRC's decision to move ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix, and the resulting significant additional NRC inspection activities at the ANO site.

Pilgrim

See Note 8 to the financial statements for discussion of the NRC's decision in September 2015 to place Pilgrim in Column 4 of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim's corrective action program that contributed to repeated unscheduled shutdowns and equipment failures.

Indian Point

During the scheduled refueling and maintenance outage at Indian Point Unit 2 in the first quarter 2016, comprehensive inspections were done as part of the aging management program that calls for an in-depth inspection of the reactor vessel. Inspections of more than 2,000 bolts in the reactor's removable insert liner identified issues with roughly 11% of the bolts that required further analysis. Entergy replaced bolts as appropriate, and the unit returned to service on June 16, 2016. The repair costs were accounted for as deferred refueling outage costs and will be amortized over the plant's subsequent fuel cycle. In addition to the repair costs, Entergy lost net revenue due to the plant being offline. Entergy estimates the negative effect on earnings was approximately $51 million pre-tax in second quarter 2016. Entergy evaluated the scope and duration of Indian Point 3's scheduled refueling outage planned for 2017. Based on the results of that evaluation and analysis, Entergy is extending Indian Point 3's 2017 outage by 20 days.

Grand Gulf

Grand Gulf began a maintenance outage on September 8, 2016 to replace a residual heat removal pump. Although the pump had been replaced, on September 27, 2016 management decided to keep the plant in an outage for additional training and other steps to support management's operational goals. Grand Gulf returned to service on January 31, 2017.

Based on the plant's recent performance indicators, in November 2016 the NRC placed Grand Gulf in the "regulatory response column," or Column 2, of its Reactor Oversight Process Action Matrix. Additionally, in October 2016 the NRC commenced a special inspection to investigate the circumstances surrounding the unplanned unavailability of an alternate heat removal system during the September 2016 replacement of the heat removal pump and to evaluate the licensee's actions to address the causes of the event. Depending upon the findings of the NRC and the plant's performance indicators, there is risk that the NRC could move Grand Gulf into the "degraded cornerstone column," or Column 3, of the NRC's Reactor Oversight Action Matrix.

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

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

- Timing - In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated for those plants that do not have an announced shutdown date. The estimate may include assumptions regarding the possibility that the plant may have an operating life shorter than the operating license expiration, as well as assumptions regarding the probability that the plant's license will be renewed for those plants that have not yet received operating license renewal. Second, an assumption must be made whether all decommissioning activity will proceed immediately upon plant retirement, or whether the plant will be placed in SAFSTOR status. SAFSTOR is decommissioning a facility by placing it in a safe, stable condition that is maintained until it is subsequently decontaminated and dismantled to levels that permit license termination, normally within 60 years from permanent cessation of operations. A change of assumption regarding either the probability of license renewal, the period of continued operation, or the use of a SAFSTOR period can change the present value of the asset retirement obligations.
- Cost Escalation Factors - Entergy's current decommissioning cost studies include an assumption that decommissioning costs will escalate over present cost levels by factors ranging from approximately 2% to 3% annually. A 50-basis point change in this assumption could change the estimated present value of the decommissioning liabilities by approximately 5% to 15%. The timing assumption influences the significance of the effect of a change in the estimated inflation or cost escalation rate because the effect increases with the length of time assumed before decommissioning activity ends.
- Spent Fuel Disposal - Federal law requires the DOE to provide for the permanent storage of spent nuclear fuel, and legislation has been passed by Congress to develop a repository at Yucca Mountain, Nevada. The DOE

has not yet begun accepting spent nuclear fuel and is in non-compliance with federal law. The DOE continues to delay meeting its obligation and Entergy's nuclear plant owners are continuing to pursue damage claims against the DOE for its failure to provide timely spent fuel storage. Until a federal site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities during the decommissioning period can have a significant effect (as much as an average of 20% to 30% of total estimated decommissioning costs). Entergy's decommissioning studies include cost estimates for spent fuel storage. These estimates could change in the future, however, based on the expected timing of when the DOE begins to fulfill its obligation to receive and store spent nuclear fuel. See Note 8 to the financial statements for further discussion of Entergy's spent nuclear fuel litigation.

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

Revisions of estimated decommissioning costs that decrease the liability also result in a decrease in the asset retirement cost asset. For the non-rate-regulated portions of Entergy's business, these reductions will immediately reduce operating expenses in the period of the revision if the reduction of the liability exceeds the amount of the undepreciated asset retirement cost asset at the date of the revision. Revisions of estimated decommissioning costs that increase the liability result in an increase in the asset retirement cost asset, which is then depreciated over the asset's remaining economic life. For a plant in the non-rate-regulated portions of Entergy's business for which the plant's value is impaired, however, including a plant that is shutdown, or is nearing its shutdown date, the increase in the liability is likely to immediately increase operating expense in the period of the revision and not increase the asset retirement cost asset. See Note 14 to the financial statements for further discussion of impairment of long-lived assets and Note 9 to the financial statements for further discussion of asset retirement obligations.

Utility Regulatory Accounting

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

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

Unbilled Revenue

As discussed in Note 1 to the financial statements, Entergy records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period, in addition to changes in certain components of the calculation.

Impairment of Long-lived Assets and Trust Fund Investments

Entergy has significant investments in long-lived assets in both of its operating segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment when there are indications that an impairment may exist. This evaluation involves a significant degree of estimation and uncertainty. In the Entergy Wholesale Commodities business, Entergy's investments in merchant generation assets are subject to impairment if adverse market or regulatory conditions arise, particularly if it leads to a decision or an expectation that Entergy will operate a plant for a shorter period than previously expected; if there is a significant adverse change in the physical condition of a plant; if investment in a plant significantly exceeds previously-expected amounts; or, for Indian Point 2 and Indian Point 3, if their operating licenses are not renewed.

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

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

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

See Note 14 to the financial statements for a discussion of the impairments of the Palisades, Indian Point 2 and 3, FitzPatrick, and Pilgrim plants.

Entergy evaluates investment 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 has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. If Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary-impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). The assessment of whether an investment in an equity security has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. As discussed in Note 1 to the financial statements, unrealized losses on equity securities that are considered other-than-temporarily impaired are recorded in earnings for Entergy Wholesale Commodities. See Note 16 to the financial statements for details on the decommissioning trust funds.

Taxation and Uncertain Tax Positions

Management exercises significant judgment in evaluating the potential tax effects of Entergy's operations, transactions, and other events. Entergy accounts for uncertain income tax positions using a recognition model under a two-step approach with a more likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Management evaluates each tax position based on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether available information supports the assertion that the recognition threshold has been met. Additionally, measurement of unrecognized tax benefits to be recorded in the consolidated financial statements is based on the probability of different potential outcomes. Income tax expense and tax positions recorded could be significantly affected by events such as additional transactions contemplated or consummated by Entergy as well as audits by taxing authorities of the tax positions taken in transactions. Management believes that the financial statement tax balances are accounted for and adjusted appropriately each quarter as necessary in accordance with applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable effects on the consolidated financial statements. Entergy's income taxes, including unrecognized tax benefits, open audits, and other significant tax matters are discussed in Note 3 to the financial statements.

It is possible that significant changes will be made to the Internal Revenue Code in 2017. Both the U.S. House of Representatives and the Trump administration have advanced proposals. Based on current proposals, a reduction in the statutory rate would be offset by modification or elimination of certain tax deductions. Entergy is monitoring the legislative progress. It is possible that such legislative changes would have a significant effect on the financial position, results of operations, or cash flows of Entergy and the Registrant Subsidiaries.

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified, defined benefit pension plans that cover substantially all employees, including cash balance plans and final average pay plans. Additionally, Entergy currently provides other postretirement health care and life insurance benefits for substantially all full-time employees whose most recent date of hire or rehire is before July 1, 2014 and who reach retirement age and meet certain eligibility requirements while still working for Entergy.

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

Assumptions

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

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

Discount rates

In selecting an assumed discount rate to calculate benefit obligations, Entergy uses a yield curve based on high-quality corporate debt. Before 2016 the discount rates used to estimate the service cost and interest cost components of benefit costs were the same as the weighted-average discount rate used to measure the benefit obligation at the beginning of the year. In 2016, Entergy refined its approach to estimating the service cost and interest cost components. Under the refined approach, instead of using the weighted-average benefit obligation discount rate at the beginning of the year, the 2016 service and interest costs' expected cash flows were discounted by the applicable spot rates. The refinement had the effect of lowering 2016 qualified pension costs by $61 million and 2016 other postretirement health care and life insurance benefit costs by $15 million.

Projected health care cost trend rates

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

Expected long-term rate of return on plan assets

In determining its expected long-term rate of return on plan assets used in the calculation of benefit plan costs, Entergy reviews past performance, current and expected future asset allocations, and capital market assumptions of its investment consultant and investment managers. Entergy conducts periodic asset/liability studies in order to set its target asset allocations.

Since 2003, Entergy has targeted an asset allocation for its qualified pension plan assets of roughly 65% equity securities and 35% fixed-income securities. In 2011, Entergy adopted a liability driven investment strategy for its pension assets, which recommended that the target asset allocation adjust dynamically over time, based on the funded status of the plan, from its current allocation to an ultimate allocation of 45% equity and 55% fixed income securities. The ultimate asset allocation is expected to be attained when the plan is 105% funded.

The current target allocations for both Entergy's non-taxable other postretirement assets and its taxable other postretirement assets are 65% equity securities and 35% fixed-income securities. During the first quarter 2017, Entergy will be implementing a new asset allocation strategy, which will result in an overall shift to more fixed income in the non-taxable trusts and no material changes in asset allocation to the taxable trust.

Retirement and mortality rates

In December 2016 the Internal Revenue Service issued proposed mortality regulations for single employer plans for determining cash contribution requirements, as established by the Employee Retirement Income Security Act of 1974, as amended and the Internal Revenue Code of 1986, as amended. The proposed regulations would be effective for plan years beginning on or after January 1, 2018, and, as such, have no impact on 2017 plan year minimum required contributions. The proposed regulations are generally anticipated to increase the 2018 minimum funding target liability for most pension plans by about 4% to 8%. The new mortality tables were adopted for accounting in 2014.

Costs and Sensitivities

The estimated 2017 and actual 2016 qualified pension and other postretirement costs and related underlying assumptions and sensitivities are shown below:

Costs	**Estimated 2017**	**2016**
	(In Millions)	
Qualified pension cost	$214	$215
Other postretirement cost	$26	$20

Assumptions	2017	2016
Discount rates		
Qualified pension		
Service cost	4.75%	5.00%
Interest cost	3.73%	3.90%
Other postretirement		
Service cost	4.60%	4.92%
Interest cost	3.61%	3.78%
Expected long-term rates of return		
Qualified pension assets	7.50%	7.75%
Other postretirement - non-taxable assets	6.50% - 6.90%	7.75%
Other postretirement - taxable assets	5.75%	6.00%
Weighted-average rate of future compensation	3.98%	4.23%
Assumed health care cost trend rates		
Pre-65 retirees	6.55%	6.75%
Post-65 retirees	7.25%	7.55%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond	2026	2024

Actual asset returns have an effect on Entergy's qualified pension and other postretirement costs. In 2016, Entergy's actual average annual return on qualified pension assets was approximately 8.80% and for other postretirement assets was approximately 7.20%, as compared with the 2016 expected long-term rates of return discussed above. For 2017, Entergy decreased its expected long-term rate of return assumptions, to take into account changes in capital market assumptions and results of asset allocation studies.

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

Actuarial Assumption	Change in Assumption	Impact on 2017 Qualified Pension Cost	Impact on 2016 Qualified Projected Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$24	$235
Rate of return on plan assets	(0.25%)	$14	$-
Rate of increase in compensation	0.25%	$6	$33

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

Actuarial Assumption	Change in Assumption	Impact on 2017 Postretirement Benefit Cost	Impact on 2016 Accumulated Postretirement Benefit Obligation
		Increase/(Decrease)	
Discount rate	(0.25%)	$4	$50
Health care cost trend	0.25%	$6	$41

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

Accounting Mechanisms

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

Entergy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. Entergy determines the MRV of pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns. For other postretirement benefit plan assets Entergy uses fair value when determining MRV.

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

Funding

Entergy's pension funding in 2016 was $390 million. Entergy estimates pension contributions will be approximately $409 million in 2017; although the 2017 required pension contributions will be known with more certainty when the January 1, 2017 valuations are completed, which is expected by April 1, 2017.

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

Moving Ahead for Progress in the 21st Century Act (MAP-21) became federal law in July 2012. Under the law, the segment rates used to calculate funding liabilities must be within a corridor of the 25-year average of prior segment rates. The interest rate corridor applies to the determination of minimum funding requirements and benefit restrictions. These pension funding stabilization provisions will provide for a near-term reduction in minimum funding requirements for single employer defined benefit plans in response to the historically low interest rates that existed when the law was enacted. The law did not reduce contribution requirements over the long term. The interest rate stabilization periods of MAP-21 were extended by the Highway and Transportation Funding Act in 2014 and the Bipartisan Budget Act in 2015.

Federal Healthcare Legislation

In 2010 the Patient Protection and Affordable Care Act (PPACA), as amended, imposed a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. The excise tax is due to take effect in 2018. There are many technical issues, however, that have not been finalized. In 2017, under the new Presidential administration, the PPACA is expected to be further amended or repealed and replaced. Entergy will continue to monitor developments to determine the possible effect on Entergy.

Other Contingencies

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

Environmental

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

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

Litigation

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

New Accounting Pronouncements

In May 2014 the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The ASU's core principle is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU details a five-step model that should be followed to achieve the core principle. With FASB issuance of ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," ASU 2014-09 is effective for Entergy for the first quarter 2018. Entergy is evaluating its transition approach (which will either be a full retrospective or a modified retrospective transition method) and the effects of the new guidance, most significantly on its accounting for contributions in aid of construction. Entergy's evaluation of ASU 2014-09 has not identified any effects that it expects will affect materially its results of operations, financial position, or cash flows. Entergy will continue to monitor, however, the development of industry specific application guidance that could have an effect on this assessment.

In January 2016 the FASB issued ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU requires investments in equity securities, excluding those accounted for under the equity method or resulting in consolidation of the investee, to be measured at fair value with changes recognized in net income. The ASU requires a qualitative assessment to identify impairments of investments in equity securities that do not have a readily determinable fair value. ASU 2016-01 is effective for Entergy for the first quarter 2018. Entergy expects that ASU 2016-01 will affect its results of operations by requiring unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds to be recorded in earnings rather than in other comprehensive income. In accordance with the regulatory treatment of the decommissioning trust funds of Entergy Arkansas, Entergy Louisiana, and System Energy, an offsetting amount of unrealized gains/losses will continue to be recorded in other regulatory liabilities/assets. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

In February 2016 the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The ASU's core principle is that "a lessee should recognize the assets and liabilities that arise from leases." The ASU considers that "all leases create an asset and a liability," and accordingly requires recording the assets and liabilities related to all leases with a term greater than 12 months. ASU 2016-02 is effective for Entergy for the first quarter 2019, with early adoption permitted. Entergy expects that ASU 2016-02 will affect its financial position by increasing the assets and liabilities recorded relating to its operating leases. Entergy is evaluating ASU 2016-02 for other effects on its results of operations, financial position, and cash flows, as well as the potential to early adopt the ASU.

In March 2016 the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The ASU seeks to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The statement is effective beginning in 2017 and Entergy will prospectively recognize all income tax effects related to share-based payments through the income statement. Entergy expects to record approximately $12 million in income tax expense in the first quarter of 2017 related to implementing ASU 2016-09.

In June 2016 the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU requires entities to record a valuation allowance on financial instruments recorded at amortized cost or classified as available-for-sale debt securities for the total credit losses expected over the life of the instrument. Increases and decreases in the valuation allowance will be recognized immediately in earnings. ASU 2016-13 is effective for Entergy for the first quarter 2020. Entergy is evaluating ASU 2016-13 for the expected effects on its results of operations, financial position, and cash flows.

In October 2016 the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The ASU requires entities to recognize the income tax consequences of intra-entity asset transfers, other than inventory, at the time the transfer occurs. ASU 2016-16 is effective for Entergy for the first quarter 2018 and will affect its statement of financial position by requiring recognition of deferred tax assets or liabilities arising from intra-entity asset transfers. Entergy is evaluating ASU 2016-16 for other effects on its results of operations, financial position, and cash flows.

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ENTERGY CORPORATION AND SUBSIDIARIES
REPORT OF MANAGEMENT

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

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

Entergy Corporation's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Entergy Corporation's internal control over financial reporting as of December 31, 2016.

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

Based on management's assessment of internal controls using the 2013 COSO criteria, management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2016. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

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

ANDREW S. MARSH
Executive Vice President and Chief Financial Officer of Entergy Corporation

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Entergy Corporation and Subsidiaries
New Orleans, Louisiana

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the "Corporation") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and changes in equity for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Entergy Corporation and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2017 expressed an unqualified opinion on the Corporation's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 24, 2017

Attestation Report of Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Entergy Corporation and Subsidiaries
New Orleans, Louisiana

We have audited the internal control over financial reporting of Entergy Corporation and Subsidiaries (the "Corporation") as of December 31, 2016, based on criteria established in *Internal Control -Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 9A, Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control -Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Corporation as of and for the year ended December 31, 2016 and our report dated February 24, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 24, 2017

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2016	2015	2014
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Electric	$8,866,659	$9,308,678	$9,591,902
Natural gas	129,348	142,746	181,794
Competitive businesses	1,849,638	2,061,827	2,721,225
TOTAL	10,845,645	11,513,251	12,494,921
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,809,200	2,452,171	2,632,558
Purchased power	1,220,527	1,390,805	1,915,414
Nuclear refueling outage expenses	208,678	251,316	267,679
Other operation and maintenance	3,296,711	3,354,981	3,310,536
Asset write-offs, impairments, and related charges	2,835,637	2,104,906	179,752
Decommissioning	327,425	280,272	272,621
Taxes other than income taxes	592,502	619,422	604,606
Depreciation and amortization	1,347,187	1,337,276	1,318,638
Other regulatory charges (credits) - net	94,243	175,304	(13,772)
TOTAL	11,732,110	11,966,453	10,488,032
Gain on sale of asset	—	154,037	—
OPERATING INCOME (LOSS)	(886,465)	(299,165)	2,006,889
OTHER INCOME			
Allowance for equity funds used during construction	67,563	51,908	64,802
Interest and investment income	145,127	187,062	147,686
Miscellaneous - net	(41,617)	(95,997)	(42,016)
TOTAL	171,073	142,973	170,472
INTEREST EXPENSE			
Interest expense	700,545	670,096	661,083
Allowance for borrowed funds used during construction	(34,175)	(26,627)	(33,576)
TOTAL	666,370	643,469	627,507
INCOME (LOSS) BEFORE INCOME TAXES	(1,381,762)	(799,661)	1,549,854
Income taxes	(817,259)	(642,927)	589,597
CONSOLIDATED NET INCOME (LOSS)	(564,503)	(156,734)	960,257
Preferred dividend requirements of subsidiaries	19,115	19,828	19,536
NET INCOME (LOSS) ATTRIBUTABLE TO ENTERGY CORPORATION	($583,618)	($176,562)	$940,721
Earnings (loss) per average common share:			
Basic	($3.26)	($0.99)	$5.24
Diluted	($3.26)	($0.99)	$5.22
Basic average number of common shares outstanding	178,885,660	179,176,356	179,506,151
Diluted average number of common shares outstanding	178,885,660	179,176,356	180,296,885

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Years Ended December 31,		
	2016	2015	2014
		(In Thousands)	
Net Income (Loss)	($564,503)	($156,734)	$960,257
Other comprehensive income (loss)			
Cash flow hedges net unrealized gain (loss)			
(net of tax expense (benefit) of ($55,298), $3,752, and $96,141)	(101,977)	7,852	179,895
Pension and other postretirement liabilities			
(net of tax expense (benefit) of ($3,952), $61,576, and ($152,763))	(2,842)	103,185	(281,566)
Net unrealized investment gains (losses)			
(net of tax expense (benefit) of $57,277, ($45,904), and $66,594)	62,177	(59,138)	89,439
Foreign currency translation			
(net of tax benefit of $689, $345, and $404)	(1,280)	(641)	(751)
Other comprehensive income (loss)	(43,922)	51,258	(12,983)
Comprehensive Income (Loss)	(608,425)	(105,476)	947,274
Preferred dividend requirements of subsidiaries	19,115	19,828	19,536
Comprehensive Income (Loss) Attributable to Entergy Corporation	($627,540)	($125,304)	$927,738

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2016	2015	2014
		(In Thousands)	
OPERATING ACTIVITIES			
Consolidated net income (loss)	($564,503)	($156,734)	$960,257
Adjustments to reconcile consolidated net income (loss) to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	2,123,291	2,117,236	2,127,892
Deferred income taxes, investment tax credits, and non-current taxes accrued	(836,257)	(820,350)	596,935
Asset write-offs, impairments, and related charges	2,835,637	2,104,906	123,527
Gain on sale of asset	—	(154,037)	—
Changes in working capital:			
Receivables	(96,975)	38,152	98,493
Fuel inventory	38,210	(12,376)	3,524
Accounts payable	174,421	(135,211)	(12,996)
Prepaid taxes and taxes accrued	(28,963)	81,969	(62,985)
Interest accrued	(7,335)	(11,445)	25,013
Deferred fuel costs	(241,896)	298,725	(70,691)
Other working capital accounts	31,197	(113,701)	112,390
Changes in provisions for estimated losses	20,905	42,566	301,871
Changes in other regulatory assets	(48,469)	262,317	(1,061,537)
Changes in other regulatory liabilities	158,031	61,241	87,654
Changes in pensions and other postretirement liabilities	(136,919)	(446,418)	1,308,166
Other	(421,676)	134,344	(647,952)
Net cash flow provided by operating activities	2,998,699	3,291,184	3,889,561
INVESTING ACTIVITIES			
Construction/capital expenditures	(2,780,222)	(2,500,860)	(2,119,191)
Allowance for equity funds used during construction	68,345	53,635	68,375
Nuclear fuel purchases	(314,706)	(493,604)	(537,548)
Payment for purchase of plant	(949,329)	—	—
Proceeds from sale of assets	—	487,406	10,100
Insurance proceeds received for property damages	20,968	24,399	40,670
Changes in securitization account	4,007	(5,806)	1,511
NYPA value sharing payment	—	(70,790)	(72,000)
Payments to storm reserve escrow account	(1,544)	(69,163)	(276,057)
Receipts from storm reserve escrow account	—	5,916	—
Decrease in other investments	9,055	571	46,983
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	169,085	18,296	—
Proceeds from nuclear decommissioning trust fund sales	2,408,920	2,492,176	1,872,115
Investment in nuclear decommissioning trust funds	(2,484,627)	(2,550,958)	(1,989,446)
Net cash flow used in investing activities	(3,850,048)	(2,608,782)	(2,954,488)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2016	2015	2014
		(In Thousands)	
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	6,800,558	3,502,189	3,100,069
Preferred stock of subsidiary	—	107,426	—
Treasury stock	33,114	24,366	194,866
Retirement of long-term debt	(5,311,324)	(3,461,518)	(2,323,313)
Repurchase of common stock	—	(99,807)	(183,271)
Repurchase / redemptions of preferred stock	(115,283)	(94,285)	—
Changes in credit borrowings and commercial paper - net	(79,337)	(104,047)	(448,475)
Other	(6,872)	(9,136)	23,579
Dividends paid:			
Common stock	(611,835)	(598,897)	(596,117)
Preferred stock	(20,789)	(19,758)	(19,511)
Net cash flow provided by (used in) financing activities	688,232	(753,467)	(252,173)
Net increase (decrease) in cash and cash equivalents	(163,117)	(71,065)	682,900
Cash and cash equivalents at beginning of period	1,350,961	1,422,026	739,126
Cash and cash equivalents at end of period	$1,187,844	$1,350,961	$1,422,026
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$746,779	$663,630	$611,376
Income taxes	$95,317	$103,589	$77,799

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2016	2015
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$129,579	$63,497
Temporary cash investments	1,058,265	1,287,464
Total cash and cash equivalents	1,187,844	1,350,961
Accounts receivable:		
Customer	654,995	608,491
Allowance for doubtful accounts	(11,924)	(39,895)
Other	158,419	178,364
Accrued unbilled revenues	368,677	321,940
Total accounts receivable	1,170,167	1,068,900
Deferred fuel costs	108,465	—
Fuel inventory - at average cost	179,600	217,810
Materials and supplies - at average cost	698,523	873,357
Deferred nuclear refueling outage costs	146,221	211,512
Prepayments and other	193,448	344,872
TOTAL	3,684,268	4,067,412
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	198	4,341
Decommissioning trust funds	5,723,897	5,349,953
Non-utility property - at cost (less accumulated depreciation)	233,641	219,999
Other	469,664	468,704
TOTAL	6,427,400	6,042,997
PROPERTY, PLANT, AND EQUIPMENT		
Electric	45,191,216	44,467,159
Property under capital lease	619,527	952,465
Natural gas	413,224	392,032
Construction work in progress	1,378,180	1,456,735
Nuclear fuel	1,037,899	1,345,422
TOTAL PROPERTY, PLANT AND EQUIPMENT	48,640,046	48,613,813
Less - accumulated depreciation and amortization	20,718,639	20,789,452
PROPERTY, PLANT AND EQUIPMENT - NET	27,921,407	27,824,361
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	761,280	775,528
Other regulatory assets (includes securitization property of $600,996 as of December 31, 2016 and $714,044 as of December 31, 2015)	4,769,913	4,704,796
Deferred fuel costs	239,100	238,902
Goodwill	377,172	377,172
Accumulated deferred income taxes	117,885	54,903
Other	1,606,009	561,610
TOTAL	7,871,359	6,712,911
TOTAL ASSETS	$45,904,434	$44,647,681

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31, 2016	December 31, 2015
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$364,900	$214,374
Notes payable and commercial paper	415,011	494,348
Accounts payable	1,285,577	1,071,798
Customer deposits	403,311	419,407
Taxes accrued	181,114	210,077
Interest accrued	187,229	194,565
Deferred fuel costs	102,753	235,986
Obligations under capital leases	2,423	2,709
Pension and other postretirement liabilities	76,942	62,513
Other	180,836	184,181
TOTAL	3,200,096	3,089,958
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	7,495,290	8,306,865
Accumulated deferred investment tax credits	227,147	234,300
Obligations under capital leases	24,582	27,001
Other regulatory liabilities	1,572,929	1,414,898
Decommissioning and asset retirement cost liabilities	5,992,476	4,790,187
Accumulated provisions	481,636	460,727
Pension and other postretirement liabilities	3,036,010	3,187,357
Long-term debt (includes securitization bonds of $661,175 as of December 31, 2016 and $774,696 as of December 31, 2015)	14,467,655	13,111,556
Other	1,121,619	449,856
TOTAL	34,419,344	31,982,747
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	203,185	318,185
COMMON EQUITY		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2016 and in 2015	2,548	2,548
Paid-in capital	5,417,245	5,403,758
Retained earnings	8,195,571	9,393,913
Accumulated other comprehensive income (loss)	(34,971)	8,951
Less - treasury stock, at cost (75,623,363 shares in 2016 and 76,363,763 shares in 2015)	5,498,584	5,552,379
TOTAL	8,081,809	9,256,791
TOTAL LIABILITIES AND EQUITY	$45,904,434	$44,647,681

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2016, 2015, and 2014

		Common Shareholders' Equity					
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
				(In Thousands)			
Balance at December 31, 2013	$94,000	$2,548	($5,533,942)	$5,368,131	$9,825,053	($29,324)	$9,726,466
Consolidated net income (a)	19,536	—	—	—	940,721	—	960,257
Other comprehensive loss	—	—	—	—	—	(12,983)	(12,983)
Common stock repurchases	—	—	(183,271)	—	—	—	(183,271)
Common stock issuances related to stock plans	—	—	219,687	7,222	—	—	226,909
Common stock dividends declared	—	—	—	—	(596,117)	—	(596,117)
Preferred dividend requirements of subsidiaries (a)	(19,536)	—	—	—	—	—	(19,536)
Balance at December 31, 2014	$94,000	$2,548	($5,497,526)	$5,375,353	$10,169,657	($42,307)	$10,101,725
Consolidated net income (loss) (a)	19,828	—	—	—	(176,562)	—	(156,734)
Other comprehensive income	—	—	—	—	—	51,258	51,258
Common stock repurchases	—	—	(99,807)	—	—	—	(99,807)
Preferred stock repurchases / redemptions	(94,000)	—	—	—	(285)	—	(94,285)
Common stock issuances related to stock plans	—	—	44,954	28,405	—	—	73,359
Common stock dividends declared	—	—	—	—	(598,897)	—	(598,897)
Preferred dividend requirements of subsidiaries (a)	(19,828)	—	—	—	—	—	(19,828)
Balance at December 31, 2015	$—	$2,548	($5,552,379)	$5,403,758	$9,393,913	$8,951	$9,256,791
Consolidated net income (loss) (a)	19,115	—	—	—	(583,618)	—	(564,503)
Other comprehensive loss	—	—	—	—	—	(43,922)	(43,922)
Common stock issuances related to stock plans	—	—	53,795	13,487	—	—	67,282
Common stock dividends declared	—	—	—	—	(611,835)	—	(611,835)
Subsidiaries' capital stock redemptions	—	—	—	—	(2,889)	—	(2,889)
Preferred dividend requirements of subsidiaries (a)	(19,115)	—	—	—	—	—	(19,115)
Balance at December 31, 2016	$—	$2,548	($5,498,584)	$5,417,245	$8,195,571	($34,971)	$8,081,809

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries include $19.1 million for 2016, $14.9 million for 2015, and $12.9 million for 2014 of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its subsidiaries. As required by generally accepted accounting principles in the United States of America, all intercompany transactions have been eliminated in the consolidated financial statements. The Registrant Subsidiaries and many other Entergy subsidiaries also maintain accounts in accordance with FERC and other regulatory guidelines.

Use of Estimates in the Preparation of Financial Statements

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

Revenues and Fuel Costs

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy Texas generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, Mississippi, and Texas, respectively. Entergy Louisiana also distributes natural gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electric power and natural gas to retail customers in the City of New Orleans, including Algiers. Prior to October 1, 2015, Entergy Louisiana was the electric power supplier for Algiers. The Entergy Wholesale Commodities segment derives almost all of its revenue from sales of electric power generated by plants owned by subsidiaries in that segment.

Entergy recognizes revenue from electric power and natural gas sales when power or gas is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies accrue an estimate of the revenues 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 prices in effect in Entergy's Utility operating companies' various jurisdictions. Changes are made to the inputs in the estimate as needed to reflect changes in billing practices. Each month the estimated unbilled revenue amounts are recorded as revenue and unbilled accounts receivable, and the prior month's estimate is reversed. Therefore, changes in price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the next, and may result in variability in reported revenues from one period to the next as prior estimates are reversed and new estimates recorded.

Entergy records revenue from sales under rates implemented subject to refund less estimated amounts accrued for probable refunds when Entergy believes it is probable that revenues will be refunded to customers based upon the status of the rate proceeding.

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 billed 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 computed by allowing a return 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.

Accounting for MISO transactions

In December 2013, Entergy joined 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 on an hourly basis. MISO settles these hourly offers and bids based on locational marginal prices, which is 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 the market participants' energy offers and demand bids to economically and reliably dispatch the entire MISO system. Entergy nets purchases and sales within the MISO market on an hourly basis and reports in operating revenues when in a net selling position and in operating expenses when in a net purchasing position.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives of the various classes of property. For the Registrant Subsidiaries, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the Registrant Subsidiaries' plant is subject to mortgage liens.

Electric plant includes the portions of Grand Gulf and Waterford 3 that have been sold and leased back. For financial reporting purposes, these sale and leaseback arrangements are reflected as financing transactions. In March 2016, Entergy Louisiana completed the first step in a two-step transaction to purchase the undivided interests in Waterford 3 that were previously being leased by acquiring a beneficial interest in the Waterford 3 leased assets. In February 2017 the leases were terminated and the leased assets transferred to Entergy Louisiana. See Note 10 to the financial statements for further discussion of Entergy Louisiana's purchase of the Waterford 3 leased assets.

Net property, plant, and equipment for Entergy (including property under capital lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2016 and 2015, is shown below:

2016	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
		(In Millions)		
Production				
Nuclear	$6,948	$6,524	$424	$—
Other	4,047	4,000	47	—
Transmission	5,226	5,223	3	—
Distribution	7,648	7,648	—	—
Other	1,636	1,521	111	4
Construction work in progress	1,378	1,334	44	—
Nuclear fuel	1,038	817	221	—
Property, plant, and equipment - net	$27,921	$27,067	$850	$4

2015	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
		(In Millions)		
Production				
Nuclear	$8,672	$6,606	$2,066	$—
Other	3,176	3,127	49	—
Transmission	4,431	4,408	23	—
Distribution	7,207	7,207	—	—
Other	1,536	1,422	111	3
Construction work in progress	1,457	1,327	130	—
Nuclear fuel	1,345	857	489	—
Property, plant, and equipment - net	$27,824	$24,954	$2,868	$3

Depreciation rates on average depreciable property for Entergy approximated 2.8% in 2016, 2.9% in 2015, and 2.8% in 2014. Included in these rates are the depreciation rates on average depreciable Utility property of 2.6% in 2016, 2.7% in 2015, and 2.5% 2014, and the depreciation rates on average depreciable Entergy Wholesale Commodities property of 5.2% in 2016, 5.4% in 2015, and 5.5% in 2014.

Entergy amortizes nuclear fuel using a units-of-production method. Nuclear fuel amortization is included in fuel expense in the income statements.

"Non-utility property - at cost (less accumulated depreciation)" for Entergy is reported net of accumulated depreciation of $169 million and $164 million as of December 31, 2016 and 2015, respectively.

Construction expenditures included in accounts payable is $253 million and $234 million at December 31, 2016 and 2015, respectively.

<u>Jointly-Owned Generating Stations</u>

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. All parties are required to provide their own financing. The investments, fuel expenses, and other operation and maintenance expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2016, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel Type	Total Megawatt Capability (a)	Ownership	Investment	Accumulated Depreciation
					(In Millions)	
Utility business:						
Entergy Arkansas -						
Independence	Unit 1	Coal	839	31.50%	$134	$103
Independence	Common Facilities	Coal		15.75%	$34	$27
White Bluff	Units 1 and 2	Coal	1,635	57.00%	$521	$365
Ouachita (b)	Common Facilities	Gas	493	66.67%	$172	$148
Union (c)	Units 1 and 2 Common Facilities	Gas		50.00%	$1	$—
Union (c)	Common Facilities	Gas		25.00%	$25	$1
Entergy Louisiana -						
Roy S. Nelson	Unit 6	Coal	550	40.25%	$277	$189
Roy S. Nelson	Unit 6 Common Facilities	Coal		18.65%	$14	$6
Big Cajun 2	Unit 3	Coal	588	24.15%	$150	$113
Big Cajun 2	Unit 3 Common Facilities	Coal		8.05%	$5	$2
Ouachita (b)	Common Facilities	Gas	248	33.33%	$90	$75
Acadia	Common Facilities	Gas	557	50.00%	$19	$—
Union (c)	Common Facilities	Gas		50.00%	$50	$1
Entergy Mississippi -						
Independence	Units 1 and 2 and Common Facilities	Coal	1,681	25.00%	$257	$155
Entergy New Orleans -						
Union (c)	Units 1 and 2 Common Facilities	Gas		50.00%	$1	$—
Union (c)	Common Facilities	Gas		25.00%	$25	$1
Entergy Texas -						
Roy S. Nelson	Unit 6	Coal	550	29.75%	$198	$113
Roy S. Nelson	Unit 6 Common Facilities	Coal		13.79%	$6	$2
Big Cajun 2	Unit 3	Coal	588	17.85%	$113	$74
Big Cajun 2	Unit 3 Common Facilities	Coal		5.95%	$3	$1
System Energy -						
Grand Gulf	Unit 1	Nuclear	1,401	90.00% (d)	$4,917	$3,063
Entergy Wholesale Commodities:						
Independence	Unit 2	Coal	842	14.37%	$71	$49
Independence	Common Facilities	Coal		7.18%	$16	$12
Roy S. Nelson	Unit 6	Coal	550	10.90%	$112	$60
Roy S. Nelson	Unit 6 Common Facilities	Coal		5.05%	$2	$1

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

(b) Ouachita Units 1 and 2 are owned 100% by Entergy Arkansas and Ouachita Unit 3 is owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the common facilities and not for the generating units.

(c) Union Unit 1 is owned 100% by Entergy New Orleans, Union Unit 2 is owned 100% by Entergy Arkansas, Union Units 3 and 4 are owned 100% by Entergy Louisiana. The investment and accumulated depreciation numbers above are only for the specified common facilities and not for the generating units.

(d) Includes a leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 10 to the financial statements.

Nuclear Refueling Outage Costs

Nuclear refueling outage costs are deferred during the outage and amortized over the estimated period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Because the value of their long-lived assets are impaired, and their remaining estimated operating lives significantly reduced, in the future the Entergy Wholesale Commodities nuclear plants will charge nuclear refueling outage costs directly to expense when incurred.

Allowance for Funds Used During Construction (AFUDC)

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

Income Taxes

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. Entergy Louisiana, LLC is not a member of the Entergy Corporation federal tax filing group but, rather, is included in the Entergy Utility Holding Company, LLC consolidated federal income tax filing group. Each tax-paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the tax filing entities in accordance with Entergy's intercompany income tax allocation agreements. Deferred income taxes are recorded for temporary differences between the book and tax basis of assets and liabilities, and for certain losses and credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted.

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

Earnings (Loss) per Share

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

	For the Years Ended December 31,					
	2016		2015		2014	
	(In Millions, Except Per Share Data)					
		$/share		$/share		$/share
Net income (loss) attributable to Entergy Corporation	($583.6)		($176.6)		$940.7	
Basic earnings (loss) per average common share	178.9	($3.26)	179.2	($0.99)	179.5	$5.24
Average dilutive effect of:						
Stock options	—	—	—	—	0.3	(0.01)
Other equity plans	—	—	—	—	0.5	(0.01)
Diluted earnings (loss) per average common shares	178.9	($3.26)	179.2	($0.99)	180.3	$5.22

The calculation of diluted earnings (loss) per share excluded 7,137,210 options outstanding at December 31, 2016, 7,399,820 options outstanding at December 31, 2015, and 5,743,013 options outstanding at December 31, 2014 because they were antidilutive.

Stock-based Compensation Plans

Entergy grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees of the Entergy subsidiaries under its Equity Ownership Plans, which are shareholder-approved stock-based compensation plans. These plans are described more fully in Note 12 to the financial statements. The cost of the stock-based compensation is charged to income over the vesting period. Awards under Entergy's plans generally vest over 3 years.

Accounting for the Effects of Regulation

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

An enterprise that ceases to meet the three criteria for all or part of its operations should report that event in its financial statements. In general, the enterprise no longer meeting the criteria should eliminate from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs, it is possible that an impairment may exist that could require further write-offs of plant assets.

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

Regulatory Asset for Income Taxes

Accounting standards for income taxes provide that a regulatory asset or liability be recorded if it is probable that the currently determinable future increase or decrease in regulatory income tax expense will be recovered from or reimbursed to customers through future rates. The primary source of Entergy's regulatory asset for income taxes is related to the ratemaking treatment of the tax effects of book depreciation for the equity component of AFUDC that has been capitalized to property, plant, and equipment but for which there is no corresponding tax basis. Equity-AFUDC is a component of property, plant, and equipment that is included in rate base when the plant is placed in service.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects Entergy's best estimate of losses on the accounts receivable balances. The allowance is based on accounts receivable agings, historical experience, and other currently available evidence. Utility operating company customer accounts receivable are written off consistent with approved regulatory requirements.

Investments

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 record an offsetting amount in other regulatory liabilities/assets for the unrealized gains/(losses) on investment securities. For the 30% interest in River Bend formerly owned by Cajun, Entergy Louisiana has recorded an offsetting amount in other deferred credits for the unrealized gains/(losses). Decommissioning trust funds for Pilgrim, Indian Point 1, Indian Point 2, Vermont Yankee, and Palisades do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these 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. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). The assessment of whether an investment in an equity security has suffered an other-than-temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. See Note 16 to the financial statements for details on the decommissioning trust funds.

Equity Method Investments

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

Derivative Financial Instruments and Commodity Derivatives

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

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

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

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

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not affect net income. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. See Note 15 to the financial statements for further discussion of fair value.

Impairment of Long-lived Assets

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

River Bend AFUDC

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

Reacquired Debt

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

Taxes Imposed on Revenue-Producing Transactions

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

Presentation of Preferred Stock without Sinking Fund

Accounting standards regarding non-controlling interests and the classification and measurement of redeemable securities require the classification of preferred securities between liabilities and shareholders' equity on the balance sheet if the holders of those securities have protective rights that allow them to gain control of the board of directors in certain circumstances. These rights would have the effect of giving the holders the ability to potentially redeem their securities, even if the likelihood of occurrence of these circumstances is considered remote. The Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans articles of incorporation provide, generally, that the holders of each company's preferred securities may elect a majority of the respective company's board of directors if dividends are not paid for a year, until such time as the dividends in arrears are paid. Therefore, Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans present their preferred securities outstanding between liabilities and shareholders' equity on the balance sheet. Entergy Louisiana, a limited liability company, had outstanding preferred securities with similar protective rights with respect to unpaid dividends, but provided for the election of board members that would not constitute a majority of the board; and its preferred securities were therefore classified as a component of members' equity. In September 2015, Entergy Louisiana redeemed or repurchased and canceled its preferred membership interests as part of a multi-step process to effectuate the Entergy Louisiana and Entergy Gulf States Louisiana business combination. See Note 2 to the financial statements for a discussion of the business combination.

The outstanding preferred securities of Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans, and Entergy Utility Holding Company (a Utility subsidiary) and Entergy Finance Holding (an Entergy Wholesale Commodities subsidiary), whose preferred holders also have protective rights, are similarly presented between liabilities and equity on Entergy's consolidated balance sheets. The preferred dividends or distributions paid by all subsidiaries are reflected for all periods presented outside of consolidated net income.

New Accounting Pronouncements

In May 2014 the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The ASU's core principle is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU details a five-step model that should be followed to achieve the core principle. With FASB issuance of ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," ASU 2014-09 is effective for Entergy for the first quarter 2018. Entergy is evaluating its transition approach (which will either be a full retrospective or a modified retrospective transition method) and the effects of the new guidance, most significantly on its accounting for contributions in aid of construction. Entergy's evaluation of ASU 2014-09 has not identified any effects that it expects will affect materially its results of operations, financial position, or cash flows. Entergy will continue to monitor, however, the development of industry specific application guidance that could have an effect on this assessment.

In January 2016 the FASB issued ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU requires investments in equity securities, excluding those accounted for under the equity method or resulting in consolidation of the investee, to be measured at fair value with changes recognized in net income. The ASU requires a qualitative assessment to identify impairments of investments in equity securities that do not have a readily determinable fair value. ASU 2016-01 is effective for Entergy for the first quarter 2018. Entergy expects that ASU 2016-01 will affect its results of operations by requiring unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds to be recorded in earnings rather than in other comprehensive income. In accordance with the regulatory treatment of the decommissioning trust funds of Entergy Arkansas, Entergy Louisiana, and System Energy, an offsetting amount of unrealized gains/losses will continue to be recorded in other regulatory liabilities/assets. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

In February 2016 the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The ASU's core principle is that "a lessee should recognize the assets and liabilities that arise from leases." The ASU considers that "all leases create an asset and a liability," and accordingly requires recording the assets and liabilities related to all leases with a term greater than 12 months. ASU 2016-02 is effective for Entergy for the first quarter 2019, with early adoption permitted. Entergy expects that ASU 2016-02 will affect its financial position by increasing the assets and liabilities recorded relating to its operating leases. Entergy is evaluating ASU 2016-02 for other effects on its results of operations, financial position, and cash flows, as well as the potential to early adopt the ASU.

In March 2016 the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The ASU seeks to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The statement is effective beginning in 2017 and Entergy will prospectively recognize all income tax effects related to share-based payments through the income statement. Entergy expects to record approximately $12 million in income tax expense in the first quarter of 2017 related to implementing ASU 2016-09.

In June 2016 the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU requires entities to record a valuation allowance on financial instruments recorded at amortized cost or classified as available-for-sale debt securities for the total credit losses expected over the life of the instrument. Increases and decreases in the valuation allowance will be recognized immediately in earnings. ASU 2016-13 is effective for Entergy for the first quarter 2020.

Entergy is evaluating ASU 2016-13 for the expected effects on its results of operations, financial position, and cash flows.

In October 2016 the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The ASU requires entities to recognize the income tax consequences of intra-entity asset transfers, other than inventory, at the time the transfer occurs. ASU 2016-16 is effective for Entergy for the first quarter 2018 and will affect its statement of financial position by requiring recognition of deferred tax assets or liabilities arising from intra-entity asset transfers. Entergy is evaluating ASU 2016-16 for other effects on its results of operations, financial position, and cash flows.

NOTE 2. RATE AND REGULATORY MATTERS

Regulatory Assets and Regulatory Liabilities

Regulatory assets represent probable future revenues associated with costs that Entergy expects to recover from customers through the regulatory ratemaking process under which the Utility business operates. Regulatory liabilities represent probable future reductions in revenues associated with amounts that Entergy expects to benefit customers through the regulatory ratemaking process under which the Utility business operates. In addition to the regulatory assets and liabilities that are specifically disclosed on the face of the balance sheets, the tables below provide detail of "Other regulatory assets" and "Other regulatory liabilities" that are included on Entergy's balance sheets as of December 31, 2016 and 2015:

Other Regulatory Assets

Entergy

	2016	2015
	(In Millions)	
Pension & postretirement costs (Note 11 – **Qualified Pension Plans**, **Other Postretirement Benefits**, and **Non-Qualified Pension Plans**) (a)	$2,635.5	$2,574.9
Asset retirement obligation - recovery dependent upon timing of decommissioning of nuclear units or dismantlement of non-nuclear power plants (Note 9) (a)	677.2	589.1
Storm damage costs, including hurricane costs - recovered through securitization and retail rates (Note 2 – **Storm Cost Recovery Filings with Retail Regulators**) (Note 5)	637.0	717.8
Removal costs - recovered through depreciation rates (Note 9) (a)	353.9	273.3
Little Gypsy costs – recovered through securitization (Note 5 – **Entergy Louisiana Securitization Bonds - Little Gypsy**)	100.0	121.1
Unamortized loss on reacquired debt - recovered over term of debt	91.4	66.7
Transition to competition costs - recovered over a 15-year period through February 2021	47.9	57.4
New nuclear generation development costs (Note 2 - **New Nuclear Generation Development Costs**) (b)	43.7	51.1
MISO costs - recovery through retail rate mechanisms (Note 2 - **Retail Rate Proceedings**)	36.2	65.2
Retail rate deferrals - recovered through rate riders as rates are redetermined by retail regulators	22.1	32.2
Human capital management costs - recovery through retail rate mechanisms (Note 2 - **Retail Rate Proceedings**)	17.3	28.3
Other	107.7	127.7
Entergy Total	$4,769.9	$4,704.8

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

Other Regulatory Liabilities

Entergy

	2016	2015
	(In Millions)	
Unrealized gains on nuclear decommissioning trust funds (Note 16) (a)	$735.5	$611.7
Vidalia purchased power agreement (Note 8)	202.4	222.6
Louisiana Act 55 financing savings obligation (Note 2 - **Storm Cost Recovery Filings with Retail Regulators**)	165.5	156.0
Business combination guaranteed customer benefits - returned to customers through retail rates and fuel rates beginning December 2015 through November 2024 (Note 2 - **Entergy Louisiana and Entergy Gulf States Louisiana Business Combination)**	83.5	105.2
Waterford 3 replacement steam generator provision (Note 2 - **Retail Rate Proceedings**)	68.0	31.7
Grand Gulf sale-leaseback - (Note 10 - Sale and Leaseback Transactions)	67.9	67.9
Removal costs - returned to customers through depreciation rates (Note 9) (a)	53.9	68.3
Entergy Arkansas's accumulated accelerated Grand Gulf amortization - will be returned to customers when approved by the APSC and FERC	44.4	44.4
Entergy Mississippi's accumulated accelerated Grand Gulf amortization - amortized and credited through the Unit Power Sales Agreement	39.3	46.4
Asset retirement obligation - return to customers dependent upon timing of decommissioning (Note 9) (a)	32.7	28.2
Other	79.8	32.5
Entergy Total	$1,572.9	$1,414.9

(a) Offset by related asset.

Fuel and purchased power cost recovery

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas are allowed to recover fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is generally recorded as "Deferred fuel costs" on the Utility operating companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2016 and 2015 that Entergy expects to recover (or return to customers) through fuel mechanisms, subject to subsequent regulatory review.

	2016	2015
	(In Millions)	
Entergy Arkansas (a)	$163.6	$57.8
Entergy Louisiana (b)	$119.9	$102.9
Entergy Mississippi	$7.0	($107.8)
Entergy New Orleans (b)	$8.9	($24.9)
Entergy Texas	($54.5)	($25.1)

(a) Includes $66.9 million in 2016 and $66.7 million in 2015 of fuel and purchased power costs, which do not currently earn a return on investment and whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.
(b) Includes $168.1 million in each year for Entergy Louisiana and $4.1 million in each year for Entergy New Orleans of fuel, purchased power, and capacity costs, which do not currently earn a return on investment

and whose recovery periods are indeterminate but are expected to be recovered over a period greater than twelve months.

Entergy Arkansas

Production Cost Allocation Rider

The APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of the System Agreement proceedings, which are discussed in the "**System Agreement Cost Equalization Proceedings**" section below. These costs cause an increase in Entergy Arkansas's deferred fuel cost balance because Entergy Arkansas pays the costs over seven months but collects them from customers over twelve months.

In May 2014, Entergy Arkansas filed its annual redetermination of the production cost allocation rider to recover the $3 million unrecovered retail balance as of December 31, 2013 and the $67.8 million System Agreement bandwidth remedy payment made in May 2014 as a result of the compliance filing pursuant to the FERC's February 2014 orders related to the bandwidth payments/receipts for the June - December 2005 period. In June 2014 the APSC suspended the annual redetermination of the production cost allocation rider and scheduled a hearing in September 2014. Upon a joint motion of the parties, the APSC canceled the September 2014 hearing and in January 2015 the APSC issued an order approving Entergy Arkansas's request for recovery of the $3 million under-recovered amount based on the true-up of the production cost allocation rider and the $67.8 million May 2014 System Agreement bandwidth remedy payment subject to refund with interest, with recovery of these payments concluding with the last billing cycle in December 2015. The APSC also found that Entergy Arkansas is entitled to carrying charges pursuant to the current terms of the production cost allocation rider. Entergy Arkansas made its compliance filing pursuant to the order in January 2015 and the APSC issued its approval order, also in January 2015. The redetermined rate went into effect with the first billing cycle of February 2015.

In May 2015, Entergy Arkansas filed its annual redetermination of the production cost allocation rider, which included a $38 million payment made by Entergy Arkansas as a result of the FERC's February 2014 order related to the comprehensive bandwidth recalculation for calendar year 2006, 2007, and 2008 production costs. The redetermined rate for the 2015 production cost allocation rider update was added to the redetermined rate from the 2014 production cost allocation rider update and the combined rate was effective with the first billing cycle of July 2015. This combined rate was effective through December 2015. The collection of the remainder of the redetermined rate for the 2015 production cost allocation rider update continued through June 2016.

In May 2016, Entergy Arkansas filed its annual redetermination pursuant to the production cost allocation rider, which reflected recovery of the production cost allocation rider true-up adjustment of the 2014 and 2015 unrecovered retail balance in the amount of $1.9 million. Additionally, the redetermined rates reflected the recovery of a $1.9 million System Agreement bandwidth remedy payment resulting from a compliance filing pursuant to the FERC's December 2015 order related to test year 2009 production costs. The rates for the 2016 production cost allocation rider update became effective with the first billing cycle of July 2016, and rates will be effective through June 2017.

Energy Cost Recovery Rider

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

In October 2005 the APSC initiated an investigation into Entergy Arkansas's interim energy cost recovery rate. The investigation focused on Entergy Arkansas's 1) gas contracting, portfolio, and hedging practices; 2) wholesale purchases during the period; 3) management of the coal inventory at its coal generation plants; and 4) response to the contractual failure of the railroads to provide coal deliveries. In March 2006 the APSC extended its investigation to cover the costs included in Entergy Arkansas's March 2006 annual energy cost rate filing, and a hearing was held in the APSC investigation in October 2006.

In January 2007 the APSC issued an order in its review of the energy cost rate. The APSC found that Entergy Arkansas failed to maintain an adequate coal inventory level going into the summer of 2005 and that Entergy Arkansas should be responsible for any incremental energy costs that resulted from two outages caused by employee and contractor error. The coal plant generation curtailments were caused by railroad delivery problems and Entergy Arkansas resolved litigation with the railroad regarding the delivery problems. The APSC staff was directed to perform an analysis with Entergy Arkansas's assistance to determine the additional fuel and purchased energy costs associated with these findings and file the analysis within sixty days of the order. After a final determination of the costs is made by the APSC, Entergy Arkansas will be directed to refund that amount with interest to its customers as a credit on the energy cost recovery rider. Entergy Arkansas requested rehearing of the order.

In February 2010 the APSC denied Entergy Arkansas's request for rehearing, and held a hearing in September 2010 to determine the amount of damages, if any, that should be assessed against Entergy Arkansas. A decision is pending. Entergy Arkansas expects the amount of damages, if any, to have an immaterial effect on its results of operations, financial position, or cash flows.

The APSC also established a separate docket to consider the resolved railroad litigation, and in February 2010 it established a procedural schedule that concluded with testimony through September 2010. The testimony was filed, and the APSC will decide the case based on the record in the proceeding.

In January 2014, Entergy Arkansas filed a motion with the APSC relating to its redetermination of its energy cost rate that was subsequently filed in March 2014. In that motion, Entergy Arkansas requested that the APSC authorize Entergy Arkansas to exclude $65.9 million of deferred fuel and purchased energy costs incurred in 2013 from the redetermination of its 2014 energy cost rate. The $65.9 million is an estimate of the incremental fuel and replacement energy costs that Entergy Arkansas incurred as a result of the ANO stator incident. Entergy Arkansas requested that the APSC authorize Entergy Arkansas to retain that amount in its deferred fuel balance, with recovery to be reviewed in a later period after more information is available regarding various claims associated with the ANO stator incident. The APSC approved Entergy Arkansas's request in February 2014. See the "**ANO Damage, Outage, and NRC Reviews**" section in Note 8 to the financial statements for further discussion of the ANO stator incident.

Entergy Louisiana

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

In April 2010 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through the fuel adjustment clause by Entergy Louisiana for the period from 2005 through 2009. The LPSC staff issued its audit report in January 2013. The LPSC staff recommended that Entergy Louisiana refund approximately $1.9 million, plus interest, to customers and realign the recovery of approximately $1 million from Entergy Louisiana's fuel adjustment clause to base rates. The recommended refund was made by Entergy Louisiana in May 2013 in the form of a credit to customers through its fuel adjustment clause filing. Two parties intervened in the proceeding. A procedural schedule was established for the identification of issues by the intervenors and for Entergy Louisiana to submit comments regarding the LPSC Staff report and any issues raised by intervenors. One intervenor sought further proceedings regarding certain issues it raised in its comments on the LPSC staff report. Entergy Louisiana filed responses to both the LPSC staff report and the issues raised by the intervenor. After conducting additional discovery, in April 2016 the LPSC staff consultant issued its supplemental audit report, which concluded that

Entergy Louisiana was not imprudent on the issues raised by the intervenor. The intervenor has stated that it does not intend to pursue these issues further. In October 2016 the LPSC staff filed testimony affirming the recommendation in its audit report on the lone remaining issue that nuclear dry fuel storage costs should be realigned to base rates. The parties agreed to remove that remaining issue to a separate docket because the same issue is outstanding in the Entergy Gulf States Louisiana audit for the same time period. In November 2016 the LPSC approved the resolution of this audit and the creation of a new docket for the resolution of the proper method of recovery for nuclear dry fuel storage costs. In December 2016 the LPSC opened a new docket in order to resolve the issue regarding the proper methodology for the recovery of nuclear dry fuel storage costs. A procedural schedule has been established for this new docket, including an evidentiary hearing in June 2017.

In December 2011 the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States Louisiana and its affiliates. The audit includes a review of the reasonableness of charges flowed by Entergy Gulf States Louisiana through its fuel adjustment clause for the period 2005 through 2009. In March 2016 the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy Louisiana refund approximately $8.6 million, plus interest, to customers and realign the recovery of approximately $12.7 million from Entergy Gulf States Louisiana's fuel adjustment clause to base rates. In September 2016 the LPSC staff filed testimony stating that is was no longer recommending a disallowance of $3.4 million of the $8.6 million discussed above, but otherwise maintained positions from its report. Subsequently, the parties entered into a settlement, which was approved by the LPSC in November 2016. The settlement recognizes the dry cask storage recovery method issue will be addressed in the separate proceeding opened by the LPSC, and provides for a refund of $5 million to legacy Entergy Gulf States Louisiana customers and resolves all other issues raised in the audit.

In July 2014 the LPSC authorized its staff to initiate an audit of Entergy Gulf States Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed by Entergy Gulf States Louisiana through its fuel adjustment clause for the period from 2010 through 2013. Discovery commenced in July 2015.

In July 2014 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed by Entergy Louisiana through its fuel adjustment clause for the period from 2010 through 2013. Discovery commenced in July 2015.

In June 2016 the LPSC staff provided notice of an audit of Entergy Louisiana's fuel adjustment clause filings and purchased gas adjustment clause filings. In recognition of the business combination that occurred in 2015, the audit notice was issued to Entergy Louisiana and will also include a review of charges to legacy Entergy Gulf States Louisiana customers prior to the business combination. The audit includes a review of the reasonableness of charges flowed through Entergy Louisiana's fuel adjustment clause for the period from 2014 through 2015 and charges flowed through Entergy Louisiana's purchased gas adjustment clause for the period from 2012 through 2015. Discovery has not commenced.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider that is adjusted annually to reflect accumulated over- or under-recoveries. Entergy Mississippi's fuel cost recoveries are subject to annual audits conducted pursuant to the authority of the MPSC.

Entergy Mississippi had a deferred fuel balance of $60.4 million as of March 31, 2014. In May 2014, Entergy Mississippi filed for an interim adjustment under its energy cost recovery rider. The interim adjustment proposed a net energy cost factor designed to collect over a six-month period the under-recovered deferred fuel balance as of March 31, 2014 and also reflected a natural gas price of $4.50 per MMBtu. In May 2014, Entergy Mississippi and the Public Utilities Staff entered into a joint stipulation in which Entergy Mississippi agreed to a revised net energy cost factor that reflected the proposed interim adjustment with a reduction in costs recovered through the energy cost recovery rider associated with the suspension of the DOE nuclear waste storage fee. In June 2014 the MPSC approved the joint stipulation and allowed Entergy Mississippi's interim adjustment. In November

2014, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. Due to lower gas prices and a lower deferred fuel balance, the redetermined annual factor was a decrease from the revised interim net energy cost factor. In January 2015 the MPSC approved the redetermined annual factor effective January 30, 2015.

Entergy Mississippi had a deferred fuel over-recovery balance of $58.3 million as of May 31, 2015, along with an under-recovery balance of $12.3 million under the power management rider. Pursuant to those tariffs, in July 2015, Entergy Mississippi filed for interim adjustments under both the energy cost recovery rider and the power management rider to flow through to customers the approximately $46 million net over-recovery over a six-month period. In August 2015, the MPSC approved the interim adjustments effective with September 2015 bills. In November 2015, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included a projected over-recovery balance of $48 million projected through January 31, 2016. In January 2016 the MPSC approved the redetermined annual factor effective February 1, 2016. The MPSC further ordered, however, that due to the significant change in natural gas price forecasts since Entergy Mississippi's filing in November 2015 Entergy Mississippi shall file a revised fuel factor with the MPSC no later than February 1, 2016. Pursuant to that order, Entergy Mississippi submitted a revised fuel factor. Additionally, because Entergy Mississippi's projected over-recovery balance for the period ending January 31, 2016 was $68 million, in February 2016, Entergy Mississippi filed for another interim adjustment to the energy cost factor effective April 2016 to flow through to customers the projected over-recovery balance over a six-month period. That interim adjustment was approved by the MPSC in February 2016 effective for April 2016 bills.

In November 2016, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included an over-recovery of less than $2 million as of September 30, 2016. In January 2017 the MPSC approved the annual factor effective with February 2017 bills. Also in January 2017 the MPSC certified to the Mississippi Legislature the audit reports of its independent auditors for the fuel year ending September 30, 2016. In its order, the MPSC expressly reserved the right to review and determine the recoverability of any and all purchased power expenditures made during fiscal year 2016.

Mississippi Attorney General Complaint

The Mississippi attorney general filed a complaint in state court in December 2008 against Entergy Corporation, Entergy Mississippi, Entergy Services, and Entergy Power alleging, among other things, violations of Mississippi statutes, fraud, and breach of good faith and fair dealing, and requesting an accounting and restitution. The complaint is wide ranging and relates to tariffs and procedures under which Entergy Mississippi purchases power not generated in Mississippi to meet electricity demand. Entergy believes the complaint is unfounded. In December 2008 the defendant Entergy companies removed the Attorney General's lawsuit to U.S. District Court in Jackson, Mississippi. The Mississippi attorney general moved to remand the matter to state court. In August 2012 the District Court issued an opinion denying the Attorney General's motion for remand, finding that the District Court has subject matter jurisdiction under the Class Action Fairness Act.

The defendant Entergy companies answered the complaint and filed a counterclaim for relief based upon the Mississippi Public Utilities Act and the Federal Power Act. In May 2009 the defendant Entergy companies filed a motion for judgment on the pleadings asserting grounds of federal preemption, the exclusive jurisdiction of the MPSC, and factual errors in the Attorney General's complaint. In September 2012 the District Court heard oral argument on Entergy's motion for judgment on the pleadings.

In January 2014 the U.S. Supreme Court issued a decision in which it held that cases brought by attorneys general as the sole plaintiff to enforce state laws were not considered "mass actions" under the Class Action Fairness Act, so as to establish federal subject matter jurisdiction. One day later the Attorney General renewed his motion to remand the Entergy case back to state court, citing the U.S. Supreme Court's decision. The defendant Entergy companies responded to that motion reiterating the additional grounds asserted for federal question jurisdiction, and the District Court held oral argument on the renewed motion to remand in February 2014. In April

2015 the District Court entered an order denying the renewed motion to remand, holding that the District Court has federal question subject matter jurisdiction. The Attorney General appealed to the U.S. Fifth Circuit Court of Appeals the denial of the motion to remand. In July 2015 the Fifth Circuit issued an order denying the appeal, and the Attorney General subsequently filed a petition for rehearing of the request for interlocutory appeal, which was also denied. In December 2015 the District Court ordered that the parties submit to the court undisputed and disputed facts that are material to the Entergy defendants' motion for judgment on the pleadings, as well as supplemental briefs regarding the same. Those filings were made in January 2016.

In September 2016 the Attorney General filed a mandamus petition with the U.S. Fifth Circuit Court of Appeals in which the Attorney General asked the Fifth Circuit to order the chief judge to reassign this case to another judge. In September 2016 the District Court denied the Entergy companies' motion for judgment on the pleadings. The Entergy companies filed a motion seeking to amend the District Court's order denying the Entergy companies' motion for judgment on the pleadings and allowing an interlocutory appeal. In October 2016 the Fifth Circuit granted the Attorney General's motion for writ of mandamus and directed the chief judge to assign the case to a new judge. The case was reassigned in October 2016. In January 2017 the District Court denied the Entergy companies' motion to amend the order denying the motion for judgment on the pleadings, and the parties are in the process of preparing a proposed case management order.

Entergy New Orleans

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

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

Due to higher fuel costs associated in part with the extended Grand Gulf outage and the partially simultaneous Union Power Block 1 planned outage, for the December 2016, January 2017, and February 2017 billing months, the City Council authorized Entergy New Orleans to cap the fuel adjustment charge billed to customers at $0.035 per kWh and to defer billing of all fuel costs in excess of the capped amount by including such costs in the over- or under-recovery account.

Entergy Texas

Entergy Texas's rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including interest, not recovered in base rates. Semi-annual revisions of the fixed fuel factor are made in March and September based on the market price of natural gas and changes in fuel mix. The amounts collected under Entergy Texas's fixed fuel factor and any interim surcharge or refund are subject to fuel reconciliation proceedings before the PUCT.

In August 2014, Entergy Texas filed an application seeking PUCT approval to implement an interim fuel refund of approximately $24.6 million for over-collected fuel costs incurred during the months of November 2012 through April 2014. This refund resulted from (i) applying $48.6 million in bandwidth remedy payments that Entergy Texas received in May 2014 related to the June - December 2005 period to Entergy Texas's $8.7 million under-recovered fuel balance as of April 30, 2014 and (ii) netting that fuel balance against the $15.3 million bandwidth remedy payment that Entergy Texas made related to calendar year 2013 production costs. Also in August 2014, Entergy Texas filed an unopposed motion for interim rates to implement these refunds for most customers over a two-month period commencing with September 2014. The PUCT issued its order approving the interim relief in August 2014 and Entergy Texas completed the refunds in October 2014. Parties intervened in this matter, and all parties agreed that the proceeding should be bifurcated such that the proposed interim refund would become final in a separate proceeding, which refund was approved by the PUCT in March 2015. In July 2015 certain parties filed briefs in the open proceeding asserting that Entergy Texas should refund to retail customers an additional $10.9 million in bandwidth remedy payments Entergy Texas received related to calendar year 2006 production costs. In October 2015 an ALJ issued a proposal for decision recommending that the additional $10.9 million in bandwidth remedy payments be refunded to retail customers. In January 2016 the PUCT issued its order affirming the ALJ's recommendation, and Entergy Texas filed a motion for rehearing of the PUCT's decision, which the PUCT denied. In March 2016, Entergy Texas filed a complaint in Federal District Court for the Western District of Texas and a petition in the Travis County (State) District Court appealing the PUCT's decision. The federal appeal was heard in December 2016, and the Federal District Court granted Entergy Texas's requested relief. In January 2017 the PUCT and an intervenor filed petitions for appeal to the U.S. Court of Appeals for the Fifth Circuit of the Federal District Court ruling. The State District Court appeal remains pending. In April 2016, Entergy Texas filed with the PUCT an application to refund to customers approximately $56.2 million. The refund resulted from (i) $41.8 million of fuel cost recovery over-collections through February 2016, (ii) the $10.9 million in bandwidth remedy payments, discussed above, that Entergy Texas received related to calendar year 2006 production costs, and (iii) $3.5 million in bandwidth remedy payments that Entergy Texas received related to 2006-2008 production costs. In June 2016, Entergy Texas filed an unopposed settlement agreement that added additional over-recovered fuel costs for the months of March and April 2016. The settlement resulted in a $68 million refund. The ALJ approved the refund on an interim basis to be made to most customers over a four-month period beginning with the first billing cycle of July 2016. In July 2016 the PUCT issued an order approving the interim refund.

In July 2016, Entergy Texas filed an application to reconcile its fuel and purchased power costs for the period April 1, 2013 through March 31, 2016. Under a recent PUCT rule change, a fuel reconciliation is required to be filed at least once every three years and outside of a base rate case filing. During the reconciliation period, Entergy Texas incurred approximately $1.77 billion in Texas jurisdictional eligible fuel and purchased power expenses, net of certain revenues credited to such expenses and other adjustments. Entergy Texas estimated an over-recovery balance of approximately $19.3 million, including interest, which Entergy Texas requested authority to carry over as the beginning balance for the subsequent reconciliation period beginning Apri1 2016. Entergy Texas also noted, however, that the estimated $19.3 million over collection was being refunded to customers as a portion of the interim fuel refund beginning with the first billing cycle of July 2016, discussed above. Entergy Texas also is requesting a prudence finding for each of the fuel-related contracts and arrangements entered into or modified during the reconciliation period that have not been reviewed by the PUCT in a prior proceeding. In December 2016, Entergy Texas entered into a stipulation and settlement agreement resulting in a $6 million disallowance not associated with any particular issue raised and a refund of the over-recovery balance of $21 million as of November 30, 2016, to customers beginning April 2017 through June 2017. This settlement was developed concurrently with the stipulation and settlement agreement in the 2016 transmission cost recovery factor rider amendment discussed below, and the terms and conditions in both settlements are interdependent. PUCT action on the stipulations and settlement agreements is pending.

At the PUCT's April 2013 open meeting, the PUCT Commissioners discussed their view that a purchased power capacity rider was good public policy. The PUCT issued an order in May 2013 adopting the rule allowing for a purchased power capacity rider, subject to an offsetting adjustment for load growth. The rule, as adopted, also includes a process for obtaining pre-approval by the PUCT of purchased power agreements. Entergy Texas has not exercised the option to recover its capacity costs under the new rider mechanism, but will continue to evaluate the benefits of utilizing the new rider to recover future capacity costs.

Retail Rate Proceedings

Filings with the APSC (Entergy Arkansas)

Retail Rates

2013 Base Rate Filing

In March 2013, Entergy Arkansas filed with the APSC for a general change in rates, charges, and tariffs. The filing assumed Entergy Arkansas's transition to MISO in December 2013, and requested a rate increase of $174 million, including $49 million of revenue being transferred from collection in riders to base rates. The filing also proposed a new transmission rider and a capacity cost recovery rider. The filing requested a 10.4% return on common equity. In September 2013, Entergy Arkansas filed testimony reflecting an updated rate increase request of $145 million, with no change to its requested return on common equity of 10.4%. Hearings in the proceeding began in October 2013, and in December 2013 the APSC issued an order. The order authorized a base rate increase of $81 million and included an authorized return on common equity of 9.3%. The order allowed Entergy Arkansas to amortize its human capital management costs over a three-and-a-half year period. New rates under the January 2014 order were implemented in the first billing cycle of March 2014 and were effective as of January 2014. Additionally, in January 2014, Entergy Arkansas filed a petition for rehearing or clarification of several aspects of the APSC's order, including the 9.3% authorized return on common equity. In February 2014 the APSC granted Entergy Arkansas's petition for the purpose of considering the additional evidence identified by Entergy Arkansas. In August 2014 the APSC issued an order amending certain aspects of the original order, including providing for a 9.5% authorized return on common equity. Pursuant to the August 2014 order, revised rates were effective for all bills rendered after December 31, 2013 and were implemented in the first billing cycle of October 2014.

2015 Base Rate Filing

In April 2015, Entergy Arkansas filed with the APSC for a general change in rates, charges, and tariffs. The filing notified the APSC of Entergy Arkansas's intent to implement a forward test year formula rate plan pursuant to Arkansas legislation passed in 2015, and requested a retail rate increase of $268.4 million, with a net increase in revenue of $167 million. The filing requested a 10.2% return on common equity. In September 2015 the APSC staff and intervenors filed direct testimony, with the APSC staff recommending a revenue requirement of $217.9 million and a 9.65% return on common equity. In December 2015, Entergy Arkansas, the APSC staff, and certain of the intervenors in the rate case filed with the APSC a joint motion for approval of a settlement of the case that proposed a retail rate increase of approximately $225 million with a net increase in revenue of approximately $133 million; an authorized return on common equity of 9.75%; and a formula rate plan tariff that provides a +/- 50 basis point band around the 9.75% allowed return on common equity. A significant portion of the rate increase is related to Entergy Arkansas's acquisition in March 2016 of Union Power Station Power Block 2 for a base purchase price of $237 million. The settlement agreement also provided for amortization over a 10-year period of $7.7 million of previously-incurred costs related to ANO post-Fukushima compliance and $9.9 million of previously-incurred costs related to ANO flood barrier compliance. A settlement hearing was held in January 2016. In February 2016 the APSC approved the settlement with one exception that reduced the retail rate increase proposed in the settlement by $5 million. The settling parties agreed to the APSC modifications in February 2016. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. In March 2016, Entergy Arkansas made a compliance filing regarding the new rates that included an interim base rate adjustment surcharge, effective with the first billing cycle of April 2016, to recover the incremental revenue requirement for the period February 24, 2016 through March 31, 2016. The interim base rate adjustment surcharge was designed to recover a total of $21.1 million over the nine-month period from April 2016 through December 2016.

2016 Formula Rate Plan Filing

In July 2016, Entergy Arkansas filed with the APSC its 2016 formula rate plan filing showing Entergy Arkansas's projected earned return on common equity for the twelve months ended December 31, 2017 test period to be below the formula rate plan bandwidth. The filing requested a $67.7 million revenue requirement increase to achieve Entergy Arkansas's target earned return on common equity of 9.75%. In October 2016, Entergy Arkansas filed with the APSC revised formula rate plan attachments with an updated request for a $54.4 million revenue requirement increase based on acceptance of certain adjustments and recommendations made by the APSC staff and other intervenors, as well as three additional adjustments identified as appropriate by Entergy Arkansas. In November 2016 a hearing was held and the APSC issued an order directing the parties to brief certain issues. In December 2016 the APSC approved the settlement agreement and the $54.4 million revenue requirement increase with approximately $25 million of the $54.4 million revenue requirement subject to possible future adjustment and refund to customers with interest. The APSC requested supplemental information for some of Entergy Arkansas's requested nuclear expenditures. The APSC indicated that a procedural schedule would be set by subsequent order to obtain the additional information. In December 2016 the APSC approved Entergy Arkansas's formula rate plan compliance tariff, and the rates became effective with the first billing cycle of January 2017.

Advanced Metering Infrastructure (AMI) Filing

In September 2016, Entergy Arkansas filed an application seeking an order from the APSC finding that Entergy Arkansas's deployment of AMI is in the public interest. Entergy Arkansas proposed to replace existing meters with advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Arkansas's modernized power grid. The filing identified a number of quantified and unquantified benefits, and Entergy Arkansas provided a cost benefit analysis showing that its AMI deployment is expected to produce a nominal net benefit to customers of $431 million. Entergy Arkansas also sought to continue to include in rate base the remaining book value at December 31, 2015, approximately $57 million, of existing meters that will be retired as part of the AMI deployment and also to depreciate those assets using current depreciation rates. Entergy Arkansas proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which is expected to begin in 2019. Subject to approval by the APSC, deployment of the communications network is expected to begin in 2018. Entergy Arkansas proposed to include the AMI deployment costs and the quantified benefits in future formula rate plan filings. In order to have certainty around its 2018 projected AMI deployment costs, Entergy Arkansas sought an order from the APSC prior to the hearing on its expected 2017 formula rate plan filing in the fourth quarter 2017. In January 2017 the APSC approved a procedural schedule that provides for a hearing in August 2017.

Filings with the LPSC (Entergy Louisiana)

Retail Rates - Electric

2013 Rate Cases

In connection with its decision to extend the formula rate plan to the 2011 test year, the LPSC required that a base rate case be filed by Entergy Gulf States Louisiana, and the required filing was made in February 2013. The filing anticipated Entergy Gulf States Louisiana's integration into MISO. In the filing Entergy Gulf States Louisiana requested, among other relief:

- authorization to increase the revenue it collects from customers by approximately $24 million;
- an authorized return on common equity of 10.4%;
- authorization to increase depreciation rates embedded in the proposed revenue requirement; and,
- authorization to implement a three-year formula rate plan: with a midpoint return on common equity of 10.4%, plus or minus 75 basis points (the deadband), that would provide a means for the annual re-setting of rates (commencing with calendar year 2013 as its first test year), that would include a mechanism to recover incremental transmission revenue requirement on the basis of a forward-looking test year as compared to the initial base year of 2014 with an annual true-up, that would retain the primary aspects of the prior formula rate plan, including a 60% to customers/40% to Entergy Gulf States Louisiana sharing mechanism for earnings outside the deadband, and a capacity rider mechanism that would permit recovery of incremental capacity additions approved by the LPSC.

Following a hearing before an ALJ and the ALJ's issuance of a Report of Proceedings, in December 2013 the LPSC approved an unopposed settlement of the proceeding. Major terms of the settlement included approval of a three-year formula rate plan (effective for test years 2014-2016) modeled after the formula rate plan in effect for Entergy Gulf States Louisiana for 2011, including the following: (1) a midpoint return on equity of 9.95% plus or minus 80 basis points, with 60/40 sharing of earnings outside of the bandwidth; (2) recovery outside of the sharing mechanism for the non-fuel MISO-related costs, additional capacity revenue requirement, extraordinary items, such as the Ninemile 6 project, and certain special recovery items; (3) three-year amortization of costs to achieve savings associated with the human capital management strategic imperative, with savings to be reflected as they are realized in subsequent years; (4) eight-year amortization of costs incurred in connection with potential development of a new nuclear unit at River Bend, without carrying costs, beginning December 2014, provided, however, that amortization of these costs shall not result in a future rate increase; (5) no change in rates related to test year 2013, except with respect to recovery of the non-fuel MISO-related costs and any changes to the additional capacity revenue requirement; and (6) no increase in rates related to test year 2014, except for those items eligible for recovery outside of the earnings sharing mechanism. Existing depreciation rates did not change. Implementation of rate changes for items recoverable outside of the earnings sharing mechanism occurred in December 2014.

Pursuant to the rate case settlement approved by the LPSC in December 2013, Entergy Gulf States Louisiana submitted a compliance filing in May 2014 reflecting the effects of the estimated MISO cost recovery mechanism revenue requirement and adjustment of the additional capacity mechanism. In November 2014, Entergy Gulf States Louisiana submitted an additional compliance filing updating the estimated MISO cost recovery mechanism for the most recent actual data. Based on this updated filing, a net increase of $5.8 million in formula rate plan revenue to be collected over nine months was implemented in December 2014. The compliance filings were subject to LPSC review in accordance with the review process set forth in Entergy Gulf States Louisiana's formula rate plan.

In November 2011 the LPSC approved a one-year extension of Entergy Louisiana's formula rate plan. In connection with its decision to extend the formula rate plan to the 2011 test year, the LPSC required that a base rate case be filed by Entergy Louisiana, and the required filing was made on February 15, 2013. The filing anticipated Entergy Louisiana's integration into MISO. In the filing Entergy Louisiana requested, among other relief:

- authorization to increase the revenue it collects from customers by approximately $145 million (which does not take into account a revenue offset of approximately $2 million resulting from a proposed increase for those customers taking service under the Qualifying Facility Standby Service);
- an authorized return on common equity of 10.4%;
- authorization to increase depreciation rates embedded in the proposed revenue requirement; and
- authorization to implement a three-year formula rate plan: with a midpoint return on common equity of 10.4%, plus or minus 75 basis points (the deadband), that would provide a means for the annual re-setting of rates (commencing with calendar year 2013 as its first test year), that would include a mechanism to recover incremental transmission revenue requirement on the basis of a forward-looking test year as compared to the initial base year of 2014 with an annual true-up, that would retain the primary aspects of the prior formula rate plan, including a 60% to customers/40% to Entergy Louisiana sharing mechanism for earnings outside the deadband, and a capacity rider mechanism that would permit recovery of incremental capacity additions approved by the LPSC.

Following a hearing before an ALJ and the ALJ's issuance of a Report of Proceedings, in December 2013 the LPSC approved an unopposed settlement of the proceeding. The settlement provided for a $10 million rate increase effective with the first billing cycle of December 2014. Major terms of the settlement included approval of a three-year formula rate plan (effective for test years 2014-2016) modeled after the formula rate plan in effect for Entergy Louisiana for 2011, including the following: (1) a midpoint return on equity of 9.95% plus or minus 80 basis points, with 60/40 sharing of earnings outside of the bandwidth; (2) recovery outside of the sharing mechanism for the non-fuel MISO-related costs, additional capacity revenue requirement, extraordinary items, such as the Ninemile 6 project, and certain special recovery items; (3) three-year amortization of costs to achieve savings associated with the human capital management strategic imperative, with savings reflected as they are realized in subsequent years; (4) eight-year amortization of costs incurred in connection with potential development of a new nuclear unit at River Bend, without carrying costs, beginning December 2014, provided, however, that amortization of these costs shall not result in a future rate increase; (5) recovery of non-fuel MISO-related costs and any changes to the additional capacity revenue requirement related to test year 2013 effective with the first billing cycle of December 2014; and (6) a cumulative $30 million cap on cost of service increases over the three-year formula rate plan cycle, except for those items outside of the sharing mechanism. Existing depreciation rates did not change.

Pursuant to the rate case settlement approved by the LPSC in December 2013, Entergy Louisiana submitted a compliance filing in May 2014 reflecting the effects of the $10 million agreed-upon increase in formula rate plan revenue, the estimated MISO cost recovery mechanism revenue requirement, and the adjustment of the additional capacity mechanism. In November 2014, Entergy Louisiana submitted an additional compliance filing updating the estimated MISO cost recovery mechanism for the most recent actual data, as well as providing for a refund and prospective reduction in rates for the true-up of the estimated revenue requirement for the Waterford 3 replacement steam generator project. Based on this updated filing, a net increase of $41.6 million in formula rate plan revenue to be collected over nine months was implemented in December 2014. The compliance filings were subject to LPSC review in accordance with the review process set forth in Entergy Louisiana's formula rate plan. LPSC staff identified five issues, of which one remains in the compliance proceeding. That issue pertains to Entergy Louisiana's method of collecting the agreed-upon $10 million increase. No procedural schedule has been established, however, to address the issue. By stipulation among the parties, the final issue raised by the LPSC staff regarding the appropriate level of refunds related to the Waterford 3 replacement steam generator project will be resolved in connection with the Waterford 3 prudence review proceedings discussed below.

2014 Formula Rate Plan Filing

In connection with the approval of the business combination of Entergy Gulf States Louisiana and Entergy Louisiana, the LPSC authorized the filing of a single, joint, formula rate plan evaluation report for Entergy Gulf States Louisiana's and Entergy Louisiana's 2014 calendar year operations. The joint evaluation report was filed in September 2015 and reflects an earned return on common equity of 9.09%. As such, no adjustment to base formula rate plan revenue was required. The following adjustments were required under the formula rate plan, however: a decrease in the additional capacity mechanism for Entergy Louisiana of $17.8 million; an increase in the additional capacity mechanism for Entergy Gulf States Louisiana of $4.3 million; and a reduction of $5.5 million to the MISO cost recovery mechanism to collect approximately $35.7 million on a combined-company basis. Under the order approving the business combination, following completion of the prescribed review period, rates were implemented with the first billing cycle of December 2015, subject to refund. See "**Entergy Louisiana and Entergy Gulf States Louisiana Business Combination**" below for further discussion of the business combination.

2015 Formula Rate Plan Filing

In May 2016, Entergy Louisiana filed its formula rate plan evaluation report for its 2015 calendar year operations. The evaluation report reflects an earned return on common equity of 9.07%. As such, no adjustment to base formula rate plan revenue is required. The following other adjustments, however, are required under the formula rate plan: an increase in the legacy Entergy Louisiana additional capacity mechanism of $14.2 million; a separate increase in legacy Entergy Louisiana revenue of $10 million primarily to reflect the effects of the termination of the System Agreement; an increase in the legacy Entergy Gulf States Louisiana additional capacity mechanism of $0.5 million; a decrease in legacy Entergy Gulf States Louisiana revenue of $58.7 million primarily to reflect the effects of the termination of the System Agreement; and an increase of $11 million to the MISO cost recovery mechanism. Rates were implemented with the first billing cycle of September 2016, subject to refund. Following implementation of the as-filed rates in September 2016, there have been several interim updates to Entergy Louisiana's formula rate plan, including the most recent adjustment submitted in December 2016, reflecting implementation of the settlement of the Waterford 3 replacement steam generator project prudence review described below. Also pursuant to Entergy Louisiana's formula rate plan rider, in November 2016, Entergy Louisiana submitted a request for LPSC authorization to extend the recovery mechanism for net revenues and expenses incurred in connection with Entergy Louisiana's participation in MISO. The MISO cost recovery mechanism was initially approved on an interim basis to remain in place through the rate effective period of Entergy Louisiana's test year 2015 formula rate plan filing. A procedural schedule has been established, including a hearing in July 2017.

Waterford 3 Replacement Steam Generator Project

Following the completion of the Waterford 3 replacement steam generator project, the LPSC undertook a prudence review in connection with a filing made by Entergy Louisiana in April 2013 with regard to the following aspects of the replacement project: 1) project management; 2) cost controls; 3) success in achieving stated objectives; 4) the costs of the replacement project; and 5) the outage length and replacement power costs. In July 2014 the LPSC Staff filed testimony recommending potential project and replacement power cost disallowances of up to $71 million, citing a need for further explanation or documentation from Entergy Louisiana. An intervenor filed testimony recommending disallowance of $141 million of incremental project costs, claiming the steam generator fabricator was imprudent. Entergy Louisiana provided further documentation and explanation requested by the LPSC staff. An evidentiary hearing was held in December 2014. At the hearing the parties maintained the positions reflected in pre-filed testimony. Entergy Louisiana believed that the replacement steam generator costs were prudently incurred and applicable legal principles supported their recovery in rates. Nevertheless, Entergy Louisiana recorded a write-off of $16 million of Waterford 3's plant balance in December 2014 because of the uncertainty at the time associated with the resolution of the prudence review. In December 2015 the ALJ issued a proposed recommendation, which was subsequently finalized, concluding that Entergy Louisiana prudently managed the Waterford 3 replacement steam generator project, including the selection, use, and oversight of contractors, and could not reasonably have anticipated the damage to the steam generators. Nevertheless, the ALJ concluded that Entergy Louisiana was liable for the conduct of its contractor and subcontractor and, therefore, recommended a disallowance of $67 million in capital costs. Additionally, the ALJ concluded that Entergy Louisiana did not sufficiently justify the incurrence of $2 million in replacement power costs during the replacement outage. Although the ALJ's recommendation had not yet been considered by the LPSC, after considering the progress of the proceeding in light of the ALJ recommendation, Entergy Louisiana recorded in the fourth quarter 2015 approximately $77 million in charges, including a $45 million asset write-off and a $32 million regulatory charge, to reflect that a portion of the assets associated with the Waterford 3 replacement steam generator project was no longer probable of recovery. Entergy Louisiana maintained that the ALJ's recommendation contains significant factual and legal errors.

In October 2016 the parties reached a settlement in this matter. This settlement was approved by the LPSC in December 2016. The settlement effectively provides for an agreed-upon disallowance of $67 million of plant, which had been previously written off by Entergy Louisiana, as discussed above. The settlement also requires a refund of approximately $71 million to be given through a one-time credit included in customers' bills in January 2017. Of the $71 million of refunds, $68 million was credited to customers through Entergy Louisiana's formula rate plan, outside of sharing, and $3 million through its fuel adjustment clause. Entergy Louisiana had previously recorded a provision of $48 million for this refund. The previously-recorded provision included the cumulative revenues recorded through December 2016 related to the $67 million of disallowed plant. An additional regulatory charge of $23 million was recorded in fourth quarter 2016 to reflect the effects of the settlement. The settlement also provides that Entergy Louisiana can retain the value associated with potential service credits agreed to by the project contractor, to the extent they are realized in the future.

Ninemile 6

In July 2014, Entergy Gulf States Louisiana and Entergy Louisiana filed an unopposed stipulation with the LPSC, which was subsequently approved, that estimated a first year revenue requirement associated with Ninemile 6 and provided a mechanism to update the revenue requirement as the in-service date approached. In late-December 2014, roughly contemporaneous with the unit's placement in service, a final updated estimated revenue requirement of $26.8 million for Entergy Gulf States Louisiana and $51.1 million for Entergy Louisiana was filed. The December 2014 estimate forms the basis of rates implemented effective with the first billing cycle of January 2015. In July 2015, Entergy Louisiana submitted to the LPSC a compliance filing including an estimate at completion, inclusive of interconnection costs and transmission upgrades, of approximately $648 million, or $76 million less than originally estimated, along with other project details and supporting evidence, to enable the LPSC to review the prudence of Entergy Louisiana's management of the project. Testimony filed by the LPSC staff generally supports the prudence of the management of the project and recovery of the costs incurred to complete the project. The LPSC staff had questioned the warranty coverage for one element of the project. In October 2016 all parties agreed to a stipulation providing that 100% of Ninemile 6 construction costs was prudently incurred and is eligible for recovery from customers, but reserving the LPSC's rights to review the prudence of Entergy Louisiana's actions regarding one element of the project. This stipulation was approved by the LPSC in January 2017.

Union Power Station

In January 2015, Entergy Gulf States Louisiana filed its application with the LPSC for approval of the acquisition and cost recovery of two power blocks of the Union Power Station for an expected base purchase price of approximately $237 million per power block, subject to adjustments. In September 2015, Entergy Gulf States Louisiana agreed to settlement terms with all parties for Entergy Gulf States Louisiana's purchase of the two power blocks. In October 2015 the LPSC voted unanimously to approve the uncontested settlement which finds, among other things, that acquisition of Power Blocks 3 and 4 is in the public interest and, therefore, prudent. The business combination of Entergy Gulf States Louisiana and Entergy Louisiana received regulatory approval and closed in October 2015 making Entergy Louisiana the named purchaser of Power Blocks 3 and 4 of the Union Power Station. In March 2016, Entergy Louisiana acquired Power Blocks 3 and 4 of Union Power Station for an aggregate purchase price of approximately $474 million and implemented rates to collect the estimated first-year revenue requirement with the first billing cycle of March 2016.

As a term of the LPSC-approved settlement authorizing the purchase of Power Blocks 3 and 4 of the Union Power Station, Entergy Louisiana agreed to make a filing with the LPSC to review its decisions to deactivate Ninemile 3 and Willow Glen 2 and 4 and its decision to retire Little Gypsy 1. In January 2016, Entergy Louisiana made its compliance filing with the LPSC. Entergy Louisiana, LPSC staff, and intervenors participated in a technical conference in March 2016 where Entergy Louisiana presented information on its deactivation/retirement decisions for these four units in addition to information on the current deactivation decisions for the ten-year planning horizon. Parties have requested further proceedings on the prudence of the decision to deactivate Willow Glen 2 and 4. No party contests the prudence of the decision to deactivate Willow Glen 2 and 4 or suggests reactivation of these units; however, issues have been raised related to Entergy Louisiana's deactivation process. This matter is pending before an ALJ.

Retail Rates - Gas

In January 2014, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2013. The filing showed an earned return on common equity of 5.47%, which results in a $1.5 million rate increase. In April 2014 the LPSC staff issued a report indicating "that Entergy Gulf States Louisiana has properly determined its earnings for the test year ended September 30, 2013." The $1.5 million rate increase was implemented effective with the first billing cycle of April 2014.

In accordance with the settlement of Entergy Gulf States Louisiana's gas rate stabilization plan for the test year ended September 30, 2012, in August 2014, Entergy Gulf States Louisiana submitted for consideration a proposal for implementation of an infrastructure rider to recover expenditures associated with strategic plant investment and relocation projects mandated by local governments. After review by the LPSC staff and inclusion of certain customer safeguards required by the LPSC staff, in December 2014, Entergy Gulf States Louisiana and the LPSC staff submitted a joint settlement for implementation of an accelerated gas pipe replacement program providing for the replacement of approximately 100 miles of pipe over the next ten years, as well as relocation of certain existing pipe resulting from local government-related infrastructure projects, and for a rider to recover the investment associated with these projects. The rider allows for recovery of approximately $65 million over ten years. The rider recovery will be adjusted on a quarterly basis to include actual investment incurred for the prior quarter and is subject to the following conditions, among others: a ten-year term; application of any earnings in excess of 10.45% as an offset to the revenue requirement of the infrastructure rider; adherence to a specified spending plan, within plus or minus 20% annually; annual filings comparing actual versus planned rider spending with actual spending and explanation of variances exceeding 10%; and an annual true-up. The joint settlement was approved by the LPSC in January 2015. Implementation of the infrastructure rider commenced with bills rendered on and after the first billing cycle of April 2015.

In January 2015, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2014. The filing showed an earned return on common equity of 7.20%, which resulted in a $706 thousand rate increase. In April 2015 the LPSC issued findings recommending two adjustments to Entergy Gulf States Louisiana's as-filed results, and an additional recommendation that does not affect current year results. The LPSC staff's recommended adjustments increase the earned return on equity for the test year to 7.24%. Entergy Gulf States Louisiana accepted the LPSC staff's recommendations and a revenue increase of $688 thousand was implemented with the first billing cycle of May 2015.

In January 2016, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2015. The filing showed an earned return on common equity of 10.22%, which is within the authorized bandwidth, therefore requiring no change in rates. In March 2016 the LPSC staff issued its report stating that the 2015 gas rate stabilization plan filing was in compliance with the exception of several issues that required additional information, explanation, or clarification for which the LPSC staff had reserved the right to further review. In July 2016 the parties to the proceeding filed an unopposed joint report and motion for entry of order accepting the report that indicates no outstanding issues remained in the filing. In February 2016, Entergy Louisiana filed a motion requesting to extend the term of the gas rate stabilization plan in substantially similar form for an additional three-year term and included a request for sharing of non-jurisdictional compressed natural gas revenues. Following discovery and the filing of testimony by the LPSC Staff, Entergy Louisiana and the LPSC submitted a joint motion for hearing an uncontested stipulated settlement resolving the proceeding. A hearing on the stipulation was held in November 2016. The ALJ issued a report of proceedings that was presented with the parties' stipulation to the LPSC for consideration. The stipulation approving Entergy Louisiana's requested extension of the rate stabilization plan was approved by the LPSC in December 2016.

In January 2017, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2016. The filing of the evaluation report for test year 2016 reflects an earned return on common equity of 6.37%. As part of the filing, pursuant to the extraordinary cost provision of the rate stabilization plan, Entergy Louisiana is seeking to recover approximately $1.5 million in deferred operation and maintenance expenses incurred to restore service and repair damage resulting from flooding and widespread rainfall in southeast Louisiana that occurred in August 2016. Entergy Louisiana seeks to recover the prudently incurred August 2016 storm restoration costs over ten years, outside of the rate stabilization plan sharing provisions. As a result, Entergy Louisiana's filing seeks an annual increase in revenue of $1.4 million. The filing is subject to review by the LPSC staff with resulting rates to be implemented with the first billing cycle of May 2017.

Advanced Metering Infrastructure (AMI) Filing

In November 2016, Entergy Louisiana filed an application seeking a finding from the LPSC that Entergy Louisiana's deployment of advanced electric and gas metering infrastructure is in the public interest. Entergy Louisiana proposed to deploy advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy Louisiana's modernized power grid. The filing identified a number of quantified and unquantified benefits, and Entergy Louisiana provided a cost/benefit analysis showing that its combined electric and gas AMI deployment is expected to produce a nominal net benefit to customers of $607 million. Entergy Louisiana also sought to continue to include in rate base the remaining book value at December 31, 2015, approximately $92 million, of the existing electric meters and also to depreciate those assets using current depreciation rates. Entergy Louisiana proposed a 15-year useful life for the new advanced meters, the three-year deployment of which is expected to begin in 2019. Assuming LPSC approval is received in 2017, the communications network deployment is expected to begin by late-2018, after the necessary information technology infrastructure is in place. Entergy Louisiana proposed to recover the cost of AMI through the implementation of a customer charge, net of certain benefits, phased in over the period 2019 through 2022.

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan Filings

In June 2014, Entergy Mississippi filed its first general rate case before the MPSC in almost 12 years. The rate filing laid out Entergy Mississippi's plans for improving reliability, modernizing the grid, maintaining its workforce, stabilizing rates, utilizing new technologies, and attracting new industry to its service territory. Entergy Mississippi requested a net increase in revenue of $49 million for bills rendered during calendar year 2015, including $30 million resulting from new depreciation rates to update the estimated service life of assets. In addition, the filing proposed, among other things: 1) realigning cost recovery of the Attala and Hinds power plant acquisitions from the power management rider to base rates; 2) including certain MISO-related revenues and expenses in the power management rider; 3) power management rider changes that reflect the changes in costs and revenues that will accompany Entergy Mississippi's withdrawal from participation in the System Agreement; and 4) a formula rate plan forward test year to allow for known changes in expenses and revenues for the rate effective period. Entergy Mississippi proposed maintaining the current authorized return on common equity of 10.59%.

In October 2014, Entergy Mississippi and the Mississippi Public Utilities Staff entered into and filed joint stipulations that addressed the majority of issues in the proceeding. The stipulations provided for:

- an approximate $16 million net increase in revenues, which reflected an agreed upon 10.07% return on common equity;
- revision of Entergy Mississippi's formula rate plan by providing Entergy Mississippi with the ability to reflect known and measurable changes to historical rate base and certain expense amounts; resolving uncertainty around and obviating the need for an additional rate filing in connection with Entergy Mississippi's withdrawal from participation in the System Agreement; updating depreciation rates; and moving costs associated with the Attala and Hinds generating plants from the power management rider to base rates;
- recovery of non-fuel MISO-related costs through a separate rider for that purpose;
- a deferral of $6 million in other operation and maintenance expenses associated with the unplanned Baxter Wilson outage in September 2013, and a determination that the regulatory asset should accrue carrying costs, with amortization of the regulatory asset over two years beginning in February 2015, and a provision that the capital costs will be reflected in rate base. The final accounting of costs to return the unit to service and insurance proceeds were to be addressed in Entergy Mississippi's next formula rate plan filing. Subsequently, the MPSC ordered final review of the Baxter Wilson accounting be completed in a separate docket; and
- consolidation of the new nuclear generation development costs proceeding with the general rate case proceeding for hearing purposes and a determination that Entergy Mississippi would not further pursue, except as noted below, recovery of the costs that were approved for deferral by the MPSC in November 2011. The stipulations state, however, that, if Entergy Mississippi decides to move forward with nuclear development in Mississippi, it can at that time re-present for consideration by the MPSC only those costs directly associated with the existing early site permit (ESP), to the extent that the costs are verifiable and prudent and the ESP is still valid and relevant to any such option pursued. See **"New Nuclear Generation Development Costs - Entergy Mississippi"** below for further discussion of the new nuclear generation development costs proceeding and subsequent write-off in 2014 of the regulatory asset related to those costs.

In December 2014 the MPSC issued an order accepting the stipulations in their entirety and approving the revenue adjustments and rate changes effective with February 2015 bills.

In March 2016, Entergy Mississippi submitted its formula rate plan 2016 test year filing showing Entergy Mississippi's projected earned return for the 2016 calendar year to be below the formula rate plan bandwidth. The filing showed a $32.6 million rate increase was necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 9.96%, within the formula rate plan bandwidth. In June 2016 the MPSC approved Entergy Mississippi's joint stipulation with the Mississippi Public Utilities Staff. The joint stipulation provided for a total revenue increase of $23.7 million. The revenue increase includes a $19.4 million increase through the formula rate plan, resulting in a return on common equity point of adjustment of 10.07%. The revenue increase also includes $4.3 million in incremental ad valorem tax expenses to be collected through an updated ad valorem tax adjustment rider. The revenue increase and ad valorem tax adjustment rider were effective with the July 2016 bills.

Advanced Metering Infrastructure (AMI) Filing

In November 2016, Entergy Mississippi filed an application seeking an order from the MPSC granting a certificate of public convenience and necessity and finding that Entergy Mississippi's deployment of AMI is in the public interest. Entergy Mississippi proposed to replace existing meters with advanced meters that enable two-way data communication; to design and build a secure and reliable network to support such communications; and to implement support systems. AMI is intended to serve as the foundation of Entergy Mississippi's modernized power grid. The filing identified a number of quantified and unquantified benefits, and Entergy Mississippi provided a cost benefit analysis showing that its AMI deployment is expected to produce a nominal benefit to customers of $496 million over a 15 year period, which when netted against the costs of AMI results in $183 million of net customer benefits. Entergy Mississippi also sought to continue to include in rate base the remaining book value at December 31, 2015, approximately $56 million, of existing meters that will be retired as part of the AMI deployment and also to depreciate those assets using current depreciation rates. Entergy Mississippi proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which is expected to begin in 2019, subject to approval by the MPSC, with deployment of the communications network expected to begin in 2018. Entergy Mississippi proposed to include the AMI deployment costs and the quantified benefits in existing rate mechanisms, primarily through future formula rate plan filings and/or future energy cost recovery rider schedule re-determinations, as applicable.

Filings with the City Council

(Entergy Louisiana and Entergy New Orleans)

In March 2013, Entergy Louisiana filed a rate case for the Algiers area, which is in New Orleans and is regulated by the City Council. Entergy Louisiana requested a rate increase of $13 million over three years, including a 10.4% return on common equity and a formula rate plan mechanism identical to its LPSC request. In January 2014 the City Council Advisors filed direct testimony recommending a rate increase of $5.56 million over three years, including an 8.13% return on common equity. In June 2014 the City Council unanimously approved a settlement that includes the following:

- a $9.3 million base rate revenue increase to be phased in on a levelized basis over four years;
- recovery of an additional $853 thousand annually through a MISO recovery rider; and
- the adoption of a four-year formula rate plan requiring the filing of annual evaluation reports in May of each year, commencing May 2015, with resulting rates being implemented in October of each year. The formula rate plan includes a midpoint target authorized return on common equity of 9.95% with a +/- 40 basis point bandwidth.

The rate increase was effective with bills rendered on and after the first billing cycle of July 2014. Additional compliance filings were made with the City Council in October 2014 for approval of the form of certain rate riders, including among others, a Ninemile 6 non-fuel cost recovery interim rider, allowing for contemporaneous recovery of capacity costs related to the commencement of commercial operation of the Ninemile 6 generating unit and a purchased power capacity cost recovery rider. The monthly Ninemile 6 cost recovery interim rider was implemented in December 2014 to initially collect $915 thousand from Entergy Louisiana customers in the Algiers area. See "**Algiers Asset Transfer**" below for discussion of the transfer from Entergy Louisiana to Entergy New Orleans of certain assets that serve Algiers customers.

(Entergy New Orleans)

Retail Rates

See "**Algiers Asset Transfer** " below for discussion of the Algiers asset transfer. As a provision of the settlement agreement approved by the City Council in May 2015 providing for the Algiers asset transfer, it was agreed that, with limited exceptions, no action may be taken with respect to Entergy New Orleans's base rates until rates are implemented from a base rate case that must be filed for its electric and gas operations in 2018. This provision eliminated the formula rate plan applicable to Algiers operations. The limited exceptions include continued implementation of the remaining two years of the four-year phased-in rate increase for the Algiers area and certain exceptional cost increases or decreases in the base revenue requirement. An additional provision of the settlement agreement allows for continued recovery of the revenue requirement associated with the capacity and energy from Ninemile 6 received by Entergy New Orleans under a power purchase agreement with Entergy Louisiana (Algiers PPA). The settlement authorizes Entergy New Orleans to recover the remaining revenue requirement related to the Algiers PPA through base rates charged to Algiers customers. The settlement also provided for continued implementation of the Algiers MISO recovery rider.

In addition to the Algiers PPA, Entergy New Orleans has a separate power purchase agreement with Entergy Louisiana for 20% of the capacity and energy from Ninemile 6 (Ninemile PPA), which commenced operation in December 2014. Initially, recovery of the non-fuel costs associated with the Ninemile PPA was authorized through a special Ninemile 6 rider billed to only Entergy New Orleans customers outside of Algiers.

In August 2015, Entergy New Orleans filed an application with the City Council seeking authorization to proceed with the purchase of Union Power Block 1, with an expected base purchase price of approximately $237 million, subject to adjustments, and seeking approval of the recovery of the associated costs. In November 2015 the City Council issued written resolutions and an order approving an agreement in principle between Entergy New Orleans and City Council advisors providing that the purchase of Union Power Block 1 and related assets by Entergy New Orleans is prudent and in the public interest. The City Council authorized expansion of the terms of the purchased power and capacity acquisition cost recovery rider to recover the non-fuel purchased power expense from Ninemile 6, the revenue requirement associated with the purchase of Power Block 1 of the Union Power Station, and a credit to customers of $400 thousand monthly beginning June 2016 in recognition of the decrease in other operation and maintenance expenses that would result with the deactivation of Michoud Units 2 and 3. In March 2016, Entergy New Orleans purchased Power Block 1 of the Union Power Station for approximately $237 million and initiated recovery of these costs with March 2016 bills. In July 2016, Entergy New Orleans and the City Council Utility Committee agreed to a temporary increase in the Michoud credit to customers to a total of $1.4 million monthly for August 2016 through December 2016.

A 2008 rate case settlement included $3.1 million per year in electric rates to fund the Energy Smart energy efficiency programs. In September 2009 the City Council approved the energy efficiency programs filed by Entergy New Orleans. The rate settlement provides an incentive for Entergy New Orleans to meet or exceed energy savings targets set by the City Council and provides a mechanism for Entergy New Orleans to recover lost contribution to fixed costs associated with the energy savings generated from the energy efficiency programs. In October 2013 the City Council approved the extension of the Energy Smart program through December 2014. The City Council approved the use of $3.5 million of rough production cost equalization funds for program costs. In addition, Entergy New Orleans will be allowed to recover its lost contribution to fixed costs and to earn an incentive for meeting program goals. In January 2015 the City Council approved extending the Energy Smart program through March 2015 and using $1.2 million of rough production cost equalization funds to cover program costs for the extended period. Additionally, the City Council approved funding for the Energy Smart program from April 2015 through March 2017 using the remainder of the approximately $12.8 million of 2014 rough production cost equalization funds, with any remaining costs being recovered through the fuel adjustment clause. This funding methodology was modified in November 2015 when the City Council directed Entergy New Orleans to use a combination of guaranteed customer savings related to a prior agreement with the City Council and rough production cost equalization funds to cover program costs prior to recovering any costs through the fuel adjustment clause. In February 2017, Entergy New Orleans filed a proposed implementation plan for the Energy Smart program from April 2017 through March 2020. As part of the proposal, Entergy New Orleans requested that the City Council identify its desired level of funding for the program during this time period and approve a cost recovery mechanism.

Internal Restructuring

In July 2016, Entergy New Orleans filed an application with the City Council seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy New Orleans to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the City Council and the FERC. In the application, Entergy New Orleans had proposed to credit retail customers $5 million in each of the years 2016 and 2017 if the City Council approved the application in 2016, and to credit retail customers $5 million in each of the years 2018, 2019, and 2020, if an application that is yet to be filed with the FERC is approved by December 31, 2018. When it became clear that City Council approval would not be obtained in 2016, Entergy New Orleans agreed in testimony that it would extend its proposal to credit customers if City Council approval was obtained in the first quarter 2017. Entergy New Orleans still expects that the restructuring can be consummated by December 31, 2017, if the necessary approvals are obtained. In February 2017 the procedural schedule was suspended to allow for settlement discussions. It is not anticipated that NRC approval will be required to engage in the proposed internal restructuring. In January 2017, Entergy Louisiana, through Entergy Corporation's nuclear operations organization, Entergy Operations, Inc. made a filing, however, with the NRC notifying it of the internal restructuring.

It is currently contemplated that Entergy New Orleans would undertake a multi-step restructuring, which would include the following:

- Entergy New Orleans would redeem its outstanding preferred stock at a price of approximately $21 million, which includes an expected call premium of approximately $819,000, plus any accumulated and unpaid dividends.
- Entergy New Orleans would convert from a Louisiana corporation to a Texas corporation.
- Under the Texas Business Organizations Code (TXBOC), Entergy New Orleans will allocate substantially all of its assets to a new subsidiary, Entergy New Orleans Power, LLC, a Texas limited liability company (Entergy New Orleans Power), and Entergy New Orleans Power will assume substantially all of the liabilities of Entergy New Orleans, in a transaction regarded as a merger under the TXBOC. Entergy New Orleans will remain in existence and hold the membership interests in Entergy New Orleans Power.
- Entergy New Orleans will contribute the membership interests in Entergy New Orleans Power to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation). As a result of the contribution, Entergy New Orleans Power will be a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.
- Entergy New Orleans will change its name to Entergy Utility Group, Inc., and Entergy New Orleans Power will then change its name to Entergy New Orleans, LLC.

Upon the completion of the restructuring, Entergy New Orleans, LLC will hold substantially all of the assets, and will have assumed substantially all of the liabilities, of Entergy New Orleans. Entergy New Orleans may modify or supplement the steps to be taken to effectuate the restructuring.

Advanced Metering Infrastructure (AMI) Filing

In October 2016, Entergy New Orleans filed an application seeking a finding from the City Council that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. Entergy New Orleans proposed to deploy advanced meters that enable two-way data communication; design and build a secure and reliable network to support such communications; and implement support systems. AMI is intended to serve as the foundation of Entergy New Orleans's modernized power grid. The filing identified a number of quantified and unquantified benefits, and Entergy New Orleans provided a cost/benefit analysis showing that its combined electric and gas AMI deployment is expected to produce a nominal net benefit to customers of $101 million. Entergy New Orleans also sought to continue to include in rate base the remaining book value at December 31,2015, approximately $21 million, of the existing electric meters and also to depreciate those assets using current depreciation rates. Entergy New Orleans proposed a 15-year depreciable life for the new advanced meters, the three-year deployment of which is expected to begin in 2019. Subject to approval by the City Council, deployment of the information technology infrastructure is expected to begin in 2017 and deployment of the communications network is expected to begin in 2018. Entergy New Orleans proposes to recover the cost of AMI through the implementation of a customer charge, net of certain benefits, phased in over the period 2019 through 2022. In January 2017 the City Council approved a procedural schedule that provides for a hearing in July 2017.

Filings with the PUCT and Texas Cities (Entergy Texas)

Retail Rates

2011 Rate Case

In November 2011, Entergy Texas filed a rate case requesting a $112 million base rate increase reflecting a 10.6% return on common equity based on an adjusted June 2011 test year. The rate case also proposed a purchased power recovery rider. On January 12, 2012, the PUCT voted not to address the purchased power recovery rider in the rate case, but the PUCT voted to set a baseline in the rate case proceeding that would be applicable if a purchased power capacity rider is approved in a separate proceeding. In April 2012 the PUCT Staff filed direct testimony recommending a base rate increase of $66 million and a 9.6% return on common equity. The PUCT Staff, however, subsequently filed a statement of position in the proceeding indicating that it was still evaluating the position it would ultimately take in the case regarding Entergy Texas's recovery of purchased power capacity costs and Entergy Texas's proposal to defer its MISO transition expenses. In April 2012, Entergy Texas filed rebuttal testimony indicating a revised request for a $105 million base rate increase. A hearing was held in late-April through early-May 2012.

In September 2012 the PUCT issued an order approving a $28 million rate increase, effective July 2012. The order includes a finding that "a return on common equity (ROE) of 9.80 percent will allow [Entergy Texas] a reasonable opportunity to earn a reasonable return on invested capital." The order also provides for increases in depreciation rates and the annual storm reserve accrual. The order also reduced Entergy Texas's proposed purchased power capacity costs, stating that they are not known and measurable; reduced Entergy Texas's regulatory assets associated with Hurricane Rita; excluded from rate recovery capitalized financially-based incentive compensation; included $1.6 million of MISO transition expense in base rates, and reduced Entergy's Texas's fuel reconciliation recovery by $4 million because it disagreed with the line-loss factor used in the calculation. After considering the progress of the proceeding in light of the PUCT order, Entergy Texas recorded in the third quarter 2012 an approximate $24 million charge to recognize that assets associated with Hurricane Rita, financially-based incentive compensation, and fuel recovery are no longer probable of recovery. Entergy Texas continues to believe that it is entitled to recover these prudently incurred costs, however, and it filed a motion for rehearing regarding these and several other issues in the PUCT's order on October 4, 2012. Several other parties also filed motions for rehearing of the PUCT's order. The PUCT subsequently denied rehearing of substantive issues. Several parties, including Entergy Texas, appealed various aspects of the PUCT's order to the Travis County District Court. A hearing was held in July 2014. In October 2014 the Travis County District Court issued an order upholding the PUCT's decision except as to the line-loss factor issue referenced above, which was found in favor of Entergy Texas. In November 2014, Entergy Texas and other parties, including the PUCT, appealed the Travis County District Court decision to the Third Court of Appeals. Oral argument before the court panel was held in September 2015. In April 2016 the Third Court of Appeals issued its opinion affirming the District Court's decision on all points. Entergy Texas petitioned the Texas Supreme Court to hear its appeal of the Third Court's ruling. That petition is pending.

2013 Rate Case

In September 2013, Entergy Texas filed a rate case requesting a $38.6 million base rate increase reflecting a 10.4% return on common equity based on an adjusted test year ending March 31, 2013. The rate case also proposed (1) a rough production cost equalization adjustment rider recovering Entergy Texas's payment to Entergy New Orleans to achieve rough production cost equalization based on calendar year 2012 production costs and (2) a rate case expense rider recovering the cost of the 2013 rate case and certain costs associated with previous rate cases. The rate case filing also included a request to reconcile $0.9 billion of fuel and purchased power costs and fuel revenues covering the period July 2011 through March 2013. The fuel reconciliation also reflects special circumstances fuel cost recovery of approximately $22 million of purchased power capacity costs. In January 2014 the PUCT staff filed direct testimony recommending a retail rate reduction of $0.3 million and a 9.2% return on common equity. In March 2014, Entergy Texas filed an Agreed Motion for Interim Rates. The motion explained that the parties to this proceeding have agreed that Entergy Texas should be allowed to implement new rates reflecting an $18.5 million base rate increase, effective for usage on and after April 1, 2014, as well as recovery of charges for rough production cost equalization and rate case expenses. In March 2014 the State Office of Administrative Hearings, the body assigned to hear the case, approved the motion. In April 2014, Entergy Texas filed a unanimous stipulation in this case. Among other things, the stipulation provides for an $18.5 million base rate increase, provides for recovery over three years of the calendar year 2012 rough production cost equalization charges and rate case expenses, and states a 9.8% return on common equity. In addition, the stipulation finalizes the fuel and purchased power reconciliation covering the period July 2011 through March 2013, with the parties stipulating an immaterial fuel disallowance. No special circumstances recovery of purchased power capacity costs was allowed. In April 2014 the State Office of Administrative Hearings remanded the case back to the PUCT for final processing. In May 2014 the PUCT approved the stipulation. No motions for rehearing were filed during the statutory rehearing period.

Other Filings

In September 2014, Entergy Texas filed for a distribution cost recovery factor (DCRF) rider based on a law that was passed in 2011 allowing for the recovery of increases in capital costs associated with distribution plant. Entergy Texas requested collection of approximately $7 million annually from retail customers. The parties reached a unanimous settlement authorizing recovery of $3.6 million annually commencing with usage on and after January 1, 2015. A State Office of Administrative Hearings ALJ issued an order in December 2014 authorizing this recovery on an interim basis and remanded the case to the PUCT. In February 2015 the PUCT entered a final order, making the settlement final and the interim rates permanent. In September 2015, Entergy Texas filed to amend its distribution cost recovery factor rider. Entergy Texas requested an increase in recovery under the rider of $6.5 million, for a total collection of $10.1 million annually from retail customers. In October 2015 intervenors and PUCT staff filed testimony opposing, in part, Entergy Texas's request. In November 2015, Entergy Texas and the parties filed an unopposed settlement agreement and supporting documents. The settlement established an annual revenue requirement of $8.65 million for the amended DCRF rider, with the resulting rates effective for usage on and after January 1, 2016. The PUCT approved the settlement agreement in February 2016.

In September 2015, Entergy Texas filed for a transmission cost recovery factor (TCRF) rider requesting a $13 million increase, incremental to base rates. Testimony was filed in November 2015, with the PUCT staff and other parties proposing various disallowances involving, among other things, MISO charges, vegetation management costs, and bad debt expenses that would reduce the requested increase by approximately $2 million. In addition to those recommended disallowances, a number of parties recommended that Entergy Texas's request be reduced by an additional $3.4 million to account for load growth since base rates were last set. A hearing on the merits was held in December 2015. In February 2016 a State Office of Administrative Hearings ALJ issued a proposal for decision recommending that the PUCT disallow approximately $2 million from Entergy Texas's $13 million request, but recommending that the PUCT not accept the load growth offset. In April 2016 the PUCT voted to allow Entergy Texas's TCRF rates to become effective as of April 14, 2016 when those rates are finally approved, but did not otherwise address the proposal for decision. In May 2016 the PUCT deferred final consideration of Entergy Texas's TCRF application and opened the record to consider additional evidence to be provided by Entergy Texas and potentially other parties regarding the rate-making treatment of spare transmission-level transformers that are transferred among the Utility operating companies. In June 2016 the PUCT indicated that it would take up in a future rulemaking project the issue of whether a load growth adjustment should apply to a TCRF. In July 2016 the PUCT issued an order generally accepting the proposal for decision but declining to adjust the TCRF baseline in two instances as recommended by the ALJ, which resulted in a total annual allowance of approximately $10.5 million. The PUCT also ordered its staff and Entergy Texas to track all spare autotransformer transfers going forward so that it could address the appropriate accounting treatment and prudence of such transfers in Entergy Texas's next base rate case. Entergy Texas implemented the TCRF rider beginning with September 2016 bills.

In September 2016, Entergy Texas filed with the PUCT a request to amend its TCRF rider. The proposed amended TCRF rider is designed to collect approximately $29.5 million annually from Entergy Texas's retail customers. This amount includes the approximately $10.5 million annually that Entergy Texas is currently authorized to collect through the TCRF rider, as discussed above. In September 2016 the PUCT suspended the effective date of the tariff change to March 2017. In December 2016, concurrent with the 2016 fuel reconciliation stipulation and settlement agreement discussed above, Entergy Texas and the PUCT reached a settlement agreeing to the amended TCRF annual revenue requirement of $29.5 million. As discussed above, the terms of the two settlements are interdependent. PUCT action on the stipulations and settlement agreements is pending.

Entergy Louisiana and Entergy Gulf States Louisiana Business Combination

Entergy Louisiana and Entergy Gulf States Louisiana filed an application with the LPSC in September 2014 seeking authorization to undertake the transactions that would result in the combination of Entergy Louisiana and Entergy Gulf States Louisiana into a single public utility. In the application, Entergy Louisiana and Entergy Gulf States Louisiana identified potential benefits, including enhanced economic and customer diversity, enhanced geographic and supply diversity, and greater administrative efficiency. In the initial proceedings with the LPSC, Entergy Louisiana and Entergy Gulf States Louisiana estimated that the business combination could produce up to $128 million in measurable customer benefits during the first ten years following the transaction's close including proposed guaranteed customer credits of $97 million in the first nine years. In April 2015 the LPSC staff and intervenors filed testimony in the LPSC business combination proceeding. The testimony recommended an extensive set of conditions that would be required in order to recommend that the LPSC find that the business combination was in the public interest. The LPSC staff's primary concern appeared to be potential shifting in fuel costs between Entergy Louisiana and Entergy Gulf States Louisiana customers. In May 2015, Entergy Louisiana and Entergy Gulf States Louisiana filed rebuttal testimony. After the testimony was filed with the LPSC, the parties engaged in settlement discussions that ultimately led to the execution of an uncontested stipulated settlement ("stipulated settlement"), which was filed with the LPSC in July 2015. Through the stipulated settlement, the parties agreed to terms upon which to recommend that the LPSC find that the business combination was in the public interest. The stipulated settlement, which was either joined, or unopposed, by all parties to the LPSC proceeding, represents a compromise of stakeholder positions and was the result of an extensive period of analysis, discovery, and negotiation. The stipulated settlement provides $107 million in guaranteed customer benefits during the first nine years following the transaction's close. Additionally, the combined company will honor the 2013 Entergy Louisiana and Entergy Gulf States Louisiana rate case settlements, including the commitments that (1) there will be no rate increase for legacy Entergy Gulf States Louisiana customers for the 2014 test year, and (2) through the 2016 test year formula rate plan, Entergy Louisiana (as a combined entity) will not raise rates by more than $30 million, net of the $10 million rate increase included in the Entergy Louisiana legacy formula rate plan. The stipulated settlement also describes the process for implementing a fuel-tracking mechanism that is designed to address potential effects arising from the shifting of fuel costs between legacy Entergy Louisiana and legacy Entergy Gulf States Louisiana customers as a result of the combination of those companies' fuel adjustment clauses. Specifically, the fuel tracker would reallocate such cost shifts as between legacy customers of the companies on an after-the-fact basis, and the calculation of the fuel tracker will be submitted annually in a compliance filing. The stipulated settlement also provides that Entergy Gulf States Louisiana and Entergy Louisiana are permitted to defer certain external costs that were incurred to achieve the business combination's customer benefits. The deferred amount, which shall not exceed $25 million, will be subject to a prudence review and amortized over a 10-year period. In 2015 deferrals of $16 million for these external costs were recorded. A hearing on the stipulated settlement in the LPSC proceeding was held in July 2015. In August 2015 the LPSC approved the business combination.

In April 2015 the FERC approved applications requesting authorization for the business combination. In August 2015 the NRC approved the applications for the River Bend and Waterford 3 license transfers as part of the steps to complete the business combination.

On October 1, 2015, the businesses formerly conducted by Entergy Louisiana and Entergy Gulf States Louisiana were combined into a single public utility. With the completion of the business combination, Entergy Louisiana holds substantially all of the assets, and has assumed the liabilities, of Entergy Louisiana and Entergy Gulf States Louisiana. The combination was accounted for as a transaction between entities under common control. See Note 3 to the financial statements for further discussion of the customer credits resulting from the business combination.

Algiers Asset Transfer (Entergy Louisiana and Entergy New Orleans)

In October 2014, Entergy Louisiana and Entergy New Orleans filed an application with the City Council seeking authorization to undertake a transaction that would result in the transfer from Entergy Louisiana to Entergy New Orleans of certain assets that supported the provision of service to Entergy Louisiana's customers in Algiers. In April 2015 the FERC issued an order approving the Algiers assets transfer. In May 2015 the parties filed a settlement agreement authorizing the Algiers assets transfer and the settlement agreement was approved by a City Council resolution in May 2015. On September 1, 2015, Entergy Louisiana transferred its Algiers assets to Entergy New Orleans for a purchase price of approximately $85 million. Entergy New Orleans paid Entergy Louisiana $59.6 million, including final true-ups, from available cash and issued a note payable to Entergy Louisiana in the amount of $25.5 million.

System Agreement Cost Equalization Proceedings

Prior to the termination of the System Agreement, the Utility operating companies historically engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement. Entergy Arkansas terminated its participation in the System Agreement in December 2013. Entergy Mississippi terminated its participation in the System Agreement in November 2015. The System Agreement terminated with respect to its remaining participants in August 2016.

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

In June 2005 the FERC issued a decision in System Agreement litigation that had been commenced by the LPSC, and essentially affirmed its decision in a December 2005 order on rehearing. The FERC decision concluded, among other things, that:

- The System Agreement no longer roughly equalizes total production costs among the Utility operating companies.
- In order to reach rough production cost equalization, the FERC imposed a bandwidth remedy by which each company's total annual production costs will have to be within +/- 11% of Entergy System average total annual production costs.
- In calculating the production costs for this purpose under the FERC's order, output from the Vidalia hydroelectric power plant will not reflect the actual Vidalia price for the year but is priced at that year's average price paid by Entergy Louisiana for the exchange of electric energy under Service Schedule MSS-3 of the System Agreement, thereby reducing the amount of Vidalia costs reflected in the comparison of the Utility operating companies' total production costs.
- The remedy ordered by FERC in 2005 required no refunds and became effective based on calendar year 2006 production costs and the first reallocation payments were made in 2007.

The FERC's decision reallocates total production costs of the Utility operating companies whose relative total production costs expressed as a percentage of Entergy System average production costs are outside an upper or lower bandwidth. Under the current circumstances, this will be accomplished by payments from Utility operating companies whose production costs are more than 11% below Entergy System average production costs to Utility operating companies whose production costs are more than the Entergy System average production cost, with payments going first to those Utility operating companies whose total production costs are farthest above the Entergy System average.

The LPSC, APSC, MPSC, and the Arkansas Electric Energy Consumers appealed the FERC's December 2005 decision to the United States Court of Appeals for the D.C. Circuit. Entergy and the City of New Orleans intervened in the various appeals. The D.C. Circuit issued its decision in April 2008. The D.C. Circuit concluded that the FERC's orders had failed to adequately explain both its conclusion that it was prohibited from ordering refunds for the 20-month period from September 13, 2001 - May 2, 2003 and its determination to implement the bandwidth remedy commencing on January 1, 2006, rather than June 1, 2005. The D.C. Circuit remanded the case to the FERC for further proceedings on these issues.

In October 2011, the FERC issued an order addressing the D.C. Circuit remand on these two issues. On the first issue, the FERC concluded that it did have the authority to order refunds, but decided that it would exercise its equitable discretion and not require refunds for the 20-month period from September 13, 2001 - May 2, 2003. Because the ruling on refunds relied on findings in the interruptible load proceeding, which is discussed in a separate section below, the FERC concluded that the refund ruling will be held in abeyance pending the outcome of the rehearing requests in that proceeding. On the second issue, the FERC reversed its prior decision and ordered that the prospective bandwidth remedy begin on June 1, 2005 (the date of its initial order in the proceeding) rather than January 1, 2006, as it had previously ordered. Pursuant to the October 2011 order, Entergy was required to calculate the additional bandwidth payments for the period June - December 2005 utilizing the bandwidth formula tariff prescribed by the FERC that was filed in a December 2006 compliance filing and accepted by the FERC in an April 2007 order. As is the case with bandwidth remedy payments, these payments and receipts will ultimately be paid by Utility operating company customers to other Utility operating company customers. In March 2015, in light of the December 2014 decision by the D.C. Circuit in the interruptible load proceeding, Entergy filed with the FERC a motion to establish briefing schedule on refund issues and an initial brief addressing refund issues. The initial brief argued that the FERC, in response to the D.C. Circuit decision, should clarify its policy on refunds and find that refunds are not required in this proceeding. In October 2015 the FERC issued three orders related to the commencement of the remedy on June 1, 2005 and the inclusion of interest on the amount for the period June 1, 2005 through December 31, 2005. Specifically, the FERC rejected Entergy Services's request for rehearing of its decision to include interest on the amount for the seven-month period. The FERC also rejected Entergy Services's request for rehearing of the order rejecting the compliance filing with regard to the issue of interest. Finally, the FERC set for hearing and settlement procedures the 2014 compliance filing that included the bandwidth calculation for the seven months June 1, 2005 through December 31, 2005. In setting the compliance filing for hearing, the FERC rejected the APSC's protest that Entergy Arkansas should not be subject to the filing because Entergy Arkansas would be making the payments during a period following its exit from the System Agreement. The hearing on the bandwidth calculation for the seven months June 1, 2005 through December 31, 2005 occurred in July 2016. The presiding judge issued an initial decision in November 2016. In the initial decision, the presiding judge agreed with the Utility operating companies' position that: (1) interest on the bandwidth payments for the 2005 test period shall be accrued from June 1, 2006 until the date that the bandwidth payments for that calculation are paid consistent with how the Utility operating companies performed the calculation; and (2) a portion of Entergy Louisiana's 2001-vintage Louisiana state net operating loss accumulated deferred income tax that results from the Vidalia tax deduction should be excluded from the 2005 test period bandwidth calculation. Various participants filed briefs on exceptions and/or briefs opposing exceptions related to the initial decision, including the LPSC, the APSC, the FERC trial staff, and Entergy Services. The initial decision is pending before the FERC.

In December 2011, Entergy filed with the FERC its compliance filing that provides the payments and receipts among the Utility operating companies pursuant to the FERC's October 2011 order. The filing shows the following payments/receipts among the Utility operating companies:

	Payments (Receipts)
	(In Millions)
Entergy Arkansas	$156
Entergy Louisiana	($75)
Entergy Mississippi	($33)
Entergy New Orleans	($5)
Entergy Texas	($43)

Entergy Arkansas made its payment in January 2012. In February 2012, Entergy Arkansas filed for an interim adjustment to its production cost allocation rider requesting that the $156 million payment be collected from customers over the 22-month period from March 2012 through December 2013. In March 2012 the APSC issued an order stating that the payment can be recovered from retail customers through the production cost allocation rider, subject to refund. The LPSC and the APSC have requested rehearing of the FERC's October 2011 order. In December 2013 the LPSC filed a petition for a writ of mandamus at the United States Court of Appeals for the D.C. Circuit. In its petition, the LPSC requested that the D.C. Circuit issue an order compelling the FERC to issue a final order on pending rehearing requests. In January 2014 the D.C. Circuit denied the LPSC's petition. The APSC, the LPSC, the PUCT, and other parties intervened in the December 2011 compliance filing proceeding, and the APSC and the LPSC also filed protests.

In February 2014 the FERC issued a rehearing order addressing its October 2011 order. The FERC denied the LPSC's request for rehearing on the issues of whether the bandwidth remedy should be made effective earlier than June 1, 2005, and whether refunds should be ordered for the 20-month refund effective period. The FERC granted the LPSC's rehearing request on the issue of interest on the bandwidth payments/receipts for the June - December 2005 period, requiring that interest be accrued from June 1, 2006 until the date those bandwidth payments/receipts are made. Also in February 2014 the FERC issued an order rejecting the December 2011 compliance filing that calculated the bandwidth payments/receipts for the June - December 2005 period. The FERC order required a new compliance filing that calculates the bandwidth payments/receipts for the June - December 2005 period based on monthly data for the seven individual months including interest pursuant to the February 2014 rehearing order. Entergy has sought rehearing of the February 2014 orders with respect to the FERC's determinations regarding interest. In April 2014 the LPSC filed a petition for review of the FERC's October 2011 and February 2014 orders with the U.S. Court of Appeals for the D.C. Circuit. The appeal is pending.

In April and May 2014, Entergy filed with the FERC an updated compliance filing that provides the payments and receipts among the Utility operating companies pursuant to the FERC's February 2014 orders. The filing shows the following net payments and receipts, including interest, among the Utility operating companies:

	Payments (Receipts)
	(In Millions)
Entergy Arkansas	$68
Entergy Louisiana	($10)
Entergy Mississippi	($11)
Entergy New Orleans	$2
Entergy Texas	($49)

These payments were made in May 2014. The LPSC, City Council, and APSC have filed protests. As discussed above, the hearing on the bandwidth calculation for the seven months June 1, 2005 through December 31, 2005 occurred in July 2016.

Rough Production Cost Equalization Rates

Each May since 2007 Entergy has filed with the FERC the rates to implement the FERC's orders in the System Agreement proceeding. These filings show the following payments/receipts among the Utility operating companies are necessary to achieve rough production cost equalization as defined by the FERC's orders:

	Payments (Receipts)							
	2007	2008	2009	2010	2011	2012	2013	2014
	(In Millions)							
Entergy Arkansas	$252	$252	$390	$41	$77	$41	$—	$—
Entergy Louisiana	($211)	($160)	($247)	($22)	($12)	($41)	$—	$—
Entergy Mississippi	($41)	($20)	($24)	($19)	($40)	$—	$—	$—
Entergy New Orleans	$—	($7)	$—	$—	($25)	$—	($15)	($15)
Entergy Texas	($30)	($65)	($119)	$—	$—	$—	$15	$15

The Utility operating companies record, as necessary, accounts payable or accounts receivable to reflect the rough production cost equalization payments and receipts required to implement the FERC's remedy. When accounts payable are recorded, a corresponding regulatory asset is recorded for the right to collect the payments from customers. When accounts receivable are recorded, a corresponding regulatory liability is recorded for the obligations to pass the receipts on to customers. No payments were required in 2016 or 2015 to implement the FERC's remedy based on calendar year 2015 production costs and 2014 production costs, respectively. Entergy Arkansas ceased participating in the System Agreement on December 18, 2013 and was not part of the calendar year 2013 or 2014 production costs calculations. The System Agreement terminated in August 2016.

The APSC has approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas. Entergy Texas is recovering its 2013 rough production cost equalization payment over three years beginning April 2014. Entergy Texas included its 2014 rough production cost equalization payment as a component of an interim fuel refund made in 2014. Management believes that any changes in the allocation of production costs resulting from the FERC's decision and related retail proceedings should result in similar rate changes for retail customers, subject to specific circumstances that have caused trapped costs.

Comprehensive Bandwidth Recalculation for 2007, 2008, and 2009 Rate Filing Proceedings

In July 2014 the FERC issued four orders in connection with various Service Schedule MSS-3 rough production cost equalization formula compliance filings and rehearing requests. Specifically, the FERC accepted Entergy Services' revised methodologies for calculating certain cost components of the formula and affirmed its prior ruling requiring interest on the true-up amounts. The FERC directed that a comprehensive recalculation of the formula be performed for the filing years 2007, 2008, and 2009 based on calendar years 2006, 2007, and 2008 production costs. In September 2014, Entergy filed with the FERC its compliance filing that provides the payments and receipts, including interest, among the Utility operating companies pursuant to the FERC's orders for the 2007, 2008, and 2009 rate filing proceedings. The filing shows the following additional payments/receipts among the Utility operating companies:

	Payments (Receipts)
	(In Millions)
Entergy Arkansas	\$38
Entergy Louisiana	(\$38)
Entergy Mississippi	\$16
Entergy New Orleans	(\$1)
Entergy Texas	(\$15)

Entergy Arkansas and Entergy Mississippi made the payments in September and October 2014.

The FERC proceedings that resulted from rate filings made in 2007, 2008, and 2009 have been resolved by various orders issued by the FERC and appellate courts. See below for a discussion of rate filings since 2009 and the comprehensive recalculation filing directed by the FERC in the proceeding related to the 2010 rate filing.

2010 Rate Filing Based on Calendar Year 2009 Production Costs

In May 2010, Entergy filed with the FERC the 2010 rates in accordance with the FERC's orders in the System Agreement proceeding, and supplemented the filing in September 2010. Several parties intervened in the proceeding at the FERC, including the LPSC and the City Council, which also filed protests. In July 2010 the FERC accepted Entergy's proposed rates for filing, effective June 1, 2010, subject to refund, and set the proceeding for hearing and settlement procedures. Settlement procedures have been terminated, and the ALJ scheduled hearings to begin in March 2011. Subsequently, in January 2011 the ALJ issued an order directing the parties and FERC Staff to show cause why this proceeding should not be stayed pending the issuance of FERC decisions in the prior production cost proceedings currently before the FERC on review. In March 2011 the ALJ issued an order placing this proceeding in abeyance. In October 2013 the FERC issued an order granting clarification and denying rehearing with respect to its October 2011 rehearing order in this proceeding. The FERC clarified that in a bandwidth proceeding parties can challenge erroneous inputs, implementation errors, or prudence of cost inputs, but challenges to the bandwidth formula itself must be raised in a Federal Power Act section 206 complaint or section 205 filing. Subsequently in October 2013 the presiding ALJ lifted the stay order holding in abeyance the hearing previously ordered by the FERC and directing that the remaining issues proceed to a hearing on the merits. The hearing was held in March 2014 and the presiding ALJ issued an initial decision in September 2014. Briefs on exception were filed in October 2014. In December 2015 the FERC issued an order affirming the initial decision in part and rejecting the initial decision in part. Among other things, the December 2015 order directs Entergy Services to submit a compliance filing, the results of which may affect the rough production cost equalization filings made for the June - December 2005, 2006, 2007, and 2008 test periods. In January 2016 the LPSC, the APSC, and Entergy Services filed requests for rehearing of the FERC's December 2015 order. In February 2016, Entergy Services submitted the compliance filing ordered in the December 2015 order. The result of the true-up payments and receipts for the recalculation of production costs resulted in the following payments/receipts among the Utility operating companies:

	Payments (Receipts)
	(In Millions)
Entergy Arkansas	$2
Entergy Louisiana	$6
Entergy Mississippi	($4)
Entergy New Orleans	($1)
Entergy Texas	($3)

In September 2016 the FERC accepted the February 2016 compliance filing subject to a further compliance filing made in November 2016. The further compliance filing is required as a result of an order also issued in September 2016 ruling on the January 2016 rehearing requests filed by the LPSC, the APSC, and Entergy Services. In the order addressing the rehearing requests, the FERC granted the LPSC's rehearing request and directed that interest be calculated on the payment/receipt amounts based on the 2009 production costs. The FERC also granted the APSC's and Entergy Services's rehearing request and ordered the removal of both securitized asset accumulated deferred income taxes and contra-securitization accumulated deferred income taxes from the calculation. In November 2016, Entergy Services submitted its compliance filing in response to the FERC's order on rehearing. The compliance filing included a revised refund calculation of the true-up payments and receipts based on 2009 test year data and interest calculations. The LPSC protested the interest calculations and the compliance filing is pending an order from the FERC.

2011 Rate Filing Based on Calendar Year 2010 Production Costs

In May 2011, Entergy filed with the FERC the 2011 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. In July 2011 the FERC accepted Entergy's proposed rates for filing, effective June 1, 2011, subject to refund, set the proceeding for hearing procedures, and then held those procedures in abeyance pending FERC decisions in the prior production cost proceedings currently before the FERC on review. In January 2014 the LPSC filed a petition for a writ of mandamus at the United States Court of Appeals for the Fifth Circuit. In its petition, the LPSC requested that the Fifth Circuit issue an order compelling the FERC to issue a final order in several proceedings related to the System Agreement, including the 2011 rate filing based on calendar year 2010 production costs and the 2012 and 2013 rate filings discussed below. In March 2014 the Fifth Circuit rejected the LPSC's petition for a writ of mandamus. In December 2014 the FERC rescinded its earlier abeyance order and consolidated the 2011 rate filing with the 2012, 2013, and 2014 rate filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

2012 Rate Filing Based on Calendar Year 2011 Production Costs

In May 2012, Entergy filed with the FERC the 2012 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. In August 2012 the FERC accepted Entergy's proposed rates for filing, effective June 2012, subject to refund, set the proceeding for hearing procedures, and then held those procedures in abeyance pending FERC decisions in the prior production cost proceedings currently before the FERC on review. In December 2014 the FERC rescinded its earlier abeyance order and consolidated the 2012 rate filing with the 2011, 2013, and 2014 rate filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

2013 Rate Filing Based on Calendar Year 2012 Production Costs

In May 2013, Entergy filed with the FERC the 2013 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. The City Council intervened and filed comments related to including the outcome of a related FERC proceeding in the 2013 cost equalization calculation. In August 2013 the FERC issued an order accepting the 2013 rates, effective June 1, 2013, subject to refund, set the proceeding for hearing procedures, and then held those procedures in abeyance pending FERC decisions in the prior production cost proceedings currently before the FERC on review. In December 2014 the FERC rescinded its earlier abeyance order and consolidated the 2013 Rate Filing with the 2011, 2012, and 2014 Rate Filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

2014 Rate Filing Based on Calendar Year 2013 Production Costs

In May 2014, Entergy filed with the FERC the 2014 rates in accordance with the FERC's orders in the System Agreement proceeding. Several parties intervened in the proceeding at the FERC, including the LPSC, which also filed a protest. The City Council intervened and filed comments. In December 2014 the FERC issued an order accepting the 2014 rates, effective June 1, 2014, subject to refund, set the proceeding for hearing procedures, and consolidated the 2014 Rate Filing with the 2011, 2012, and 2013 Rate Filings for settlement and hearing procedures. See discussion below regarding the consolidated settlement and hearing procedures in connection with this proceeding.

Consolidated 2011, 2012, 2013, and 2014 Rate Filing Proceedings

As discussed above, in December 2014 the FERC consolidated the 2011, 2012, 2013, and 2014 rate filings for settlement and hearing procedures. In May 2015, Entergy filed direct testimony in the consolidated rate filings and the LPSC filed direct testimony concerning its complaint proceeding that is consolidated with the rate filings, challenging certain components of the pending bandwidth calculations for prior years. In July 2015 the parties filed direct and answering testimony. Among other issues with the pending bandwidth calculations, the LPSC challenged the administration of the accounting for joint account sales of energy in the intra-system bill. In August and September 2015 the parties filed additional rounds of testimony in the consolidated hearing for the 2011, 2012, 2013, and 2014 rate filings. In October 2015 the LPSC withdrew its testimony challenging the accounting for joint account sales of energy. The hearings occurred in November 2015, and an initial decision from the ALJ was issued in July 2016. In the initial decision, the ALJ generally agreed with Entergy's bandwidth calculations with one exception on the accounting related to the Waterford 3 sale/leaseback. Briefs were filed in September 2016.

Utility Operating Company Termination of System Agreement Participation

Entergy Arkansas and Entergy Mississippi ceased participating in the System Agreement effective December 18, 2013 and November 7, 2015, respectively. Entergy Louisiana, Entergy New Orleans, and Entergy Texas terminated participation in the System Agreement on August 31, 2016, which resulted in the termination of the System Agreement in its entirety pursuant to a settlement agreement approved by the FERC in December 2015.

In December 2013, the FERC set one issue for hearing involving whether and how the benefits associated with settlement with Union Pacific regarding certain coal delivery issues should be allocated among Entergy Arkansas and the other Utility operating companies post-termination of the System Agreement. In December 2014 a FERC ALJ issued an initial decision finding that Entergy Arkansas would realize benefits after December 18, 2013 from the 2008 settlement agreement between Entergy Services, Entergy Arkansas, and Union Pacific, related to certain coal delivery issues. The ALJ further found that all of the Utility operating companies should share in those benefits pursuant to the methodology proposed by the MPSC. The Utility operating companies and other parties to the proceeding filed briefs on exceptions and/or briefs opposing exceptions with the FERC challenging various aspects of the December 2014 initial decision. In March 2016 the FERC issued an opinion affirming the December 2014 initial decision with regard to the determination that there were benefits related to the Union Pacific settlement, which were realized post Entergy Arkansas's December 2013 withdrawal from the System Agreement, that should be shared with the other Utility operating companies utilizing the methodology proposed by the MPSC and trued-up to actual coal volumes purchased. In May 2016, Entergy made a compliance filing that provided the calculation of Union Pacific settlement benefits utilizing the methodology adopted by the initial decision, trued-up for the actual volumes of coal purchased. The payments were made in May 2016. In August 2016 the FERC issued an order accepting Entergy's compliance filing. Also in August 2016 the APSC filed a petition for review of the FERC's March 2016 and August 2016 orders with the U.S. Court of Appeals for the D.C. Circuit.

In connection with the System Agreement termination settlement agreement, the purchase power agreements, referred to as the jurisdictional separation plan PPAs, between Entergy Texas and Entergy Gulf States Louisiana that were put in place for certain legacy gas units at the time of Entergy Gulf States's separation into Entergy Texas and Entergy Gulf States Louisiana terminated effective with the System Agreement termination. Similarly, the purchase power agreement between Entergy Gulf States Louisiana and Entergy Texas for the Calcasieu unit also terminated. In March 2016, Entergy Services filed with the FERC the notices of termination. The jurisdictional separation plan PPAs were the means by which Entergy Texas received payment for its receivable associated with Entergy Louisiana's Spindletop gas storage facility regulatory asset. As a result of the System Agreement termination settlement agreement, effective with the termination date, Entergy Texas no longer receives payments from Entergy Louisiana related to the Spindletop storage facility which resulted in a write-off recorded in 2015 by Entergy Texas of $23.5 million ($15.3 million net-of-tax). Upon termination of the System Agreement, other purchase power agreements entered into under Service Schedule MSS-4 of the System Agreement were replaced with updated agreements under a FERC-jurisdictional tariff effective September 1, 2016.

Interruptible Load Proceeding

In April 2007 the U.S. Court of Appeals for the D.C. Circuit issued its opinion in the LPSC's appeal of the FERC's March 2004 and April 2005 orders related to the treatment under the System Agreement of the Utility operating companies' interruptible loads. In its opinion the D.C. Circuit concluded that the FERC (1) acted arbitrarily and capriciously by allowing the Utility operating companies to phase-in the effects of the elimination of the interruptible load over a 12-month period of time; (2) failed to adequately explain why refunds could not be ordered under Section 206(c) of the Federal Power Act; and (3) exercised appropriately its discretion to defer addressing the cost of sulfur dioxide allowances until a later time. The D.C. Circuit remanded the matter to the FERC for a more considered determination on the issue of refunds. The FERC issued its order on remand in September 2007, in which it directed Entergy to make a compliance filing removing all interruptible load from the computation of peak load responsibility commencing April 1, 2004 and to issue any necessary refunds to reflect this change. In addition, the order directed the Utility operating companies to make refunds for the period May 1995 through July 1996. In November 2007 the Utility operating companies filed a refund report describing the refunds to be issued pursuant to the FERC's orders. The LPSC filed a protest to the refund report in December 2007, and the Utility operating companies filed an answer to the protest in January 2008. The refunds were made in October 2008 by the Utility operating companies that owed refunds to the Utility operating companies that were due a refund under the decision. The APSC and the Utility operating companies appealed the FERC decisions to the D.C. Circuit.

Following the filing of petitioners' initial briefs, the FERC filed a motion requesting the D.C. Circuit hold the appeal of the FERC's decisions ordering refunds in the interruptible load proceeding in abeyance and remand the record to the FERC. The D.C. Circuit granted the FERC's unopposed motion in June 2009. In December 2009 the FERC established a paper hearing to determine whether the FERC had the authority and, if so, whether it would be appropriate to order refunds resulting from changes in the treatment of interruptible load in the allocation of capacity costs by the Utility operating companies. In August 2010 the FERC issued an order stating that it has the authority and refunds are appropriate. The APSC, MPSC, and Entergy requested rehearing of the FERC's decision. In June 2011 the FERC issued an order granting rehearing in part and denying rehearing in part, in which the FERC determined to invoke its discretion to deny refunds. The FERC held that in this case where "the Entergy system as a whole collected the proper level of revenue, but, as was later established, incorrectly allocated peak load responsibility among the various Entergy operating companies….the Commission will apply here our usual practice in such cases, invoking our equitable discretion to not order refunds, notwithstanding our authority to do so." The LPSC has requested rehearing of the FERC's June 2011 decision. In July 2011 the refunds made in the fourth quarter 2009 described above were reversed. In October 2011 the FERC issued an "Order Establishing Paper Hearing" inviting parties that oppose refunds to file briefs within 30 days addressing the LPSC's argument that FERC precedent supports refunds under the circumstances present in this proceeding. Parties that favor refunds were then invited to file reply briefs within 21 days of the date that the initial briefs are due. Briefs were submitted and the matter is pending.

In September 2010 the FERC had issued an order setting the refund report filed in the proceeding in November 2007 for hearing and settlement judge procedures. In May 2011, Entergy filed a settlement agreement that resolved all issues relating to the refund report set for hearing. In June 2011 the settlement judge certified the settlement as uncontested and the settlement agreement is currently pending before the FERC. In July 2011, Entergy filed an amended/corrected refund report and a motion to defer action on the settlement agreement until after the FERC rules on the LPSC's rehearing request regarding the June 2011 decision denying refunds.

Prior to the FERC's June 2011 order on rehearing, Entergy Arkansas filed an application in November 2010 with the APSC for recovery of the refund that it paid. The APSC denied Entergy Arkansas's application, and also denied Entergy Arkansas's petition for rehearing. If the FERC were to order Entergy Arkansas to pay refunds on rehearing in the interruptible load proceeding the APSC's decision would trap FERC-approved costs at Entergy Arkansas with no regulatory-approved mechanism to recover them. In August 2011, Entergy Arkansas filed a complaint in the United States District Court for the Eastern District of Arkansas asking for a declaratory judgment that the rejection of Entergy Arkansas's application by the APSC is preempted by the Federal Power Act. The APSC filed a motion to dismiss the complaint. In April 2012 the United States district court dismissed Entergy Arkansas's complaint without prejudice stating that Entergy Arkansas's claim is not ripe for adjudication and that Entergy Arkansas did not have standing to bring suit at this time.

In March 2013 the FERC issued an order denying the LPSC's request for rehearing of the FERC's June 2011 order wherein the FERC concluded it would exercise its discretion and not order refunds in the interruptible load proceeding. Based on its review of the LPSC's request for rehearing and the briefs filed as part of the paper hearing established in October 2011, the FERC affirmed its earlier ruling and declined to order refunds under the circumstances of the case. In May 2013 the LPSC filed a petition for review with the U.S. Court of Appeals for the D.C. Circuit seeking review of FERC prior orders in the Interruptible Load Proceeding that concluded that the FERC would exercise its discretion and not order refunds in the proceeding. Oral argument was held on the appeal in the D.C. Circuit in September 2014. In December 2014 the D.C. Circuit issued an order on the LPSC's appeal and remanded the case back to the FERC. The D.C. Circuit rejected the LPSC's argument that there is a presumption in favor of refunds, but it held that the FERC had not adequately explained its decision to deny refunds and directed the FERC "to consider the relevant factors and weigh them against one another." In March 2015, Entergy filed with the FERC a motion to establish a briefing schedule on remand and an initial brief on remand to address the December 2014 decision by the D.C. Circuit. The initial brief on remand argued that the FERC, in response to the D.C. Circuit decision, should clarify its policy on refunds and find that refunds are not required in the interruptible load proceeding.

In April 2016 the FERC issued an order on remand that addressed the December 2014 decision by the D.C. Circuit in the interruptible load proceeding. The order on remand affirmed the FERC's denial of refunds for the 15-month refund effective period. The FERC explained and clarified its policies regarding refunds and concluded that the evidence in the record demonstrated that the relevant equitable factors favored not requiring refunds in this case. The FERC also noted that, under Section 206(c) of the Federal Power Act, in a Section 206 proceeding involving two or more electric utility companies of a registered holding company system, the FERC may order refunds only if it determines the refunds would not cause the registered holding company to experience any reduction in revenues resulting from an inability of an electric utility company in the system to recover the resulting increase in costs. The FERC stated it was not able to find that the Entergy system would not experience a reduction in revenues if refunds were awarded in this proceeding, which further supported the denial of refunds. In May 2016 the LPSC filed a request for rehearing of the FERC's April 2016 order. In September 2016 the FERC issued an order denying the LPSC's request for rehearing and reaffirming its denial of refunds for the 15-month refund effective period. The LPSC has appealed the April and September 2016 orders to the U.S. Court of Appeals for the D.C. Circuit.

Entergy Arkansas Opportunity Sales Proceeding

In June 2009 the LPSC filed a complaint requesting that the FERC determine that certain of Entergy Arkansas's sales of electric energy to third parties: (a) violated the provisions of the System Agreement that allocate the energy generated by Entergy System resources, (b) imprudently denied the Entergy System and its ultimate consumers the benefits of low-cost Entergy System generating capacity, and (c) violated the provision of the System Agreement that prohibits sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. The LPSC's complaint challenges sales made beginning in 2002 and requests refunds. In July 2009 the Utility operating companies filed a response to the complaint requesting that the FERC dismiss the complaint on the merits without hearing because the LPSC has failed to meet its burden of showing any violation of the System Agreement and failed to produce any evidence of imprudent action by the Entergy System. In their response, the Utility operating companies explained that the System Agreement clearly contemplates that the Utility operating companies may make sales to third parties for their own account, subject to the requirement that those sales be included in the load (or load shape) for the applicable Utility operating company. The FERC subsequently ordered a hearing in the proceeding.

The LPSC filed direct testimony in the proceeding alleging, among other things, (1) that Entergy violated the System Agreement by permitting Entergy Arkansas to make non-requirements sales to non-affiliated third parties rather than making such energy available to the other Utility operating companies' customers; and (2) that over the period 2000 - 2009, these non-requirements sales caused harm to the Utility operating companies' customers and these customers should be compensated for this harm by Entergy. In subsequent testimony, the LPSC modified its original damages claim in favor of quantifying damages by re-running intra-system bills. The Utility operating companies believe the LPSC's allegations are without merit. A hearing in the matter was held in August 2010.

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

The FERC issued a decision in June 2012 and held that, while the System Agreement is ambiguous, it does provide authority for individual Utility operating companies to make opportunity sales for their own account and Entergy Arkansas made and priced these sales in good faith. The FERC found, however, that the System Agreement does not provide authority for an individual Utility operating company to allocate the energy associated with such opportunity sales as part of its load, but provides a different allocation authority. The FERC further found that the after-the-fact accounting methodology used to allocate the energy used to supply the sales was inconsistent with the System Agreement. Quantifying the effect of the FERC's decision will require re-running intra-system bills for a ten-year period, and the FERC in its decision established further hearing procedures to determine the calculation of the effects. In July 2012, Entergy and the LPSC filed requests for rehearing of the FERC's June 2012 decision, which are pending with the FERC.

As required by the procedural schedule established in the calculation proceeding, Entergy filed its direct testimony that included a proposed illustrative re-run, consistent with the directives in FERC's order, of intra-system bills for 2003, 2004, and 2006, the three years with the highest volume of opportunity sales. Entergy's proposed illustrative re-run of intra-system bills shows that the potential cost for Entergy Arkansas would be up to $12 million for the years 2003, 2004, and 2006, excluding interest, and the potential benefit would be significantly less than that for each of the other Utility operating companies. Entergy's proposed illustrative re-run of the intra-system bills also shows an offsetting potential benefit to Entergy Arkansas for the years 2003, 2004, and 2006 resulting from the effects of the FERC's order on System Agreement Service Schedules MSS-1, MSS-2, and MSS-3, and the potential offsetting cost would be significantly less than that for each of the other Utility operating companies. Entergy provided to the LPSC an illustrative intra-system bill recalculation as specified by the LPSC for the years 2003, 2004, and 2006, and the LPSC then filed answering testimony in December 2012. In its testimony the LPSC claims that the damages, excluding interest, that should be paid by Entergy Arkansas to the other Utility operating company's customers for 2003, 2004, and 2006 are $42 million to Entergy Gulf States, Inc., $7 million to Entergy Louisiana, $23 million to Entergy Mississippi, and $4 million to Entergy New Orleans. The FERC staff and certain intervenors filed direct and answering testimony in February 2013. In April 2013, Entergy filed its rebuttal testimony in that proceeding, including a revised illustrative re-run of the intra-system bills for the years 2003, 2004, and 2006. The revised calculation determines the re-pricing of the opportunity sales based on consideration of moveable resources only and the removal of exchange energy received by Entergy Arkansas, which increases the potential cost for Entergy Arkansas over the three years 2003, 2004, and 2006 by $2.3 million from the potential costs identified in the Utility operating companies' prior filings in September and October 2012. A hearing was held in May 2013 to quantify the effect of repricing the opportunity sales in accordance with the FERC's decision.

In August 2013 the presiding judge issued an initial decision in the calculation proceeding. The initial decision concludes that the methodology proposed by the LPSC, rather than the methodologies proposed by Entergy or the FERC Staff, should be used to calculate the payments that Entergy Arkansas is to make to the other Utility operating companies. The initial decision also concludes that the other System Agreement service schedules should not be adjusted and that payments by Entergy Arkansas should not be reflected in the rough production cost equalization bandwidth calculations for the applicable years. The initial decision does recognize that the LPSC's methodology would result in an inequitable windfall to the other Utility operating companies and, therefore, concludes that any payments by Entergy Arkansas should be reduced by 20%. The LPSC, APSC, City Council, and FERC staff filed briefs on exceptions and/or briefs opposing exceptions. Entergy filed a brief on exceptions requesting that FERC reverse the initial decision and a brief opposing certain exceptions taken by the LPSC and FERC staff.

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

The effect of the FERC's decisions, if upheld, is that Entergy Arkansas will make payments to some or all of the other Utility operating companies. As part of the further proceedings required by the FERC, Entergy has performed an initial re-run of the intra-system bills for the ten-year period (2000-2009) to attempt to quantify the effects of the FERC's rulings. The ALJ will issue an initial decision and FERC will issue an order reviewing that decision. No payments will be made or received by the Utility operating companies until the FERC issues an order reviewing that initial decision and Entergy submits a subsequent filing to comply with that order. Because further proceedings are required, the amount and recipients of payments by Entergy Arkansas are unknown at this time. Based on testimony previously submitted in the case, however, in the first quarter 2016 Entergy Arkansas recorded a liability of $87 million for its estimated increased costs and payment to the other Utility operating companies, including interest. This estimate is subject to change depending on how the FERC resolves the issues that are still outstanding in the case. Entergy Arkansas's increased costs will be attributed to Entergy Arkansas's retail and wholesale businesses, and it is not probable that Entergy Arkansas will recover the wholesale portion. Therefore Entergy Arkansas recorded a regulatory asset of approximately $75 million, which represents its estimate of the retail portion of the costs.

In May 2016, Entergy Services filed a request for rehearing of the FERC's April 2016 order addressing the requests for rehearing filed in July 2012. Entergy Services also filed a request for clarification and/or rehearing of the FERC's April 2016 order addressing the ALJ's August 2013 initial decision. The APSC and the LPSC also filed requests for rehearing of the FERC's April 2016 order. Also, in May 2016 a procedural schedule was established with a hearing in May 2017 and an initial decision expected in August 2017. Pursuant to that procedural schedule, Entergy Services re-ran intra-system bills for the ten-year period to quantify the effects of the FERC's ruling. In November 2016 the LPSC submitted testimony disputing certain aspects of the calculations, and Entergy Services submitted answering testimony in January 2017. In February 2017 the FERC staff filed testimony and Entergy Services filed responsive testimony.

Complaint Against System Energy

In January 2017 the APSC and MPSC filed a complaint with the FERC against System Energy. The complaint seeks a reduction in the return on equity component of the Unit Power Sales Agreement pursuant to which System Energy sells its Grand Gulf capacity and energy to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Entergy Arkansas also sells some of its Grand Gulf capacity and energy to Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under separate agreements. The current return on equity under the Unit Power Sales Agreement is 10.94%. The complaint alleges that the return on equity is unjust and unreasonable because current capital market and other considerations indicate that it is excessive. The complaint requests the FERC to institute proceedings to investigate the return on equity and establish a lower return on equity, and also requests that the FERC establish January 23, 2017 as a refund effective date. The complaint includes return on equity analysis that purports to establish that the range of reasonable return on equity for System Energy is between 8.37% and 8.67%. System Energy answered the complaint in February 2017 and disputes a return on equity of 8.37% to 8.67% is just and reasonable. Action by the FERC is pending.

Storm Cost Recovery Filings with Retail Regulators

Entergy Louisiana

Hurricane Isaac

In August 2012, Hurricane Isaac caused extensive damage to portions of Entergy's service area in Louisiana, and to a lesser extent in Mississippi and Arkansas. The storm resulted in widespread power outages, significant damage primarily to distribution infrastructure, and the loss of sales during the power outages. In June 2014 the LPSC voted to approve a series of orders which (i) quantified $290.8 million of Hurricane Isaac system restoration costs as prudently incurred; (ii) determined $290 million as the level of storm reserves to be re-established; (iii) authorized Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs; and (iv) granted other requested relief associated with storm reserves and Act 55 financing of Hurricane Isaac system restoration costs. Entergy Louisiana committed to pass on to customers a minimum of $30.8 million of customer benefits through annual customer credits of approximately $6.2 million for five years.

Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation (LURC) and the Louisiana State Bond Commission.

In August 2014 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued $314.85 million in bonds under Louisiana Act 55. From the $309 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $16 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $293 million directly to Entergy Louisiana. Entergy Louisiana used the $293 million received from the LURC to acquire 2,935,152.69 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1.75 billion.

Entergy and Entergy Louisiana do not report the bonds on their balance sheets because the bonds are the obligation of the LCDA and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collects a system restoration charge on behalf of the LURC, and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

Hurricane Gustav and Hurricane Ike

In September 2008, Hurricane Gustav and Hurricane Ike caused catastrophic damage to Entergy's service territory. In December 2009, Entergy Louisiana entered into a stipulation agreement with the LPSC staff that provided for total recoverable costs of approximately $628 million, including carrying costs. Under this stipulation, Entergy Louisiana agreed not to recover $11.6 million of its storm restoration spending. The stipulation also permitted replenishing Entergy Louisiana's storm reserve in the amount of $290 million when the Act 55 financings were accomplished. In March and April 2010, Entergy Louisiana and other parties to the proceeding filed with the LPSC an uncontested stipulated settlement that included these terms and also included Entergy Louisiana's proposal under the Act 55 financings, which included a commitment to pass on to customers a minimum of $43.3 million of customer benefits through a prospective annual rate reduction of $8.7 million for five years. In April 2010 the LPSC approved the settlement and subsequently issued financing orders and a ratemaking order intended to facilitate the implementation of the Act 55 financings. In June 2010 the Louisiana State Bond Commission approved the Act 55 financing.

In July 2010, the LCDA issued two series totaling $713.0 million in bonds under Act 55. From the $702.7 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $290 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $412.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana used $412.7 million to acquire 4,126,940.15 Class B preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 9% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2010, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1 billion.

Entergy and Entergy Louisiana do not report the bonds on their balance sheets because the bonds are the obligation of the LCDA, and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collects a system restoration charge on behalf of the LURC, and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to large portions of the Utility's service territories in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area.

In March 2008, Entergy Louisiana and the LURC filed at the LPSC an application requesting that the LPSC grant a financing order authorizing the financing of Entergy Louisiana storm costs, storm reserves, and issuance costs pursuant to Louisiana Act 55. The Louisiana Act 55 financing is expected to produce additional customer benefits as compared to traditional securitization. Entergy Louisiana also filed an application requesting LPSC approval for ancillary issues including the mechanism to flow charges and savings to customers via a storm cost offset rider. In April 2008 the Louisiana Public Facilities Authority (LPFA), which is the issuer of the bonds pursuant to the Act 55 financing, approved requests for the Act 55 financing. Also in April 2008, Entergy Louisiana and the LPSC staff filed with the LPSC an uncontested stipulated settlement that included Entergy Louisiana's proposal under the Act 55 financing, which included a commitment to pass on to customers a minimum of $40 million of customer benefits through a prospective annual rate reduction of $8 million for five years. The LPSC subsequently approved the settlement and issued two financing orders and one ratemaking order intended to facilitate implementation of the Act 55 financing. In May 2008 the Louisiana State Bond Commission granted final approval of the Act 55 financing.

In July 2008 the LPFA issued $687.7 million in bonds under the aforementioned Act 55. From the $679 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited $152 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $527 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested $545 million, including $17.8 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 5,449,861.85 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 10% annual distribution rate. In August 2008, the LPFA issued $278.4 million in bonds under the aforementioned Act 55. From the $274.7 million of bond proceeds loaned by the LPFA to the LURC, the LURC deposited $87 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $187.7 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana invested $189.4 million, including $1.7 million that was withdrawn from the restricted escrow account as approved by the April 16, 2008 LPSC orders, in exchange for 1,893,918.39 Class A preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 10% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2008 and have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1 billion. In February 2012, Entergy Louisiana sold 500,000 of its Class A preferred membership units in Entergy Holdings Company LLC, a wholly-owned Entergy subsidiary, to a third party in exchange for $51 million plus accrued but unpaid distributions on the units. The 500,000 preferred membership units are mandatorily redeemable in January 2112.

Entergy and Entergy Louisiana do not report the bonds on their balance sheets because the bonds are the obligation of the LPFA, and there is no recourse against Entergy or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Louisiana collect a system restoration charge on behalf of the LURC, and remits the collections to the bond indenture trustee. Entergy and Entergy Louisiana do not report the collections as revenue because Entergy Louisiana is merely acting as the billing and collection agent for the state.

Entergy Mississippi

In July 2013, Entergy Mississippi and the Mississippi Public Utilities Staff entered into a joint stipulation, wherein both parties agreed that approximately $32 million in storm restoration costs incurred in 2011 and 2012 were prudently incurred and chargeable to the storm damage provision, while approximately $700,000 in prudently incurred costs were more properly recoverable through the formula rate plan. Entergy Mississippi and the Mississippi Public Utilities Staff also agreed that the storm damage provision should be increased from $750,000 per month to $1.75 million per month. In September 2013 the MPSC approved the joint stipulation with the increase in the storm damage provision effective with October 2013 bills. In February 2015, Entergy Mississippi provided notice to the Mississippi Public Utilities Staff that the storm damage provision would be set to zero effective with the March 2015 billing cycle as a result of Entergy Mississippi's storm damage provision balance exceeding $15 million as of January 31, 2015, but would return to its current level when the storm damage provision balance becomes less than $10 million. As of April 30, 2016, Entergy Mississippi's storm damage provision balance was less than $10 million, therefore Entergy Mississippi resumed billing the monthly storm damage provision effective with June 2016 bills. As of September 30, 2016, however, Entergy Mississippi's storm damage provision balance again exceeded $15 million. Accordingly the storm damage provision was reset to zero beginning with the November 2016 billing cycle and will remain at zero until the balance again becomes less than $10 million, at which time it will return to its prior level.

Entergy New Orleans

In August 2012, Hurricane Isaac caused extensive damage to Entergy New Orleans's service area. The storm resulted in widespread power outages, significant damage primarily to distribution infrastructure, and the loss of sales during the power outages. In January 2015 the City Council issued a resolution approving the terms of a joint agreement in principle filed by Entergy New Orleans, Entergy Louisiana, and the City Council Advisors determining, among other things, that Entergy New Orleans's prudently-incurred storm recovery costs were $49.3 million, of which $31.7 million, net of reimbursements from the storm reserve escrow account, remained recoverable from Entergy New Orleans's electric customers. The resolution also directed Entergy New Orleans to file an application to securitize the unrecovered Council-approved storm recovery costs of $31.7 million pursuant to the Louisiana Electric Utility Storm Recovery Securitization Act (Louisiana Act 64). In addition, the resolution found that it was reasonable for Entergy New Orleans to include in the principal amount of its potential securitization the costs to fund and replenish Entergy New Orleans's storm reserve in an amount that achieved the Council-approved funding level of $75 million. In January 2015, in compliance with that directive, Entergy New Orleans filed with the City Council an application requesting that the City Council grant a financing order authorizing the financing of Entergy New Orleans's storm costs, storm reserves, and issuance costs pursuant to Louisiana Act 64. In May 2015 the parties entered into an agreement in principle and the City Council issued a financing order authorizing Entergy New Orleans to issue storm recovery bonds in the aggregate amount of $98.7 million, including $31.8 million for recovery of Entergy New Orleans's Hurricane Isaac storm recovery costs, including carrying costs, $63.9 million to fund and replenish Entergy New Orleans's storm reserve, and approximately $3 million for estimated up-front financing costs associated with the securitization. See Note 5 to the financial statements for discussion of the issuance of the securitization bonds in July 2015.

<u>New Nuclear Generation Development Costs</u>

Entergy Louisiana

Entergy Louisiana and Entergy Gulf States Louisiana were developing a project option for new nuclear generation at River Bend. In March 2010, Entergy Louisiana and Entergy Gulf States Louisiana filed with the LPSC seeking approval to continue the limited development activities necessary to preserve an option to construct a new unit at River Bend. At its June 2012 meeting the LPSC voted to uphold an ALJ recommendation that the request of Entergy Louisiana and Entergy Gulf States Louisiana be declined on the basis that the LPSC's rule on new nuclear development does not apply to activities to preserve an option to develop and on the further grounds that the companies improperly engaged in advanced preparation activities prior to certification. The LPSC directed that Entergy Louisiana and Entergy Gulf States Louisiana be permitted to seek recovery of these costs in their upcoming rate case filings that were subsequently filed in February 2013. In the resolution of the rate case proceeding the LPSC provided for an eight-year amortization of costs incurred in connection with the potential development of new nuclear generation at River Bend, without carrying costs, beginning in December 2014, provided, however, that amortization of these costs shall not result in a future rate increase. As of December 31, 2016, Entergy Louisiana has a regulatory asset of $43.1 million on its balance sheet related to these new nuclear generation development costs.

Entergy Mississippi

Pursuant to the Mississippi Baseload Act and the Mississippi Public Utilities Act, Entergy Mississippi had been developing and preserving a project option for new nuclear generation at Grand Gulf Nuclear Station. In October 2010, Entergy Mississippi filed an application with the MPSC requesting that the MPSC determine that it was in the public interest to preserve the option to construct new nuclear generation at Grand Gulf and that the MPSC approve the deferral of Entergy Mississippi's costs incurred to date and in the future related to this project, including the accrual of AFUDC or similar carrying charges. In October 2011, Entergy Mississippi and the Mississippi Public Utilities Staff filed with the MPSC a joint stipulation that the MPSC approved in November 2011. The stipulation stated that there should be a deferral of the $57 million of costs incurred through September 2011 in connection with planning, evaluation, monitoring, and other and related generation resource development activities for new nuclear generation at Grand Gulf.

In October 2014, Entergy Mississippi and the Mississippi Public Utilities Staff entered into and filed joint stipulations in Entergy Mississippi's general rate case proceeding, which are discussed above. In consideration of the comprehensive terms for settlement in that rate case proceeding, the Mississippi Public Utilities Staff and Entergy Mississippi agreed that Entergy Mississippi would request consolidation of the new nuclear generation development costs proceeding with the rate case proceeding for hearing purposes and will not further pursue, except as noted below, recovery of the costs deferred by MPSC order in the new nuclear generation development docket. The stipulations state, however, that, if Entergy Mississippi decides to move forward with nuclear development in Mississippi, it can at that time re-present for consideration by the MPSC only those costs directly associated with the existing early site permit (ESP), to the extent that the costs are verifiable and prudent and the ESP is still valid and relevant to any such option pursued. After considering the progress of the new nuclear generation costs proceeding in light of the joint stipulations, Entergy Mississippi recorded in 2014 a $56.2 million pre-tax charge to recognize that the regulatory asset associated with new nuclear generation development is no longer probable of recovery. In December 2014 the MPSC issued an order accepting in their entirety the October 2014 stipulations, including the findings and terms of the stipulations regarding new nuclear generation development costs.

<u>Texas Power Price Lawsuit</u>

In August 2003 a lawsuit was filed in the district court of Chambers County, Texas by Texas residents on behalf of a purported class of the Texas retail customers of Entergy Gulf States, Inc. who were billed and paid for electric power from January 1, 1994 to the present. The named defendants include Entergy Corporation, Entergy Services, Entergy Power, Entergy Power Marketing Corp., and Entergy Arkansas. Entergy Gulf States, Inc. was not a named defendant, but was alleged to be a co-conspirator. The court granted the request of Entergy Gulf States, Inc. to intervene in the lawsuit to protect its interests.

Plaintiffs allege that the defendants implemented a "price gouging accounting scheme" to sell to plaintiffs and similarly situated utility customers higher priced power generated by the defendants while rejecting less expensive power offered from off-system suppliers. In particular, plaintiffs allege that the defendants manipulated and continue to manipulate the dispatch of generation so that power is purchased from affiliated expensive resources instead of buying cheaper off-system power.

Plaintiffs stated in their pleadings that customers in Texas were charged at least $57 million above prevailing market prices for power. Plaintiffs seek actual, consequential and exemplary damages, costs and attorneys' fees, and disgorgement of profits. The plaintiffs' experts have tendered a report calculating damages in a large range, from $153 million to $972 million in present value, under various scenarios as of the date of the report. The Entergy defendants have tendered expert reports challenging the assumptions, methodologies, and conclusions of the plaintiffs' expert reports.

In March 2012 the state district court found that the case met the requirements to be maintained as a class action under Texas law. In April 2012 the court entered an order certifying the class. The defendants appealed the order to the Texas Court of Appeals – First District and oral argument was held in May 2013. In November 2014 the Texas Court of Appeals - First District reversed the state district court's class certification order and dismissed the case holding that the state district court lacked subject matter jurisdiction to address the issues. Plaintiffs filed a motion for rehearing and a motion for rehearing en banc. In May 2015 the Court of Appeals granted plaintiffs' motion for rehearing, withdrew its prior opinion, and set the case for resubmission in June 2015. In July 2015 the Court of Appeals issued a new opinion again finding that the plaintiffs' claims fall within the exclusive jurisdiction of the FERC and, therefore, the trial court lacked subject matter jurisdiction over the case. The Court of Appeals ordered that the state district court dismiss all claims against the Entergy defendants. In September 2015 plaintiffs filed a petition for review at the Supreme Court of Texas. In September 2016 the Supreme Court denied the plaintiffs' petition for review. In December 2016 the trial court entered a final judgment of dismissal bringing this matter to a conclusion.

NOTE 3. INCOME TAXES

Income taxes for 2016, 2015, and 2014 for Entergy Corporation and Subsidiaries consist of the following:

	2016	2015	2014
	(In Thousands)		
Current:			
Federal	$45,249	$77,166	$90,061
Foreign	68	97	90
State	(14,960)	157,829	(12,637)
Total	30,357	235,092	77,514
Deferred and non-current - net	(840,465)	(864,799)	528,326
Investment tax credit adjustments - net	(7,151)	(13,220)	(16,243)
Income taxes	($817,259)	($642,927)	$589,597

Total income taxes for Entergy Corporation and Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before income taxes. The reasons for the differences for the years 2016, 2015, and 2014 are:

	2016	2015	2014
		(In Thousands)	
Net income (loss) attributable to Entergy Corporation	($583,618)	($176,562)	$940,721
Preferred dividend requirements of subsidiaries	19,115	19,828	19,536
Consolidated net income (loss)	(564,503)	(156,734)	960,257
Income taxes	(817,259)	(642,927)	589,597
Income (loss) before income taxes	($1,381,762)	($799,661)	$1,549,854
Computed at statutory rate (35%)	($483,617)	($279,881)	$542,449
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	40,581	29,944	44,708
Regulatory differences - utility plant items	33,581	32,089	39,321
Equity component of AFUDC	(23,647)	(18,191)	(21,108)
Amortization of investment tax credits	(10,889)	(11,136)	(12,211)
Flow-through / permanent differences	(19,307)	(7,872)	(18,003)
New York tax law change (a)	—	—	(21,500)
Louisiana business combination	—	(333,655)	—
Entergy Wholesale Commodities restructuring (b)	(237,760)	—	—
Act 55 financing settlement (d)	(63,477)	—	—
Provision for uncertain tax positions (c) (d)	(67,119)	(56,683)	32,573
Valuation allowance	11,411	—	—
Other - net	2,984	2,458	3,368
Total income taxes as reported	($817,259)	($642,927)	$589,597
Effective Income Tax Rate	59.1%	80.4%	38.0%

(a) In March 2014, New York enacted legislation that substantially modified various aspects of New York tax law. The most significant effect of the legislation for Entergy was the adoption of full water's-edge unitary combined reporting, meaning that all of Entergy's domestic entities will be included in New York's combined filing group. The effect of the tax law change resulted in a deferred state income tax reduction of approximately $21.5 million as shown in the table above.

(b) See **"Other Tax Matters"** below for discussion of the Entergy Wholesale Commodities restructuring.

(c) See "**Income Tax Audits - 2008-2009 IRS Audit**" below for discussion of the most significant items for 2015.

(d) See "**Income Tax Audits - 2010-2011 IRS Audit**" below for discussion of the most significant items for 2016.

Significant components of accumulated deferred income taxes and taxes accrued for Entergy Corporation and Subsidiaries as of December 31, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Deferred tax liabilities:		
Plant basis differences - net	($6,362,905)	($6,804,225)
Regulatory assets	(584,572)	(646,392)
Nuclear decommissioning trusts/receivables	(1,739,977)	(1,254,463)
Pension, net funding	(429,896)	(365,111)
Combined unitary state taxes	(33,063)	(45,078)
Power purchase agreements	(993)	—
Other	(251,719)	(315,844)
Total	(9,403,125)	(9,431,113)
Deferred tax assets:		
Nuclear decommissioning liabilities	1,399,468	828,983
Regulatory liabilities	255,272	284,432
Pension and other post-employment benefits	539,456	525,524
Sale and leaseback	135,866	139,720
Compensation	99,300	69,432
Accumulated deferred investment tax credit	92,375	95,248
Provision for allowances and contingencies	188,390	188,282
Power purchase agreements	—	38,401
Net operating loss carryforwards	334,025	360,188
Capital losses and miscellaneous tax credits	18,470	11,075
Valuation allowance	(104,277)	(91,532)
Other	59,079	68,204
Total	3,017,424	2,517,957
Non-current accrued taxes (including unrecognized tax benefits)	(991,704)	(1,338,806)
Accumulated deferred income taxes and taxes accrued	($7,377,405)	($8,251,962)

Entergy's estimated tax attributes carryovers and their expiration dates as of December 31, 2016 are as follows:

Carryover Description	Carryover Amount	Year(s) of expiration
Federal net operating losses	$6.7 billion	2023-2036
State net operating losses	$7.8 billion	2017-2036
Miscellaneous federal and state credits	$89.9 million	2017-2036

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating loss carryovers, tax credit carryovers, and other tax attributes reflected on income tax returns. Because it is more likely than not that the benefit from certain state net operating loss carryovers will not be utilized, valuation allowances of $62 million as of December 31, 2016 and $46 million as of December 31, 2015 have been provided on the deferred tax assets relating to these state net operating loss carryovers. Additionally, valuation allowances totaling $42.3 million as of December 31, 2016 and $45.5 million as of December 31, 2015 have been provided on deferred tax assets related to federal and state jurisdictions in which Entergy does not currently expect to be able to utilize separate company tax return losses, preventing realization of such deferred tax assets.

Unrecognized tax benefits

Accounting standards establish a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. A reconciliation of Entergy's beginning and ending amount of unrecognized tax benefits is as follows:

	2016	2015	2014
		(In Thousands)	
Gross balance at January 1	$2,611,585	$4,736,785	$4,593,224
Additions based on tax positions related to the current year	1,532,782	1,850,705	348,543
Additions for tax positions of prior years	368,404	59,815	11,637
Reductions for tax positions of prior years (a)	(265,653)	(3,966,535)	(213,401)
Settlements	(337,263)	(68,227)	—
Lapse of statute of limitations	—	(958)	(3,218)
Gross balance at December 31	3,909,855	2,611,585	4,736,785
Offsets to gross unrecognized tax benefits:			
Carryovers and refund claims	(2,922,085)	(1,264,483)	(4,295,643)
Cash paid to taxing authorities	(10,000)	—	—
Unrecognized tax benefits net of unused tax attributes, refund claims and payments (b)	$977,770	$1,347,102	$441,142

(a) The primary reduction for 2015 is related to the nuclear decommissioning costs treatment discussed in "**Income Tax Audits - 2008-2009 IRS Audit**" below.
(b) Potential tax liability above what is payable on tax returns

The balances of unrecognized tax benefits include $1,240 million, $955 million, and $516 million as of December 31, 2016, 2015, and 2014, respectively, which, if recognized, would lower the effective income tax rates. Because of the effect of deferred tax accounting, the remaining balances of unrecognized tax benefits of $2,670 million, $1,657 million, and $4,221 million as of December 31, 2016, 2015, and 2014, respectively, if disallowed, would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Entergy accrues interest expense, if any, related to unrecognized tax benefits in income tax expense. Entergy's December 31, 2016, 2015, and 2014 accrued balance for the possible payment of interest is approximately $30 million, $27 million, and $127 million, respectively.

Income Tax Audits

Entergy and its subsidiaries file U.S. federal and various state and foreign income tax returns. IRS examinations are complete for years before 2012. All state taxing authorities' examinations are completed for years before 2009.

2006-2007 IRS Audit

In the first quarter 2015, the IRS finalized tax and interest computations from the 2006-2007 audit that resulted in a reversal of Entergy's provision for uncertain tax positions related to accrued interest of approximately $20 million, including decreases of approximately $4 million for Entergy Arkansas, $11 million for Entergy Louisiana, and $1 million for System Energy.

2008-2009 IRS Audit

In the fourth quarter 2009, Entergy filed Applications for Change in Accounting Method (the "2009 CAM") for tax purposes with the IRS for certain costs under Section 263A of the Internal Revenue Code. In the Applications, Entergy proposed to treat the nuclear decommissioning liability associated with the operation of its nuclear power plants as a production cost properly includable in cost of goods sold. The effect of the 2009 CAM was a $5.7 billion reduction in 2009 taxable income. The 2009 CAM was adjusted to $9.3 billion in 2012.

In the fourth quarter 2012 the IRS disallowed the reduction to 2009 taxable income related to the 2009 CAM. In the third quarter 2013, the Internal Revenue Service issued its RAR for the tax years 2008-2009. As a result of the issuance of this RAR, Entergy and the IRS resolved all of the 2008-2009 issues described above except for the 2009 CAM. Entergy disagreed with the IRS's disallowance of the 2009 CAM and filed a protest with the IRS Appeals Division in October 2013.

In August 2015, Entergy and the IRS agreed on the treatment of the 2009 position regarding nuclear decommissioning liabilities from the 2008-2009 audit. The agreement provides that Entergy is entitled to deduct approximately $118 million of the $9.3 billion claimed in 2009. The agreement effectively settled all matters pertaining to the 2009 tax year and increased Entergy's 2009 federal income tax liability by $2.4 million.

2010-2011 IRS Audit

The IRS completed its examination of the 2010 and 2011 tax years and issued its 2010-2011 Revenue Agent Report (RAR) in June 2016. Entergy agreed to all proposed adjustments contained in the RAR. As a result of the issuance of the RAR, Entergy Louisiana was able to recognize previously unrecognized tax benefits as follows:

- Entergy and the IRS agreed that $148.6 million of the proceeds received by Entergy Louisiana in 2010 from the Louisiana Utilities Restoration Corporation (LURC), an instrumentality of the State of Louisiana, for the financing of Hurricane Gustav and Hurricane Ike storm costs pursuant to Act 55 of the Louisiana Regular Session of 2007 (Louisiana Act 55) were not taxable. Because the treatment of the financing is settled, Entergy recognized previously unrecognized tax benefits totaling $63.5 million, of which Entergy Louisiana recorded $61.6 million. Entergy Louisiana also accrued a regulatory liability of $16.1 million ($9.9 million net-of-tax) in accordance with the terms of Entergy Louisiana's previous settlement agreement approved by the LPSC regarding Entergy Louisiana's obligation to pay to customers savings associated with the Act 55 financing.

- Entergy and the IRS agreed upon the tax treatment of Entergy Louisiana's regulatory liability related to the Vidalia purchased power agreement. As a result, Entergy Louisiana recognized a previously unrecognized tax benefit of $74.5 million.

<u>Other Tax Matters</u>

Entergy regularly negotiates with the IRS to achieve settlements. The resolution of audit issues could result in significant changes to the amounts of unrecognized tax benefits in the next twelve months.

In October 2015 two of Entergy's Louisiana utilities, Entergy Gulf States Louisiana and Entergy Louisiana, combined their businesses into a legal entity which is identified as Entergy Louisiana herein. The structure of the business combination generated both a permanent difference and a temporary difference under FASB ASC Topic 740. The permanent difference resulted from recognition of the Waterford 3 and River Bend decommissioning liabilities as part of the business combination. Recognition of such decommissioning liabilities required Entergy to also recognize a taxable gain. The taxable gain resulted in a temporary difference because the gain provided for an increase in tax basis. Entergy Louisiana maintained a carryover tax basis in the assets received; and, to the extent that the increase in tax basis will provide additional tax depreciation, Entergy recorded a deferred tax asset. Entergy Louisiana obtained the corresponding deferred tax asset in the business combination. The permanent tax benefit net of ancillary tax charges was approximately $334 million. Consistent with the terms of the stipulated settlement in the business combination proceeding, electric customers of Entergy Louisiana will realize customer credits associated with the business combination. Accordingly, in October 2015, Entergy recorded a regulatory liability of $107 million ($66 million net-of-tax) which partially offsets the effect of the aforementioned deferred tax asset. The deferred tax asset and the regulatory liability, net-of-tax, increased Entergy Louisiana's member's equity by $268 million. See Note 2 to the financial statements for further discussion of the business combination.

In the fourth quarter 2015, System Energy and Entergy Louisiana adopted a new method of accounting for income tax return purposes in which the companies' nuclear decommissioning costs will be treated as production costs of electricity includable in cost of goods sold. The new method results in a reduction of taxable income of $1.2 billion for System Energy and $2.2 billion for Entergy Louisiana.

The Protecting Americans from Tax Hikes Act of 2015 was enacted in December 2015. The most significant provisions affecting Entergy and the Registrant Subsidiaries were a five-year extension of bonus depreciation and permanent extension of the research and experimentation tax credit. The effect of the bonus depreciation extension on 2015 increased Entergy's tax net operating loss.

Entergy made a tax election to treat its subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes in the second quarter 2016. This resulted in a constructive contribution of all the assets and liabilities associated with the plant to a new subsidiary corporation for federal income tax purposes, and generated both permanent and temporary differences under the income tax accounting standards. The constructive contribution required Entergy to recognize the plant's nuclear decommissioning liability for income tax purposes resulting in permanent differences. The accrual of the nuclear decommissioning liability required Entergy to recognize a gain for income tax purposes, a significant portion of which resulted in an increase in tax basis of the assets constructively contributed to the subsidiary. Recognition of the gain and the increase in tax basis of the assets represents a temporary difference. The permanent difference reduced income tax expense, net of unrecognized tax benefits, by $238 million.

In 2016, Entergy Louisiana elected mark-to-market income tax treatment for various wholesale electric power purchase and sale agreements, including Entergy Louisiana's contract to purchase electricity from the Vidalia hydroelectric facility and from System Energy under the Unit Power Sales Agreement. The election resulted in a $2.2 billion deductible temporary difference.

NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT, AND SHORT-TERM BORROWINGS

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in August 2021. Entergy Corporation also has the ability to issue letters of credit against 50% of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the year ended December 31, 2016 was 2.23% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2016.

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$700	$6	$2,794

Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio, as defined, of 65% or less of its total capitalization. Entergy is in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy Corporation or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to $1.5 billion. At December 31, 2016, Entergy Corporation had $344 million of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2016 was 1.13%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2016 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2016	Letters of Credit Outstanding as of December 31, 2016
Entergy Arkansas	April 2017	$20 million (b)	2.02%	—	—
Entergy Arkansas	August 2021	$150 million (c)	2.02%	—	—
Entergy Louisiana	August 2021	$350 million (d)	2.02%	—	$6.4 million
Entergy Mississippi	May 2017	$10 million (e)	2.27%	—	—
Entergy Mississippi	May 2017	$20 million (e)	2.27%	—	—
Entergy Mississippi	May 2017	$35 million (e)	2.27%	—	—
Entergy Mississippi	May 2017	$37.5 million (e)	2.27%	—	—
Entergy New Orleans	November 2018	$25 million (f)	2.52%	—	$0.8 million
Entergy Texas	August 2021	$150 million (g)	2.27%	—	$4.7 million

(a) The interest rate is the rate as of December 31, 2016 that would most likely be applied to outstanding borrowings under the facility.
(b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.
(c) The credit facility allows Entergy Arkansas to issue letters of credit against 50% of the borrowing capacity of the facility.
(d) The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility.
(e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.
(f) The credit facility allows Entergy New Orleans to issue letters of credit against $10 million of the borrowing capacity of the facility.
(g) The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility.

The commitment fees on the credit facilities range from 0.075% to 0.275% of the undrawn commitment amount. Each of the credit facilities requires the Registrant Subsidiary borrower to maintain a debt ratio, as defined, of 65% or less of its total capitalization. Each Registrant Subsidiary is in compliance with this covenant.

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into one or more uncommitted standby letter of credit facilities as a means to post collateral to support its obligations related to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2016:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2016 (a)
Entergy Arkansas	$25 million	0.70%	$1.0 million
Entergy Louisiana	$125 million	0.70%	$5.7 million
Entergy Mississippi	$40 million	0.70%	$7.1 million
Entergy New Orleans	$15 million	1.00%	$6.2 million
Entergy Texas	$50 million	0.70%	$14.7 million

(a) As of December 31, 2016, letters of credit posted with MISO covered financial transmission right exposure of $0.3 million for Entergy Arkansas and $0.1 million for Entergy Mississippi. See Note 15 to the financial statements for discussion of financial transmission rights.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through October 31, 2017. In addition to borrowings from commercial banks, these companies may also borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short-term borrowings combined may not exceed the FERC-authorized limits. The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of December 31, 2016 (aggregating both money pool and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	$250	$51.2
Entergy Louisiana	$450	—
Entergy Mississippi	$175	—
Entergy New Orleans	$100	—
Entergy Texas	$200	—
System Energy	$200	—

Entergy Nuclear Vermont Yankee Credit Facilities

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of $100 million which expires in January 2018. Entergy Nuclear Vermont Yankee does not have the ability to issue letters of credit against the credit facility. This facility provides working capital to Entergy Nuclear Vermont Yankee for general business purposes including, without limitation, the decommissioning of Vermont Yankee. The commitment fee is currently 0.20% of the undrawn commitment amount. As of December 31, 2016, $45 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the year ended December 31, 2016 was 2.17% on the drawn portion of the facility.

Entergy Nuclear Vermont Yankee also has an uncommitted credit facility guaranteed by Entergy Corporation with a borrowing capacity of $85 million which expires in January 2018. Entergy Nuclear Vermont Yankee does not have the ability to issue letters of credit against the credit facility. This facility provides an additional funding source to Entergy Nuclear Vermont Yankee for general business purposes including, without limitation, the decommissioning of Vermont Yankee. As of December 31, 2016, there were no cash borrowings outstanding under the credit facility. The rate as of December 31, 2016 that would most likely apply to outstanding borrowings under the facility was 2.27% on the drawn portion of the facility.

Variable Interest Entities

See Note 17 to the financial statements for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). To finance the acquisition and ownership of nuclear fuel, the nuclear fuel company VIEs have credit facilities and three of the four VIEs also issue commercial paper, details of which follow as of December 31, 2016:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of December 31, 2016
		(Dollars in Millions)		
Entergy Arkansas VIE	May 2019	$80	n/a	$—(b)
Entergy Louisiana River Bend VIE	May 2019	$105	n/a	$—
Entergy Louisiana Waterford VIE	May 2019	$85	2.15%	$3.8(b)
System Energy VIE	May 2019	$120	2.20%	$66.9(b)

(a) Includes letter of credit fees and bank fronting fees on commercial paper issuances by the nuclear fuel company
variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy. The nuclear fuel company variable interest entity for Entergy Louisiana River Bend does not issue commercial paper, but borrows directly on its bank credit facility.

(b) Commercial paper, classified as a current liability.

The commitment fees on the credit facilities are currently 0.10% of the undrawn commitment amount for the Entergy Arkansas, Entergy Louisiana, and System Energy VIEs. Each credit facility requires the respective lessee of nuclear fuel (Entergy Arkansas, Entergy Louisiana, or Entergy Corporation as guarantor for System Energy) to maintain a consolidated debt ratio, as defined, of 70% or less of its total capitalization.

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of December 31, 2016 as follows:

Company	Description	Amount
Entergy Arkansas VIE	2.62% Series K due December 2017	$60million
Entergy Arkansas VIE	3.65% Series L due July 2021	$90million
Entergy Arkansas VIE	3.17% Series M due December 2023	$40million
Entergy Louisiana River Bend VIE	3.25% Series Q due July 2017	$75million
Entergy Louisiana River Bend VIE	3.38% Series R due August 2020	$70million
Entergy Louisiana Waterford VIE	3.25% Series G due July 2017	$25million
Entergy Louisiana Waterford VIE	3.92% Series H due February 2021	$40million
Entergy Louisiana Waterford VIE	3.22% Series I due December 2023	$20million
System Energy VIE	4.02% Series H due February 2017	$50million
System Energy VIE	3.78% Series I due October 2018	$85million

In February 2017 the System Energy nuclear fuel company variable interest entity redeemed, at maturity, its $50 million of 4.02% Series H notes.

In accordance with regulatory treatment, interest on the nuclear fuel company variable interest entities' credit facilities, commercial paper, and long-term notes payable is reported in fuel expense.

Entergy Arkansas, Entergy Louisiana, and System Energy each have obtained long-term financing authorizations from the FERC that extend through October 2017 for issuances by its nuclear fuel company variable interest entities.

NOTE 5. LONG - TERM DEBT

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2016 and 2015 consisted of:

Type of Debt and Maturity	Weighted Average Interest Rate December 31, 2016	Interest Rate Ranges at December 31,		Outstanding at December 31,	
		2016	2015	2016	2015
				(In Thousands)	
Mortgage Bonds					
2016-2021	4.92%	2.55%-7.125%	3.25%-7.125%	$2,350,000	$2,350,000
2022-2026	3.85%	2.40%-5.59%	3.05%-5.66%	3,965,000	3,308,276
2028-2041	3.06%	2.85%-3.25%	5.65%-6.38%	1,125,000	1,270,827
2044-2066	5.00%	4.70%-5.625%	4.70%-6.00%	2,960,000	1,860,000
Governmental Bonds (a)					
2017-2021	2.22%	1.55%-2.375%	1.55%-2.375%	99,700	99,700
2022-2030	3.98%	3.375%-5.875%	4.90%-5.875%	332,680	384,680
Securitization Bonds					
2018-2024	3.90%	2.04%-5.93%	2.04%-5.93%	669,310	784,340
Variable Interest Entities Notes Payable (Note 4)					
2016-2023	3.47%	2.62%-4.02%	1.38%-4.02%	555,000	570,600
Entergy Corporation Notes					
due January 2017	n/a	—	4.70%	—	500,000
due September 2020	n/a	5.125%	5.125%	450,000	450,000
due July 2022	n/a	4.00%	4.00%	650,000	650,000
due September 2026	n/a	2.95%	—	750,000	—
Note Payable to NYPA	—	—	(b)	—	34,259
5 Year Credit Facility (Note 4)	n/a	2.23%	1.98%	700,000	835,000
Long-term DOE Obligation (c)	—	—	—	181,853	181,378
Waterford 3 Lease Obligation (d)	n/a	8.09%	7.45%	57,492	108,965
Waterford Series Collateral Trust Mortgage Notes due 2017 (d)	n/a	(e)	—	42,703	—
Grand Gulf Lease Obligation (d)	n/a	5.13%	5.13%	34,359	34,361
Vermont Yankee Credit Facility (Note 4)	n/a	2.17%	2.08%	44,500	12,000
Unamortized Premium and Discount - Net				(19,397)	(12,067)
Unamortized Debt Issuance Costs				(128,849)	(110,349)
Other				13,204	13,960
Total Long-Term Debt				14,832,555	13,325,930
Less Amount Due Within One Year				364,900	214,374
Long-Term Debt Excluding Amount Due Within One Year				$14,467,655	$13,111,556
Fair Value of Long-Term Debt (f)				$14,815,535	$13,578,511

(a) Consists of pollution control revenue bonds and environmental revenue bonds, some of which are secured by collateral first mortgage bonds.
(b) These notes do not have a stated interest rate, but have an implicit interest rate of 4.8%.
(c) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.
(d) See Note 10 to the financial statements for further discussion of the Waterford 3 lease obligation and Entergy Louisiana's acquisition of the equity participant's beneficial interest in the Waterford 3 leased assets and for further discussion of the Grand Gulf lease obligation.
(e) This note does not have a stated interest rate, but has an implicit interest rate of 7.458%.
(f) The fair value excludes lease obligations of $57 million at Entergy Louisiana and $34 million at System Energy, and long-term DOE obligations of $182 million at Entergy Arkansas, and includes debt due within one year. Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 15 to the financial statements and are based on prices derived from inputs such as benchmark yields and reported trades.

The annual long-term debt maturities (excluding lease obligations and long-term DOE obligations) for debt outstanding as of December 31, 2016, for the next five years are as follows:

	Amount
	(In Thousands)
2017	$307,403
2018	$828,084
2019	$724,899
2020	$795,000
2021	$1,674,548

In November 2000, Entergy's non-utility nuclear business purchased the FitzPatrick and Indian Point 3 power plants in a seller-financed transaction. As part of the purchase agreement with NYPA, Entergy recorded a liability representing the net present value of the payments Entergy would be liable to NYPA for each year that the FitzPatrick and Indian Point 3 power plants would run beyond their respective original NRC license expiration date. In October 2015, Entergy announced a planned shutdown of FitzPatrick at the end of its fuel cycle. As a result of the announcement, Entergy reduced this liability by $26.4 million pursuant to the terms of the purchase agreement. In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust funds and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. As part of the trust transfer agreement, the original decommissioning agreements were amended, and the Entergy subsidiaries' obligation to make additional license extension payments to NYPA was eliminated. In the third quarter 2016, Entergy removed the note payable of $35.1 million from the consolidated balance sheet.

Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through October 2017. Entergy Arkansas has obtained long-term financing authorization from the APSC that extends through December 2018. Entergy New Orleans has obtained long-term financing authorization from the City Council that extends through June 2018.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf;

- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under a supplement to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

Entergy Arkansas Securitization Bonds

In June 2010 the APSC issued a financing order authorizing the issuance of bonds to recover Entergy Arkansas's January 2009 ice storm damage restoration costs, including carrying costs of $11.5 million and $4.6 million of up-front financing costs. In August 2010, Entergy Arkansas Restoration Funding, LLC, a company wholly-owned and consolidated by Entergy Arkansas, issued $124.1 million of storm cost recovery bonds. The bonds have a coupon of 2.30%. Although the principal amount is not due until the date given in the tables above, Entergy Arkansas Restoration Funding expects to make principal payments on the bonds over the next four years in the amount of $13.8 million for 2017, $14.1 million for 2018, $14.4 million for 2019, and $7.3 million for 2020. 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. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy Arkansas balance sheet. The creditors of Entergy Arkansas do not have recourse to the assets or revenues of Entergy Arkansas Restoration Funding, including the storm recovery property, and the creditors of Entergy Arkansas Restoration Funding do not have recourse to the assets or revenues of Entergy Arkansas. Entergy Arkansas has no payment obligations to Entergy Arkansas Restoration Funding except to remit storm recovery charge collections.

Entergy Louisiana Securitization Bonds – Little Gypsy

In August 2011 the LPSC issued a financing order authorizing the issuance of bonds to recover Entergy Louisiana's investment recovery costs associated with the canceled Little Gypsy repowering project. In September 2011, Entergy Louisiana Investment Recovery Funding I, L.L.C., a company wholly-owned and consolidated by Entergy Louisiana, issued $207.2 million of senior secured investment recovery bonds. The bonds have an interest rate of 2.04%. Although the principal amount is not due until the date given in the tables above, Entergy Louisiana Investment Recovery Funding expects to make principal payments on the bonds over the next five years in the amounts of $21.7 million for 2017, $22.3 million for 2018, $22.7 million for 2019, $23.2 million for 2020, and $11 million for 2021. 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. In accordance with the financing order, Entergy Louisiana will apply the proceeds it received from the sale of the investment recovery property as a reimbursement for previously-incurred investment recovery costs. The investment recovery property is reflected as a regulatory asset on the consolidated Entergy Louisiana balance sheet. The creditors of Entergy Louisiana do not have recourse to the assets or revenues of Entergy Louisiana Investment Recovery Funding, including the investment recovery property, and the creditors of Entergy Louisiana Investment Recovery Funding do not have recourse to the assets or revenues of Entergy Louisiana. Entergy Louisiana has no payment obligations to Entergy Louisiana Investment Recovery Funding except to remit investment recovery charge collections.

Entergy New Orleans Securitization Bonds - Hurricane Isaac

In May 2015 the City Council issued a financing order authorizing the issuance of securitization bonds to recover Entergy New Orleans's Hurricane Isaac storm restoration costs of $31.8 million, including carrying costs, the costs of funding and replenishing the storm recovery reserve in the amount of $63.9 million, and approximately $3 million of up-front financing costs associated with the securitization. In July 2015, Entergy New Orleans Storm Recovery Funding I, L.L.C., a company wholly owned and consolidated by Entergy New Orleans, issued $98.7 million of storm cost recovery bonds. The bonds have a coupon of 2.67%. Although the principal amount is not due until the date given in the tables above, Entergy New Orleans Storm Recovery Funding expects to make principal payments on the bonds over the next five years in the amounts of $10.6 million for 2017, $11 million for 2018, $11.2 million for 2019, $11.6 million for 2020, and $11.9 million for 2021.

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.

Entergy Texas Securitization Bonds - Hurricane Rita

In April 2007 the PUCT issued a financing order authorizing the issuance of securitization bonds to recover $353 million of Entergy Texas's Hurricane Rita reconstruction costs and up to $6 million of transaction costs, offset by $32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company that is now wholly-owned and consolidated by Entergy Texas, issued $329.5 million of senior secured transition bonds (securitization bonds) as follows:

	Amount
	(In Thousands)
Senior Secured Transition Bonds, Series A:	
Tranche A-1 (5.51%) due October 2013	$93,500
Tranche A-2 (5.79%) due October 2018	121,600
Tranche A-3 (5.93%) due June 2022	114,400
Total senior secured transition bonds	$329,500

Although the principal amount of each tranche is not due until the dates given above, Entergy Gulf States Reconstruction Funding expects to make principal payments on the bonds over the next five years in the amounts of $27.6 million for 2017, $29.2 million for 2018, $30.9 million for 2019, $32.8 million for 2020, and $17.5 million for 2021. Of the scheduled principal payments for 2017, $23.6 million are for Tranche A-2, and $4 million are for Tranche A-3. All of the scheduled principal payments for 2018-2021 are for Tranche A-3. Tranche A-1 has been paid.

With the proceeds, Entergy Gulf States Reconstruction Funding 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 Entergy Gulf States Reconstruction Funding, including the transition property, and the creditors of Entergy Gulf States Reconstruction Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Gulf States Reconstruction Funding except to remit transition charge collections.

Entergy Texas Securitization Bonds - Hurricane Ike and Hurricane Gustav

In September 2009 the PUCT authorized the issuance of securitization bonds to recover $566.4 million of Entergy Texas's Hurricane Ike and Hurricane Gustav restoration costs, plus carrying costs and transaction costs, offset by insurance proceeds. In November 2009, Entergy Texas Restoration Funding, LLC (Entergy Texas Restoration Funding), a company wholly-owned and consolidated by Entergy Texas, issued $545.9 million of senior secured transition bonds (securitization bonds), as follows:

	Amount
	(In Thousands)
Senior Secured Transition Bonds:	
Tranche A-1 (2.12%) due February 2016	$182,500
Tranche A-2 (3.65%) due August 2019	144,800
Tranche A-3 (4.38%) due November 2023	218,600
Total senior secured transition bonds	$545,900

Although the principal amount of each tranche is not due until the dates given above, Entergy Texas Restoration Funding expects to make principal payments on the bonds over the next five years in the amount of $44.1 million for 2017, $45.8 million for 2018, $47.6 million for 2019, $49.8 million for 2020, and $52 million for 2021. All of the scheduled principal payments for 2017 are for Tranche A-2, $30.8 million of the scheduled principal payments for 2018 are for Tranche A-2 and $15 million are for Tranche A-3. All of the scheduled principle payments for 2019-2021 are for Tranche A-3. Tranche A-1 has been paid.

With the proceeds, Entergy Texas Restoration Funding 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 Entergy Texas Restoration Funding, including the transition property, and the creditors of Entergy Texas Restoration Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Texas Restoration Funding except to remit transition charge collections.

NOTE 6. PREFERRED EQUITY

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and non-controlling interest for Entergy Corporation subsidiaries as of December 31, 2016 and 2015 are presented below. All series of the Utility preferred stock are redeemable at the option of the related company.

	Shares/Units Authorized		Shares/Units Outstanding			
	2016	2015	2016	2015	2016	2015
Entergy Corporation					(Dollars in Thousands)	
Utility:						
Preferred Stock or Preferred Membership Interests without sinking fund:						
Entergy Arkansas, 4.32%-6.45% Series	313,500	3,413,500	313,500	3,413,500	$31,350	$116,350
Entergy Utility Holding Company, LLC, 7.5% Series (a)	110,000	110,000	110,000	110,000	107,425	107,425
Entergy Mississippi, 4.36%-6.25% Series	203,807	1,403,807	203,807	1,403,807	20,381	50,381
Entergy New Orleans, 4.36%-5.56% Series	197,798	197,798	197,798	197,798	19,780	19,780
Total Utility Preferred Stock or Preferred Membership Interests without sinking fund	825,105	5,125,105	825,105	5,125,105	178,936	293,936
Entergy Wholesale Commodities:						
Preferred Stock without sinking fund:						
Entergy Finance Holding, Inc. 8.75% (b)	250,000	250,000	250,000	250,000	24,249	24,249
Total Subsidiaries' Preferred Stock without sinking fund	1,075,105	5,375,105	1,075,105	5,375,105	$203,185	$318,185

(a) Dollar amount outstanding is net of $2,575 thousand of preferred stock issuance costs.
(b) Dollar amount outstanding is net of $751 thousand of preferred stock issuance costs.

In October 2015, Entergy Utility Holding Company, LLC issued 110,000 shares of $1,000 par value 7.5% Series Preferred Membership Interests, all of which are outstanding as of December 31, 2016. The dividends are cumulative and payable quarterly. These units are redeemable on or after January 1, 2036, at Entergy Utility Holding Company, LLC's option, at the fixed redemption price of $1,000 per share.

In December 2013, Entergy Finance Holding, Inc. issued 250,000 shares of $100 par value 8.75% Series Preferred Stock, all of which are outstanding as of December 31, 2016. The dividends are cumulative and payable quarterly. The preferred stock is redeemable on or after December 16, 2023, at Entergy Finance Holding, Inc.'s option, at the fixed redemption price of $100 per share.

NOTE 7. COMMON EQUITY

Common Stock

Common stock and treasury stock shares activity for Entergy for 2016, 2015, and 2014 is as follows:

	2016		2015		2014	
	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares	Common Shares Issued	Treasury Shares
Beginning Balance, January 1	254,752,788	76,363,763	254,752,788	75,512,079	254,752,788	76,381,936
Repurchases	—	—	—	1,468,984	—	2,154,490
Issuances:						
Employee Stock-Based Compensation Plans	—	(729,073)	—	(610,409)	—	(3,019,475)
Directors' Plan	—	(11,327)	—	(6,891)	—	(4,872)
Ending Balance, December 31	254,752,788	75,623,363	254,752,788	76,363,763	254,752,788	75,512,079

Entergy Corporation reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), three Equity Ownership Plans of Entergy Corporation and Subsidiaries, and certain other stock benefit plans. The Directors' Plan awards to non-employee directors a portion of their compensation in the form of a fixed dollar value of shares of Entergy Corporation common stock.

In October 2010 the Board granted authority for a $500 million share repurchase program. As of December 31, 2016, $350 million of authority remains under the $500 million share repurchase program.

Dividends declared per common share were $3.42 in 2016, $3.34 in 2015, and $3.32 in 2014.

System Energy paid its parent, Entergy Corporation, distributions out of its common stock of $40 million in 2016 and $70 million in 2015.

Retained Earnings and Dividend Restrictions

Provisions within the articles of incorporation relating to preferred stock of each of Entergy Arkansas, Entergy Mississippi and Entergy New Orleans could restrict the payment of cash dividends or other distributions on their common and preferred equity if such payment were to occur when, or result in, a ratio of common stock equity to total capitalization of 25% or less. Entergy Corporation received dividend payments and distributions from subsidiaries totaling $165 million in 2016, $615 million in 2015, and $893 million in 2014.

Comprehensive Income

Accumulated other comprehensive income (loss) is included in the equity section of the balance sheets of Entergy and Entergy Louisiana. The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the year ended December 31, 2016 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
			(In Thousands)		
Beginning balance, January 1, 2016	$105,970	($466,604)	$367,557	$2,028	$8,951
Other comprehensive income (loss) before reclassifications	87,740	(26,997)	68,465	(1,280)	127,928
Amounts reclassified from accumulated other comprehensive income (loss)	(189,717)	24,155	(6,288)	—	(171,850)
Net other comprehensive income (loss) for the period	(101,977)	(2,842)	62,177	(1,280)	(43,922)
Ending balance, December 31, 2016	$3,993	($469,446)	$429,734	$748	($34,971)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the year ended December 31, 2015 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
			(In Thousands)		
Beginning balance, January 1, 2015	$98,118	($569,789)	$426,695	$2,669	($42,307)
Other comprehensive income (loss) before reclassifications	(151,740)	71,054	(34,186)	(641)	(115,513)
Amounts reclassified from accumulated other comprehensive income (loss)	159,592	32,131	(24,952)	—	166,771
Net other comprehensive income (loss) for the period	7,852	103,185	(59,138)	(641)	51,258
Ending balance, December 31, 2015	$105,970	($466,604)	$367,557	$2,028	$8,951

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the years ended December 31, 2016 and 2015 are as follows:

	Amounts reclassified from AOCI		Income Statement Location
	2016	2015	
	(In Thousands)		
Cash flow hedges net unrealized gain (loss)			
Power contracts	$293,268	($243,555)	Competitive business operating revenues
Interest rate swaps	(1,395)	(1,971)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	291,873	(245,526)	
	(102,156)	85,934	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	$189,717	($159,592)	
Pension and other postretirement liabilities			
Amortization of prior-service costs	$29,414	$23,920	(a)
Acceleration of prior-service cost due to curtailment	(1,045)	(374)	(a)
Amortization of loss	(60,693)	(70,296)	(a)
Settlement loss	(2,007)	(1,401)	(a)
Total amortization	(34,331)	(48,151)	
	10,176	16,020	Income taxes
Total amortization (net of tax)	($24,155)	($32,131)	
Net unrealized investment gain (loss)			
Realized gain (loss)	$12,329	$48,926	Interest and investment income
	(6,041)	(23,974)	Income taxes
Total realized investment gain (loss) (net of tax)	$6,288	$24,952	
Total reclassifications for the period (net of tax)	$171,850	($166,771)	

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 11 to the financial statements for additional

NOTE 8. COMMITMENTS AND CONTINGENCIES

Entergy is involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material effect on Entergy's results of operations, cash flows, or financial condition. Entergy discusses regulatory proceedings in Note 2 to the financial statements and discusses tax proceedings in Note 3 to the financial statements.

Vidalia Purchased Power Agreement

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately $158.7 million in 2016, $146 million in 2015, and $152.8 million in 2014. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately $129 million in 2017, and a total of $1.81 billion for the years 2018 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by $11 million each year for up to 10 years, beginning in October 2002. In October 2011 the LPSC approved a settlement under which Entergy Louisiana agreed to provide credits to customers by crediting billings an additional $20.235 million per year for 15 years beginning January 2012. Entergy Louisiana recorded a regulatory charge and a corresponding regulatory liability to reflect this obligation.

ANO Damage, Outage, and NRC Reviews

In March 2013, during a scheduled refueling outage at ANO 1, a contractor-owned and operated heavy-lifting apparatus collapsed while moving the generator stator out of the turbine building. The collapse resulted in the death of an ironworker and injuries to several other contract workers, caused ANO 2 to shut down, and damaged the ANO turbine building. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately $95 million. Entergy Arkansas is pursuing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. During 2014, Entergy Arkansas collected $50 million from Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants. Litigation remains pending.

In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC approved Entergy Arkansas's request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

Shortly after the stator incident, the NRC deployed an augmented inspection team to review the plant's response. In July 2013 a second team of NRC inspectors visited ANO to evaluate certain items that were identified as requiring follow-up inspection to determine whether performance deficiencies existed. In March 2014 the NRC issued an inspection report on the follow-up inspection that discussed two preliminary findings, one that was preliminarily determined to be "red with high safety significance" for Unit 1 and one that was preliminarily determined to be "yellow with substantial safety significance" for Unit 2, with the NRC indicating further that these preliminary findings may warrant additional regulatory oversight. This report also noted that one additional item related to flood barrier effectiveness was still under review.

In March 2015, after several NRC inspections and regulatory conferences, the NRC issued a letter notifying Entergy of its decision to move ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site's root cause evaluation associated with flood barrier effectiveness and stator issues, an assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Entergy Arkansas incurred incremental costs of approximately $53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas also incurred approximately $44 million in 2016 in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expense is expected to be ongoing annually after 2016, until ANO transitions out of Column 4.

The NRC completed the supplemental inspection required for ANO's Column 4 designation in February 2016, and published its inspection report in June 2016. In its inspection report, the NRC concluded that the ANO site is being operated safely and that Entergy understands the depth and breadth of performance concerns associated with ANO's performance decline. Also in June 2016, the NRC issued a confirmatory action letter to confirm the actions Entergy Arkansas has taken and will continue to take to improve performance at ANO. The NRC will verify the completion of those actions through quarterly follow-up inspections, the results of which will determine when ANO should transition out of Column 4.

Pilgrim NRC Oversight and Planned Shutdown

In September 2015 the NRC placed Pilgrim in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim's corrective action program that contributed to repeated unscheduled shutdowns and equipment failures. The preliminary estimate of direct costs of Pilgrim's response to a planned NRC enhanced inspection ranges from $45 million to $60 million, of which $28.6 million was incurred in 2016 in operation and maintenance expense. The estimate does not include potential capital expenditures, which will be charged directly to expense when incurred, or other costs to address issues that may arise in the inspection.

Entergy determined in October 2015 that it would close Pilgrim no later than June 1, 2019 because of poor market conditions that led to reduced revenues, a poor market design that failed to properly compensate nuclear generators for the benefits they provide, and increased operational costs. The decision came after management's extensive analysis of the economics and operating life of the plant following the NRC's decision to place the plant in Column 4. Entergy determined in April 2016 that it intends to refuel Pilgrim in 2017 and then cease operations May 31, 2019. Pilgrim currently has approximately 677 MW of Capacity Supply Obligations in ISO New England through May 2019.

See Note 14 to the financial statements for discussion of the impairment of the Pilgrim plant and related long-lived assets.

Spent Nuclear Fuel Litigation

Under the Nuclear Waste Policy Act of 1982, the DOE is required, for a specified fee, to construct storage facilities for, and to dispose of, all spent nuclear fuel and other high-level radioactive waste generated by domestic nuclear power reactors. Entergy's nuclear owner/licensee subsidiaries have been charged fees for the estimated future disposal costs of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The affected Entergy companies entered into contracts with the DOE, whereby the DOE is to furnish disposal services at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a one-time fee for generation prior to that date. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made in applications to regulatory authorities for the Utility plants. Following the defunding of the Yucca Mountain spent fuel repository program, the National Association of Regulatory Utility Commissioners and others sued the government seeking cessation of collection of the one mill per net kWh generated and sold after April 7, 1983 fee. In November 2013 the D.C. Circuit Court of Appeals ordered the DOE to submit a proposal to Congress to reset the fee to zero until the DOE complies with the Nuclear Waste Policy Act or Congress enacts an alternative waste disposal plan. In January 2014 the DOE submitted the proposal to Congress under protest, and also filed a petition for rehearing with the D.C. Circuit. The petition for rehearing was denied. The zero spent fuel fee went into effect prospectively in May 2014. Management cannot predict the potential timing or magnitude of future spent fuel fee revisions that may occur.

Because the DOE has not begun accepting spent fuel, it is in non-compliance with the Nuclear Waste Policy Act of 1982 and has breached its spent fuel disposal contracts. As a result of the DOE's failure to begin disposal of spent nuclear fuel in 1998 pursuant to the Nuclear Waste Policy Act of 1982 and the spent fuel disposal contracts, Entergy's nuclear owner/licensee subsidiaries have incurred and will continue to incur damages. Beginning in November 2003 these subsidiaries have pursued litigation to recover the damages caused by the DOE's delay in performance. Following are details of final judgments recorded by Entergy in 2016 related to Entergy's nuclear owner licensee subsidiaries' litigation with the DOE.

In December 2015 the U.S. Court of Federal Claims issued a judgment in the amount of $81 million in favor of Entergy Nuclear Indian Point 3 and Entergy Nuclear FitzPatrick in the first round Indian Point 3/FitzPatrick damages case, and Entergy received the payment from the U.S. Treasury in June 2016. The effect of recording the Indian Point 3 proceeds was a reduction to plant, other operation and maintenance expense, and depreciation expense. The Indian Point 3 damages awarded included $45 million related to costs previously capitalized and $2 million related to costs previously recorded as other operation and maintenance expense. Of the $45 million, Entergy recorded $8 million as a reduction to previously-recorded depreciation expense. Entergy reduced its Indian Point 3 plant asset balance by the remaining $37 million. The effect of recording the FitzPatrick proceeds was a reduction to plant and other operation and maintenance expense. The FitzPatrick damages awarded included $32 million related to costs previously capitalized and $2 million related to costs previously recorded as other operation and maintenance expense. Of the $32 million, Entergy recorded $1 million as a reduction to previously-recorded depreciation expense, a $10 million reduction to bring its remaining FitzPatrick plant asset balance to zero, and the excess was recorded as a reduction to other operations and maintenance expense. See Note 14 for further discussion on the fair value analysis performed for FitzPatrick and the related impairment charge.

In April 2016 the U.S. Court of Federal Claims issued a partial judgment in the amount of $42 million in favor of Entergy Louisiana and against the DOE in the first round River Bend damages case. Entergy Louisiana received payment from the U.S. Treasury in August 2016. The effects of recording the final judgment in the third quarter 2016 were reductions to plant, nuclear fuel expense, other operation and maintenance expense, and depreciation expense. The River Bend damages awarded included $17 million related to costs previously capitalized, $23 million related to costs previously recorded as nuclear fuel expense, and $2 million related to costs previously recorded as other operation and maintenance expense. Of the $17 million, Entergy Louisiana recorded $3 million as a reduction to previously-recorded depreciation expense. Entergy Louisiana reduced its River Bend plant asset balance by the remaining $14 million. In September 2016 the U.S. Court of Federal Claims issued a further judgment in the River Bend case in the amount of $5 million. Entergy Louisiana recorded a receivable for that amount, and subsequently received payment from the U.S. Treasury in January 2017. The River Bend damages awarded included $2 million related to costs previously recorded as nuclear fuel expense and $3 million related to costs previously recorded as other operation and maintenance expense.

In May 2016, Entergy Nuclear Vermont Yankee and the DOE entered into a stipulation agreement and the U.S. Court of Federal Claims issued a judgment in the amount of $19 million in favor of Entergy Nuclear Vermont Yankee and against the DOE in the second round Vermont Yankee damages case. Entergy received payment from the U.S. Treasury in June 2016. The effect of recording the proceeds was a reduction to other operation and maintenance expense and depreciation expense. The damages awarded included $15 million related to costs previously capitalized and $4 million related to costs previously recorded as other operation and maintenance expense. Of the $15 million, Entergy recorded $2 million as a reduction to previously-recorded depreciation expense. The remaining $13 million would have been recorded as a reduction to Vermont Yankee's plant asset balance, but was recorded as a reduction to other operation and maintenance expense because Vermont Yankee's plant asset balance is fully impaired.

In June 2016 the U.S. Court of Federal Claims issued a final judgment in the amount of $49 million in favor of System Energy and against the DOE in the second round Grand Gulf damages case. System Energy received payment from the U.S. Treasury in August 2016. The effects of recording the judgment in the third quarter 2016 were reductions to plant, nuclear fuel expense, other operation and maintenance expense, and depreciation expense. The amounts of Grand Gulf damages awarded related to System Energy's 90% ownership of Grand Gulf included $16 million related to costs previously capitalized, $19 million related to costs previously recorded as nuclear fuel expense, and $9 million related to costs previously recorded as other operation and maintenance expense. Of the $16 million, System Energy recorded $5 million as a reduction to previously-recorded depreciation expense. System Energy reduced its Grand Gulf plant asset balance by the remaining $11 million.

In July 2016 the U.S. Court of Federal Claims issued a final judgment in the amount of $31 million in favor of Entergy Arkansas and against the DOE in the second round ANO damages case. Entergy Arkansas received payment from the U.S. Treasury in October 2016. The effects of recording the judgment were reductions to plant, nuclear fuel expense, and other operation and maintenance expense. The ANO damages awarded included $6 million related to costs previously capitalized, $19 million related to costs previously recorded as nuclear fuel expense, $5 million related to costs previously recorded as other operation and maintenance expense, and $1 million related to costs previously recorded as taxes other than income taxes.

In August 2016 the U.S. Court of Federal Claims issued a partial judgment in the amount of $53 million in favor of Entergy Louisiana and against the DOE in the first round Waterford 3 damages case. Entergy Louisiana received payment from the U.S. Treasury in November 2016. The effects of recording the judgment were reductions to plant, nuclear fuel expense, other operation and maintenance expense, and depreciation expense. The Waterford 3 damages awarded included $41 million related to costs previously capitalized, $10 million related to costs previously recorded as nuclear fuel expense, and $2 million related to costs previously recorded as other operation and maintenance expense. Of the $41 million, Entergy Louisiana recorded $3 million as a reduction to previously-recorded depreciation expense.

In September 2016 the U.S. Court of Federal Claims issued a judgment in the Entergy Nuclear Palisades case in the amount of $14 million. Entergy Nuclear Palisades recorded a receivable for that amount, and subsequently received payment from the U.S. Treasury in January 2017. The effects of recording the judgment were reductions to plant and other operation and maintenance expenses. The Palisades damages awarded included $11 million related to costs previously capitalized and $3 million related to costs previously recorded as other operation and maintenance expense. Of the $11 million, Entergy recorded $1 million as a reduction to previously-recorded depreciation expense. Entergy reduced its Palisades plant asset balance by the remaining $10 million. The Court previously issued a partial judgment in the case in the amount of $21 million, which was paid by the U.S. Treasury in October 2015.

In October 2016 the U.S. Court of Federal Claims issued a judgment in the second round Entergy Nuclear Indian Point 2 case in the amount of $34 million. Entergy Nuclear Indian Point 2 recorded a receivable for that amount, and subsequently received payment from the U.S. Treasury in January 2017. The effects of recording the judgment were reductions to plant and other operation and maintenance expenses. The Indian Point 2 damages awarded included $14 million related to costs previously capitalized, $15 million related to costs previously recorded as other operation and maintenance expense, $3 million related to previously recorded decommissioning expense, and $2 million related to costs previously recorded as taxes other than income taxes. Of the $14 million, Entergy recorded $3 million as a reduction to previously-recorded depreciation expense. Entergy reduced its Indian Point 2 plant asset balance by the remaining $11 million.

Management cannot predict the timing or amount of any potential recoveries on other claims filed by Entergy subsidiaries, and cannot predict the timing of any eventual receipt from the DOE of the U.S. Court of Federal Claims damage awards.

Nuclear Insurance

Third Party Liability Insurance

The Price-Anderson Act requires that reactor licensees purchase insurance and participate in a secondary insurance pool that provides insurance coverage for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two layers of coverage:

1. The primary level is private insurance underwritten by American Nuclear Insurers (ANI) and provides public liability insurance coverage of $450 million for each operating reactor (prior to January 1, 2017, the

primary level of insurance was $375 million). If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies. In 2016 the NRC approved Vermont Yankee's exemption request to lower their limits from $375 million to $100 million effective April 15, 2016.

2. Within the Secondary Financial Protection level, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident or fault, up to a maximum of approximately $127.3 million per reactor per incident (Entergy's maximum total contingent obligation per incident is $1.273 billion). This retrospective premium is payable at a rate currently set at approximately $19 million per year per incident per nuclear power reactor.
3. In the event that one or more acts of terrorism cause a nuclear power plant accident, which results in third-party damages – off-site property and environmental damage, off-site bodily injury, and on-site third-party bodily injury (i.e. contractors), the primary level provided by ANI combined with the Secondary Financial Protection would provide approximately $13 billion in coverage. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to $100 billion in coverage in excess of existing coverage for a terrorist event. Under current law, the Terrorism Risk Insurance Act extends through 2020.

Currently, 102 nuclear reactors are participating in the Secondary Financial Protection program. Effective April 15, 2016 the NRC granted Vermont Yankee's exemption request and it was allowed to withdraw from participation in this layer of financial protection. The Secondary Financial Protection program provides approximately $13 billion in secondary layer insurance coverage to compensate the public in the event of a nuclear power reactor accident. The Price-Anderson Act provides that all potential liability for a nuclear accident is limited to the amounts of insurance coverage available under the primary and secondary layers.

Entergy Arkansas and Entergy Louisiana each have two licensed reactors. System Energy has one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (Cooperative Energy) that would share on a pro-rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). The Entergy Wholesale Commodities segment includes the ownership, operation, and decommissioning of nuclear power reactors and the ownership of the shutdown Indian Point 1 reactor and Big Rock Point facility.

Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of NEIL, a mutual insurance company that provides property damage coverage, including decontamination and premature decommissioning expense, to the members' nuclear generating plants. The property damage insurance limits procured by Entergy for its Utility plants and Entergy Wholesale Commodity plants are in compliance with the financial protection requirements of the NRC.

As of December 31, 2016, the Utility plants (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3) had property damage insurance limits as follows: $1.5 billion per occurrence at each plant with an additional $100 million per occurrence that is shared among the plants. Property damage from flood, earthquake, and volcanic eruption is excluded from the first $500 million in coverage for ANO 1 and 2 and Grand Gulf. Property damage from earthquake and volcanic eruption is excluded from the first $500 million in coverage for River Bend and Waterford 3.

As of December 31, 2016, the Entergy Wholesale Commodities' plants (FitzPatrick, Pilgrim, Palisades, Indian Point, Vermont Yankee, and Big Rock Point) had property damage insurance limits as follows: Vermont Yankee - $50 million per occurrence; Big Rock Point - $500 million per occurrence; FitzPatrick, Pilgrim, and Palisades - $1.115 billion per occurrence (FitzPatrick and Pilgrim's coverage for non-nuclear, non-radiological property damage is limited to $500 million per occurrence); and Indian Point - $1.5 billion per occurrence (Indian Point has additional coverage of $100 million per occurrence, which brings its total insurance to $1.6 billion). Property damage from flood, earthquake, and volcanic eruption is excluded from the first $500 million in coverage for FitzPatrick and Pilgrim. Property damage from earthquake and volcanic eruption is excluded from the first $500 million in coverage for Indian Point.

In addition, Waterford 3, Grand Gulf, and the Entergy Wholesale Commodities plants, with the exception of Vermont Yankee, are also covered under NEIL's Accidental Outage Coverage program. Accidental outage coverage provides indemnification for the actual cost incurred in the event of an unplanned outage resulting from property damage covered under the NEIL Primary Property Insurance policy, subject to a deductible period. The indemnification for the actual cost incurred is based on market power prices at the time of the loss. For non-nuclear events, the maximum indemnity, under this policy, is limited to $327.6 million per occurrence. After the deductible period has passed, weekly indemnities for an unplanned outage, covered under NEIL's Accidental Outage Coverage program, would be paid according to the amounts listed below:

- 100% of the weekly indemnity for each week for the first payment period of 52 weeks; then
- 80% of the weekly indemnity for each week for the second payment period of 52 weeks; and thereafter
- 80% of the weekly indemnity for an additional 58 weeks for the third and final payment period.

Under the property damage and accidental outage insurance programs, all NEIL insured plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. Effective April 1, 2016, the maximum amounts of such possible assessments per occurrence were as follows:

	Assessments
	(In Millions)
Utility:	
Entergy Arkansas	$53.6
Entergy Louisiana	$56.1
Entergy Mississippi	$0.10
Entergy New Orleans	$0.10
Entergy Texas	N/A
System Energy	$25.3
Entergy Wholesale Commodities	$—

Potential assessments for the Entergy Wholesale Commodities plants are covered by insurance obtained through NEIL's reinsurers.

NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate of $3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses.

Conventional Property Insurance

Entergy's conventional property insurance program provides coverage on a system-wide basis for Entergy's non-nuclear assets. The insurance program provides coverage up to $400 million for all perils on a per occurrence, "each and every loss" basis in excess of a $20 million self-insured retention with the exception of the following perils: earthquake shock, flood, and Named Windstorm (including associated storm surge). For the perils of earthquake shock and flood, the insurance program provides coverage up to $400 million on an annual aggregate basis in excess of a $40 million self-insured retention, and for the peril of a Named Windstorm (including associated storm surge), the insurance program provides coverage up to $125 million on an annual aggregate basis in excess of a $40 million self-insured retention. The coverage provided by the insurance program for the Entergy New Orleans gas distribution system is limited to $50 million per occurrence and is subject to the same annual aggregate limits and retentions listed above for the perils of earthquake shock, flood, and Named Windstorm (including associated storm surge).

Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes transmission and distribution lines, poles, and towers for substations valued at $5 million or less, coverage for named windstorm and associated storm surge is excluded. This coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries, including the owners of the nuclear power plants in the Entergy Wholesale Commodities segment. Entergy also purchases $300 million in terrorism insurance coverage for its conventional property. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to $100 billion in coverage in excess of existing coverage for a terrorist event. As discussed above, the Terrorism Risk Insurance Reauthorization Act of 2007 expired on December 31, 2014. However, The Terrorism Risk Insurance Reauthorization Act of 2015 was signed into law by the President of the United States on January 12, 2015 thereby extending the Terrorism Risk Insurance Act for six years until December 31, 2020.

In addition to the conventional property insurance program, Entergy has purchased additional coverage ($20 million per occurrence) for some of its non-regulated, non-generation assets. This policy serves to buy-down the $20 million deductible and is placed on a scheduled location basis. The applicable deductibles are generally $100,000 to $250,000 for the locations scheduled in the policy, with the following exceptions: 1) locations where damage is caused by a Named Windstorm (including associated storm surge) and locations with values in excess of $20 million are subject to a $500,000 deductible; and 2) three scheduled locations at two nuclear sites are subject to a $2.5 million deductible, which coincides with the nuclear property insurance deductible at each of the respective nuclear sites.

Gas System Rebuild Insurance Proceeds (Entergy New Orleans)

Entergy New Orleans received insurance proceeds in 2007 for future construction expenditures associated with rebuilding its gas system, and the October 2006 City Council resolution approving the settlement of Entergy New Orleans's rate and storm-cost recovery filings requires Entergy New Orleans to record those proceeds in a designated sub-account of other deferred credits until the proceeds are spent on the rebuild project. This other deferred credit is shown as "Gas system rebuild insurance proceeds" on Entergy New Orleans's balance sheet.

Employment and Labor-related Proceedings

The Registrant Subsidiaries and other Entergy subsidiaries 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 third parties not selected for open positions or providing services directly or indirectly to one or more of the Registrant Subsidiaries and other Entergy subsidiaries. Generally, the amount of damages being sought is not specified in these proceedings. These actions 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 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.

NOTE 9. ASSET RETIREMENT OBLIGATIONS

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 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 recovered in rates:

	December 31,	
	2016	**2015**
	(In Millions)	
Entergy Arkansas	$128.5	$85.7
Entergy Louisiana	($53.9)	($68.3)
Entergy Mississippi	$82.0	$77.5
Entergy New Orleans	$40.1	$29.4
Entergy Texas	$33.5	$25.8
System Energy	$69.7	$54.8

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2016 and 2015 by Entergy were as follows:

	Liabilities as of December 31, 2015	Liabilities Incurred		Accretion	Change in Cash Flow Estimate	Spending	Liabilities as of December 31, 2016 (a)
				(In Millions)			
Utility:							
Entergy Arkansas	$872.3	$—		$53.6	$—	($1.5)	$924.4
Entergy Louisiana	$1,027.9	$—		$54.8	$—	$—	$1,082.7
Entergy Mississippi	$8.3	$—		$0.4	$—	$—	$8.7
Entergy New Orleans	$2.7	$—		$0.2	$—	$—	$2.9
Entergy Texas	$6.1	$—		$0.4	$—	$—	$6.5
System Energy	$803.4	$—		$50.8	$—	$—	$854.2
Entergy Wholesale Commodities:							
Big Rock Point	$28.0	$—		$2.2	$10.1	($2.4)	$37.9
FitzPatrick	$—	$696.2	(b)	$18.1	$—	$—	$714.3
Indian Point 1	$197.9	$—		$17.1	($0.3)	($7.1)	$207.6
Indian Point 2	$390.1	$—		$33.0	$230.0	$—	$653.1
Indian Point 3	$—	$466.3	(b)	$12.1	$162.7	$—	$641.1
Palisades	$342.0	$—		$29.5	$128.8	$—	$500.3
Pilgrim	$551.2	$—		$48.4	$3.2	($0.5)	$602.3
Vermont Yankee	$560.0	$—		$39.3	$—	($128.8)	$470.5
Other (c)	$0.3	$—		$—	$—	$—	$0.3

	Liabilities as of December 31, 2014	Liabilities Incurred		Accretion	Change in Cash Flow Estimate	Spending	Liabilities as of December 31, 2015
				(In Millions)			
Utility:							
Entergy Arkansas	$818.4	$3.5	(c)	$50.4	$—	$—	$872.3
Entergy Louisiana	$950.3	$1.9	(c)	$51.0	$24.7	$—	$1,027.9
Entergy Mississippi	$6.8	$1.1	(c)	$0.4	$—	$—	$8.3
Entergy New Orleans	$2.5	$—		$0.2	$—	$—	$2.7
Entergy Texas	$4.6	$1.4	(c)	$0.3	($0.2)	$—	$6.1
System Energy	$757.9	$—		$48.0	($2.5)	$—	$803.4
Entergy Wholesale Commodities:							
Big Rock Point	$27.8	$—		$2.2	$—	($2.0)	$28.0
Indian Point 1	$188.9	$—		$16.3	$—	($7.3)	$197.9
Indian Point 2	$359.7	$—		$30.4	$—	$—	$390.1
Palisades	$352.0	$—		$25.2	($35.2)	$—	$342.0
Pilgrim	$383.1	$—		$33.3	$134.8	$—	$551.2
Vermont Yankee	$606.3	$—		$46.1	$—	($92.4)	$560.0
Other (c)	$—	$—		$0.3	$—	$—	$0.3

(a) Entergy Wholesale Commodities includes $714.3 million of asset retirement obligation for FitzPatrick which is classified as held for sale within other non-current liabilities on the consolidated balance sheet.

See Note 14 to the financial statements for discussion of the agreement to sell the FitzPatrick plant to Exelon.

(b) See "**Entergy Wholesale Commodities**" in "**Nuclear Plant Decommissioning**" below for additional discussion regarding the decommissioning agreements with NYPA and the associated asset retirement obligations.

(c) See "**Coal Combustion Residuals**" below for additional discussion regarding the asset retirement obligations related to coal combustion residuals management.

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. As described below, during 2016 and 2015, Entergy updated decommissioning cost estimates for certain nuclear power plants.

Utility

In the fourth quarter 2015, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for Waterford 3 as a result of a revised decommissioning cost study. The revised estimate resulted in a $24.9 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining life of the unit.

In the fourth quarter 2015, System Energy recorded a revision to its estimated decommissioning cost liability for Grand Gulf as a result of a revised decommissioning cost study. The revised estimate resulted in a $2.5 million reduction in its decommissioning cost liability, along with a corresponding reduction in the related asset retirement cost asset that will be depreciated over the remaining life of the unit.

Entergy Wholesale Commodities

In August 2013 the Board approved a plan to close and decommission Vermont Yankee at the end of 2014. As a result of the settlement agreement entered into by Entergy and the state of Vermont, Entergy reassessed its assumptions regarding the timing of cash flows. Entergy Vermont Yankee provided to the Vermont parties, in 2014, a site assessment study of the costs and tasks of radiological decommissioning, spent nuclear fuel management, and site restoration for Vermont Yankee. Entergy Vermont Yankee filed its Post-Shutdown Decommissioning Activities Report (PSDAR) for Vermont Yankee with the NRC in December 2014. As part of the development of the site assessment study and PSDAR, Entergy obtained a revised decommissioning cost study in the third quarter 2014. The revised estimate, along with reassessment of the assumptions regarding the timing of decommissioning cash flows, resulted in a $101.6 million increase in the decommissioning cost liability and a corresponding impairment charge, recorded in September 2014.

Vermont Yankee submitted notification of permanent cessation of operations and permanent removal of fuel from the reactor in January 2015 after final shutdown in December 2014. Vermont Yankee's future certifications to satisfy the NRC's financial assurance requirements will now be based on the site specific cost estimate, including the estimated cost of managing spent fuel, rather than the NRC minimum formula for estimating decommissioning costs. Filings with the NRC for planned shutdown activities will determine whether any other financial assurance may be required and will specifically address funding for spent fuel management, which will be required until the federal government takes possession of the fuel and removes it from the site, per its current obligation.

Entergy expects that amounts available in Vermont Yankee's decommissioning trust fund, including expected earnings, together with the credit facilities entered into in January 2015 that are expected to be repaid with recoveries from DOE litigation related to spent fuel storage, will be sufficient to cover Vermont Yankee's expected costs of decommissioning, spent fuel management costs, and site restoration. In June 2015 the NRC staff issued an exemption from its regulations to allow Vermont Yankee to use its decommissioning trust fund to pay for approximately $225 million of estimated future spent fuel management costs that will not be paid for using funds from the credit facilities. In August 2015, Vermont and two Vermont utilities filed a petition in the U.S. Court of Appeals for the D.C. Circuit challenging the NRC's issuance of that exemption. In February 2016 the court dismissed the petition as premature because Vermont and the utilities had requested the NRC to reconsider a number of issues related to Vermont Yankee's use of the decommissioning trust fund including its use to pay for spent fuel management expenses pursuant to the exemption granted in June 2015. In October 2016 the NRC denied Vermont's and the utilities' request for a hearing and other relief but directed the NRC staff to conduct an assessment of any environmental impacts associated with the exemption.

In the second quarter 2015, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Palisades as a result of a revised decommissioning cost study. The revised estimate resulted in a $77.6 million reduction in the decommissioning cost liability, along with a corresponding reduction in the related asset retirement cost asset.

In the fourth quarter 2015, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Palisades as a result of a revised decommissioning cost study. The revised estimate resulted in a $42.4 million increase in the decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset. The increase in the estimated decommissioning cost liability resulted from the change in expectation regarding the timing of decommissioning cash flows. The asset retirement cost asset was included in the Palisades carrying value that was written down to fair value in the fourth quarter 2015.

In the fourth quarter 2016, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Palisades as a result of a revised decommissioning cost study. The revised estimate resulted in a $129 million increase in the decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset. The increase in the estimated decommissioning cost liability resulted from the change in expectation regarding the timing of decommissioning cash flows due to the decision to cease operations of the plant on October 1, 2018, subject to regulatory approval. The asset retirement cost asset was included in the Palisades carrying value that was written down to fair value in the fourth quarter 2016. See Note 14 to the financial statements for discussion of the impairment of the value and planned shutdown of the Palisades plant.

In the third quarter 2015, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liability for Pilgrim as a result of a revised decommissioning cost study. The revised estimate resulted in a $134 million increase in the decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset. The increase in the estimated decommissioning cost liability resulted from the change in expectation regarding the timing of decommissioning cash flows due to the decision to cease operations of the plant no later than June 2019. The asset retirement cost asset was included in the Pilgrim carrying value that was written down to fair value in the third quarter 2015. See Note 14 to the financial statements for discussion of the impairment of the value and planned shutdown of the Pilgrim plant.

For the Indian Point 3 and FitzPatrick plants purchased in 2000 from NYPA, NYPA retained the decommissioning trust funds and the decommissioning liabilities. NYPA and Entergy subsidiaries executed decommissioning agreements, which specified their decommissioning obligations. NYPA had the right to require the Entergy subsidiaries to assume each of the decommissioning liabilities provided that it assigned the corresponding decommissioning trust, up to a specified level, to the Entergy subsidiaries. Under the original agreements, if the decommissioning liabilities were retained by NYPA, the Entergy subsidiaries would perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trust funds. At the time of the acquisition of the plants Entergy recorded a contract asset that represented an estimate of the present value of the difference between the stipulated contract amount for decommissioning the plants less the decommissioning costs estimated in independent decommissioning cost studies. The asset was increased by monthly accretion based on the applicable discount rate necessary to ultimately provide for the estimated future value of the decommissioning contract. The monthly accretion was recorded as interest income.

In the third quarter 2015, Entergy Wholesale Commodities recorded a revision to the contract asset for the FitzPatrick plant. Due to a change in expectation regarding the timing of decommissioning cash flows, the result was a write down of the contract asset from $335 million to $131 million, for a charge of $204 million.

In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust funds and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. As a result of the agreement with NYPA, in the third quarter 2016 Entergy removed the contract asset from its balance sheet, and recorded receivables for the beneficial interests in the decommissioning trust funds and asset retirement obligations for the decommissioning liabilities. The transaction was contingent upon receiving approval from the NRC, which was received in January 2017. The decommissioning trust funds for the Indian Point 3 and FitzPatrick plants were transferred to Entergy by NYPA in January 2017.

In the fourth quarter 2016, Entergy Wholesale Commodities recorded a revision to its estimated decommissioning cost liabilities for Indian Point 1, Indian Point 2, and Indian Point 3 as a result of revised decommissioning cost studies. The revised estimates resulted in a $392 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets. The increase in the estimated decommissioning cost liabilities resulted from the change in expectation regarding the timing of decommissioning cash flows due to the decision to cease operations of the Indian Point 2 plant no later than April 2020 and the Indian Point 3 plant no later than April 2021. The asset retirement cost assets were included in the carrying value that was written down to fair value in the fourth quarter 2016. See Note 14 to the financial statements for discussion of the impairment of the value and planned shutdown of Indian Point Energy Center.

As the Entergy Wholesale Commodities nuclear plants individually transition to decommissioning, the Entergy Wholesale Commodities plant owners will submit filings with the NRC for planned shutdown activities. These filings with the NRC will determine whether any other financial assurance may be required. The plants' 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, the Entergy Wholesale Commodities 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, which could be significant, to ensure that the trusts are adequately funded and that NRC minimum funding requirements are met.

Entergy maintains decommissioning trust funds that are committed to meeting its obligations for the costs of decommissioning the nuclear power plants. The fair values of the decommissioning trust funds and the related asset retirement obligation regulatory assets (liabilities) of Entergy as of December 31, 2016 and 2015 are as follows:

	2016		2015	
	Decommissioning Trust Fair Values	Regulatory Asset (Liability)	Decommissioning Trust Fair Values	Regulatory Asset (Liability)
	(In Millions)		(In Millions)	
Utility:				
ANO 1 and ANO 2	$834.7	$316.3	$771.3	$280.3
River Bend	$712.8	($28.4)	$651.7	($26.8)
Waterford 3	$427.9	$172.8	$390.6	$158.5
Grand Gulf	$780.5	$142.5	$701.5	$108.6
Entergy Wholesale Commodities	$2,968.0	$—	$2,834.9	$—

As a result of the agreement with NYPA discussed above, in the third quarter 2016, Entergy removed the contract asset from its balance sheet, and recorded receivables of $1.5 billion for the beneficial interests in the decommissioning trust funds for Indian Point 3 and FitzPatrick. At December 31, 2016, the fair values of the decommissioning trust funds held by NYPA were $719 million for the Indian Point 3 plant and $785 million for the FitzPatrick plant. The fair values are based on the trust statements received from NYPA and are valued by the fund administrator using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value hierarchy. The receivables for the beneficial interests in the decommissioning trust funds are recorded in other deferred debits on the consolidated balance sheet.

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 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 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. Entergy is monitoring state agency actions and will participate in the regulatory development process.

NOTE 10. LEASES

General

As of December 31, 2016, Entergy had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities with minimum lease payments as follows (excluding power purchase agreement operating leases, nuclear fuel leases, and the Grand Gulf and Waterford 3 sale and leaseback transactions, all of which are discussed elsewhere):

Year	Operating Leases	Capital Leases
	(In Thousands)	
2017	$76,663	$4,694
2018	69,620	3,255
2019	67,218	3,124
2020	51,127	3,065
2021	41,531	2,887
Years thereafter	90,787	21,891
Minimum lease payments	396,946	38,916
Less: Amount representing interest	—	11,934
Present value of net minimum lease payments	$396,946	$26,982

Total rental expenses for all leases (excluding power purchase agreement operating leases, nuclear fuel leases, and the Grand Gulf and Waterford 3 sale and leaseback transactions) amounted to $44.4 million in 2016, $63.9 million in 2015, and $59 million in 2014.

In addition to the above rental expense, railcar operating lease payments and oil tank facilities lease payments are recorded in fuel expense in accordance with regulatory treatment. Railcar operating lease payments were $3.4 million in 2016, $4.7 million in 2015, and $4.8 million in 2014 for Entergy Arkansas and $0.3 million in 2016, $1.1 million in 2015, and $1.7 million in 2014 for Entergy Louisiana. Oil tank facilities lease payments for Entergy Mississippi were $1.6 million in 2016, $1.6 million in 2015, and $1.6 million in 2014.

Power Purchase Agreements

As of December 31, 2016, Entergy Texas had a power purchase agreement that is accounted for as an operating lease under the accounting standards. The lease payments are recovered in fuel expense in accordance with regulatory treatment. The minimum lease payments under the power purchase agreement are as follows:

Year	Entergy
	(In Thousands)
2017	$29,772
2018	30,458
2019	31,159
2020	31,876
2021	32,609
Years thereafter	10,180
Minimum lease payments	$166,054

Total capacity expense under the power purchase agreement accounted for as an operating lease at Entergy Texas was $26.1 million in 2016, $29.9 million in 2015, and $29.2 million in 2014.

Sales and Leaseback Transactions

Waterford 3 Lease Obligation

In 1989, in three separate but substantially identical transactions, Entergy Louisiana sold and leased back undivided interests in Waterford 3 for the aggregate sum of $353.6 million. The leases expire in July 2017. Entergy Louisiana is required to report the sale-leaseback as a financing transaction in its financial statements.

In December 2015, Entergy Louisiana agreed to purchase the undivided interests in Waterford 3 that were previously being leased. The purchase was accomplished in a two-step transaction in which Entergy Louisiana first acquired the equity participant's beneficial interest in the leased assets, followed by a termination of the leases and transfer of the leased assets to Entergy Louisiana when the outstanding lessor debt is paid.

In March 2016, Entergy Louisiana completed the first step in the two-step transaction by acquiring the equity participant's beneficial interest in the leased assets. Entergy Louisiana paid $60 million in cash and $52 million through the issuance of a non-interest bearing collateral trust mortgage note, payable in installments through July 2017. Entergy Louisiana continued to make payments on the lessor debt that remained outstanding and which matured in January 2017. The combination of payments on the $52 million collateral trust mortgage note issued and the debt service on the lessor debt is equal in timing and amount to the remaining lease payments due from the closing of the transaction through the end of the lease term in July 2017.

Throughout the term of the lease, Entergy Louisiana had accrued a liability for the amount it expected to pay to retain the use of the undivided interests in Waterford 3 at the end of the lease term. Since the sale-leaseback transaction was accounted for as a financing transaction, the accrual of this liability was accounted for as additional interest expense. As of December 2015, the balance of this liability was $62.7 million. Upon entering into the agreement to purchase the equity participant's beneficial interest in the undivided interests, Entergy Louisiana reduced the balance of the liability to $60 million, and recorded the $2.7 million difference as a credit to interest expense. The $60 million remaining liability was eliminated upon payment of the cash portion of the purchase price.

As of December 31, 2016, Entergy Louisiana, in connection with the Waterford 3 lease obligation, had a future minimum lease payment (reflecting an interest rate of 8.09%) of $57.5 million, including $2.3 million in interest, due January 2017 that is recorded as long-term debt.

In February 2017 the leases were terminated and the leased assets were conveyed to Entergy Louisiana.

Grand Gulf Lease Obligations

In 1988, in two separate but substantially identical transactions, System Energy sold and leased back undivided ownership interests in Grand Gulf for the aggregate sum of $500 million. The initial term of the leases expired in July 2015. System Energy renewed the leases for fair market value with renewal terms expiring in July 2036. At the end of the new lease renewal terms, System Energy has the option to repurchase the leased interests in Grand Gulf or renew the leases at fair market value. In the event that System Energy does not renew or purchase the interests, System Energy would surrender such interests and their associated entitlement of Grand Gulf's capacity and energy.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount was a net regulatory liability of $55.6 million and $55.6 million as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, System Energy, in connection with the Grand Gulf sale and leaseback transactions, had future minimum lease payments (reflecting an implicit rate of 5.13%) that are recorded as long-term debt, as follows:

	Amount
	(In Thousands)
2017	$17,188
2018	17,188
2019	17,188
2020	17,188
2021	17,188
Years thereafter	257,812
Total	343,752
Less: Amount representing interest	309,393
Present value of net minimum lease payments	$34,359

NOTE 11. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS

Qualified Pension Plans

Entergy has nine qualified pension plans covering substantially all employees. The "Entergy Corporation Retirement Plan for Non-Bargaining Employees," "Entergy Corporation Retirement Plan for Bargaining Employees," "Entergy Corporation Retirement Plan II for Non-Bargaining Employees," "Entergy Corporation Retirement Plan II for Bargaining Employees," "Entergy Corporation Retirement Plan III," "Entergy Corporation Retirement Plan IV for Non-Bargaining Employees," and "Entergy Corporation Retirement Plan IV for Bargaining Employees" are non-contributory final average pay plans and provide pension benefits that are based on employees' credited service and compensation during employment. Effective December 31, 2016, the Entergy Corporation Retirement Plan IV for Non-Bargaining Employees was merged with and into the Entergy Corporation Retirement

Plan II for Non-Bargaining Employees. There is no loss of vesting or benefit options or reduction of accrued benefits to affected participants as a result of this plan merger. Non-bargaining employees whose most recent date of hire is after June 30, 2014 participate in the "Entergy Corporation Cash Balance Plan for Non-Bargaining Employees." Certain bargaining employees hired or rehired 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." The Registrant Subsidiaries participate in these four plans: "Entergy Corporation Retirement Plan for Non-Bargaining Employees," "Entergy Corporation Retirement Plan for Bargaining Employees," "Entergy Corporation Cash Balance Plan for Non-Bargaining Employees," and "Entergy Cash Balance Plan for Bargaining Employees."

The assets of the seven final average pay 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.

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 2016, 2015, and 2014 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

	2016	2015	2014
		(In Thousands)	
Net periodic pension cost:			
Service cost - benefits earned during the period	$143,244	$175,046	$140,436
Interest cost on projected benefit obligation	261,613	302,777	290,076
Expected return on assets	(389,465)	(394,618)	(361,462)
Amortization of prior service cost	1,079	1,561	1,600
Recognized net loss	195,298	235,922	145,095
Curtailment loss	3,084	374	—
Special termination benefit	—	76	732
Net periodic pension costs	$214,853	$321,138	$216,477
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)			
Arising this period:			
Net loss	$203,229	$50,762	$1,389,912
Amounts reclassified from regulatory asset and/or AOCI to net periodic pension cost in the current year:			
Amortization of prior service cost	(1,079)	(1,561)	(1,600)
Acceleration of prior service cost to curtailment	(1,045)	(374)	—
Amortization of net loss	(195,298)	(235,922)	(145,095)
Total	$5,807	($187,095)	$1,243,217
Total recognized as net periodic pension cost, regulatory asset, and/or AOCI (before tax)	$220,660	$134,043	$1,459,694
Estimated amortization amounts from regulatory asset and/or AOCI to net periodic cost in the following year:			
Prior service cost	$261	$1,079	$1,561
Net loss	$227,720	$195,321	$237,013

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, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Change in Projected Benefit Obligation (PBO)		
Balance at January 1	$6,848,238	$7,230,542
Service cost	143,244	175,046
Interest cost	261,613	302,777
Curtailment	2,039	—
Special termination benefit	—	76
Actuarial (gain)/loss	209,360	(460,986)
Employee contributions	23	524
Benefits paid	(321,950)	(399,741)
Balance at December 31	$7,142,567	$6,848,238
Change in Plan Assets		
Fair value of assets at January 1	$4,707,433	$4,827,966
Actual return on plan assets	395,596	(117,130)
Employer contributions	390,100	395,814
Employee contributions	23	524
Benefits paid	(321,950)	(399,741)
Fair value of assets at December 31	$5,171,202	$4,707,433
Funded status	($1,971,365)	($2,140,805)
Amount recognized in the balance sheet		
Non-current liabilities	($1,971,365)	($2,140,805)
Amount recognized as a regulatory asset		
Net loss	$2,326,349	$2,300,222
Amount recognized as AOCI (before tax)		
Prior service cost	$659	$2,784
Net loss	619,276	637,472
	$619,935	$640,256

Accumulated Pension Benefit Obligation

The accumulated benefit obligation for Entergy's qualified pension plans was $6.7 billion and $6.3 billion at December 31, 2016 and 2015, respectively.

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.

Entergy uses a December 31 measurement date for its postretirement benefit plans.

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 2016, 2015, and 2014 other postretirement benefit costs, including amounts capitalized and amounts recognized as a regulatory asset and/or other comprehensive income, included the following components:

	2016	2015	2014
		(In Thousands)	
Other postretirement costs:			
Service cost - benefits earned during the period	$32,291	$45,305	$43,493
Interest cost on APBO	56,331	71,934	71,841
Expected return on assets	(41,820)	(45,375)	(44,787)
Amortization of prior service credit	(45,490)	(37,280)	(31,590)
Recognized net loss	18,214	31,573	11,143
Net other postretirement benefit cost	$19,526	$66,157	$50,100
Other changes in plan assets and benefit obligations recognized as a regulatory asset and /or AOCI (before tax)			
Arising this period:			
Prior service credit for period	($20,353)	($48,192)	($35,864)
Net loss/(gain)	49,805	(154,339)	287,313
Amounts reclassified from regulatory asset and /or AOCI to net periodic benefit cost in the current year:			
Amortization of prior service credit	45,490	37,280	31,590
Amortization of net loss	(18,214)	(31,573)	(11,143)
Total	$56,728	($196,824)	$271,896
Total recognized as net periodic benefit income/(cost), regulatory asset, and/or AOCI (before tax)	$76,254	($130,667)	$321,996
Estimated amortization amounts from regulatory asset and/or AOCI to net periodic benefit cost in the following year			
Prior service credit	($41,425)	($45,485)	($37,280)
Net loss	$21,905	$18,214	$31,591

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, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Change in APBO		
Balance at January 1	$1,530,829	$1,739,557
Service cost	32,291	45,305
Interest cost	56,331	71,934
Plan amendments	(20,353)	(48,192)
Plan participant contributions	27,686	29,685
Actuarial (gain)/loss	46,201	(208,017)
Benefits paid	(104,477)	(102,618)
Medicare Part D subsidy received	455	3,175
Balance at December 31	$1,568,963	$1,530,829
Change in Plan Assets		
Fair value of assets at January 1	$579,069	$597,627
Actual return on plan assets	38,216	(8,303)
Employer contributions	56,166	62,678
Plan participant contributions	27,686	29,685
Benefits paid	(104,477)	(102,618)
Fair value of assets at December 31	$596,660	$579,069
Funded status	($972,303)	($951,760)
Amounts recognized in the balance sheet		
Current liabilities	($45,255)	($41,326)
Non-current liabilities	(927,048)	(910,434)
Total funded status	($972,303)	($951,760)
Amounts recognized as a regulatory asset		
Prior service credit	($54,896)	($61,833)
Net loss	222,540	191,782
	$167,644	$129,949
Amounts recognized as AOCI (before tax)		
Prior service credit	($89,474)	($107,673)
Net loss	172,575	171,742
	$83,101	$64,069

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 $24.9 million in 2016, $22.8 million in 2015, and $32.4 million in 2014. In 2016, 2015, and 2014 Entergy recognized $8.1 million, $5.1 million, and $15.1 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. The projected benefit obligation was $169.3 million and $157.3 million as of December 31, 2016 and 2015, respectively. The accumulated benefit obligation was $151 million and $137.6 million as of December 31, 2016 and 2015, respectively.

Entergy's non-qualified, non-current pension liability at December 31, 2016 and 2015 was $137.6 million and $136.1 million, respectively; and its current liability was $31.7 million and $21.2 million, respectively. The unamortized prior service cost and net loss are recognized in regulatory assets ($59.8 million at December 31, 2016 and $58.8 million at December 31, 2015) and accumulated other comprehensive income before taxes ($31.6 million at December 31, 2016 and $23.5 million at December 31, 2015).

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, 2016:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
		(In Thousands)		
Entergy				
Amortization of prior service cost	($1,079)	$30,949	($456)	$29,414
Acceleration of prior service cost due to curtailment	(1,045)	—	—	(1,045)
Amortization of loss	(49,930)	(8,248)	(2,515)	(60,693)
Settlement loss	—	—	(2,007)	(2,007)
	($52,054)	$22,701	($4,978)	($34,331)
Entergy Louisiana				
Amortization of prior service cost	$—	$7,787	($1)	$7,786
Amortization of loss	(3,345)	(2,926)	(10)	(6,281)
	($3,345)	$4,861	($11)	$1,505

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, 2015:

	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service cost	($1,557)	$25,905	($428)	$23,920
Acceleration of prior service cost due to curtailment	(374)	—	—	(374)
Amortization of loss	(50,508)	(17,613)	(2,175)	(70,296)
Settlement loss	—	—	(1,401)	(1,401)
	($52,439)	$8,292	($4,004)	($48,151)
Entergy Louisiana				
Amortization of prior service cost	$—	$7,467	($3)	$7,464
Amortization of loss	(3,003)	(7,118)	(19)	(10,140)
Settlement loss	—	—	(14)	(14)
	($3,003)	$349	($36)	($2,690)

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. Entergy determines the MRV of pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns. For other postretirement benefit plan assets Entergy uses fair value when determining MRV.

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.

The target and range asset allocation for postretirement assets reflects recommendations made in the latest optimization study.

Entergy's qualified pension and postretirement weighted-average asset allocations by asset category at December 31, 2016 and 2015 and the target asset allocation and ranges are as follows:

Pension Asset Allocation	Target	Range			Actual 2016	Actual 2015
Domestic Equity Securities	45%	37%	to	53%	46%	45%
International Equity Securities	20%	16%	to	24%	20%	19%
Fixed Income Securities	35%	32%	to	38%	33%	35%
Other	0%	0%	to	10%	1%	1%

Postretirement Asset Allocation	Non-Taxable and Taxable					
	Target	Range			Actual 2016	Actual 2015
Domestic Equity Securities	39%	34%	to	44%	40%	40%
International Equity Securities	26%	21%	to	31%	27%	24%
Fixed Income Securities	35%	30%	to	40%	33%	36%
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 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 trust 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, 2016, 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).

Effective first quarter 2016, Entergy retrospectively adopted ASU 2015-07, which simplifies the disclosure for fair value investments by removing the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share as a practical expedient. For all periods presented investments which are valued using the net asset value per share as a practical expedient have not been assigned a level and are presented within the fair value tables only as a reconciling item to the total fair value of investments.

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, 2016, and December 31, 2015, 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

2016	Level 1		Level 2		Level 3	Total
			(In Thousands)			
Short-term investments	$—		$3,610	(a)	$—	$3,610
Equity securities:						
Corporate stocks:						
Preferred	6,423	(b)	—		—	6,423
Common	745,715	(b)	39	(b)	—	745,754
Common collective trusts (c)	—		—		—	2,072,743
103-12 investment entities (h)						335,818
Registered investment companies	258,879	(d)	—		—	258,879
Fixed income securities:						
U.S. Government securities	136	(b)	370,545	(a)	—	370,681
Corporate debt instruments	—		630,726	(a)	—	630,726
Registered investment companies (e)	35,216	(d)	2,695	(d)	—	640,836
Other	34	(f)	105,613	(f)	—	105,647
Other:						
Insurance company general account (unallocated contracts)	—		37,111	(g)	—	37,111
Total investments	$1,046,403		$1,150,339		$—	$5,208,228
Cash						929
Other pending transactions						8,869
Less: Other postretirement assets included in total investments						(46,824)
Total fair value of qualified pension assets						$5,171,202

2015	Level 1		Level 2		Level 3	Total
			(In Thousands)			
Equity securities:						
Corporate stocks:						
Preferred	$6,409	(b)	$—		$—	$6,409
Common	686,335	(b)	95	(b)	—	686,430
Common collective trusts (c)						1,873,218
103-12 investment entities (h)						283,288
Registered investment companies	202,282	(d)	—		—	202,282
Fixed income securities:						
U.S. Government securities	1,879	(b)	343,805	(a)	—	345,684
Corporate debt instruments	—		595,862	(a)	—	595,862
Registered investment companies (e)	53,438	(d)	2,685	(d)	—	600,646
Other	—		114,215	(f)	—	114,215
Other:						
Insurance company general account (unallocated contracts)	—		35,998	(g)	—	35,998
Total investments	$950,343		$1,092,660		$—	$4,744,032
Cash						373
Other pending transactions						1,124
Less: Other postretirement assets included in total investments						(38,096)
Total fair value of qualified pension assets						$4,707,433

Other Postretirement Trusts

2016	Level 1		Level 2		Level 3	Total
			(In Thousands)			
Equity securities:						
Common collective trust (c)						$368,704
Fixed income securities:						
U.S. Government securities	30,632	(b)	43,097	(a)	—	73,729
Corporate debt instruments	—		58,787	(a)	—	58,787
Registered investment companies	3,123	(d)	—		—	3,123
Other	—		45,389	(f)	—	45,389
Total investments	$33,755		$147,273		$—	$549,732
Other pending transactions						104
Plus: Other postretirement assets included in the investments of the qualified pension trust						46,824
Total fair value of other postretirement assets						$596,660

2015	Level 1		Level 2		Level 3	Total
			(In Thousands)			
Equity securities:						
Common collective trust (c)						$348,604
Fixed income securities:						
U.S. Government securities	33,789	(b)	42,222	(a)	—	76,011
Corporate debt instruments	—		62,629	(a)	—	62,629
Registered investment companies	3,572	(d)	—		—	3,572
Other	—		49,677	(f)	—	49,677
Total investments	$37,361		$154,528		$—	$540,493
Other pending transactions						480
Plus: Other postretirement assets included in the investments of the qualified pension trust						38,096
Total fair value of other postretirement assets						$579,069

(a) Certain preferred stocks and 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. Certain of these 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.

(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.

(f) The other remaining assets are U.S. municipal and foreign government bonds stated at fair value as determined by broker quotes.

(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.

(h) 103-12 investment entities hold investments in accordance with stated objectives. The investment strategy of the investment entities is to capture the growth potential of international equity markets by replicating the performance of a specified index. 103-12 investment entities estimate fair value using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table.

Estimated Future Benefit Payments

Based upon the assumptions used to measure Entergy's qualified pension and other postretirement benefit obligations at December 31, 2016, 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:

	Estimated Future Benefits Payments			
	Qualified Pension	Non-Qualified Pension	Other Postretirement (before Medicare Subsidy)	Estimated Future Medicare Subsidy Receipts
	(In Thousands)			
Year(s)				
2017	$316,770	$31,687	$83,638	$330
2018	$328,101	$12,251	$88,235	$1,069
2019	$343,982	$11,428	$92,511	$1,204
2020	$362,642	$13,183	$95,167	$1,357
2021	$375,354	$11,321	$98,043	$1,518
2022 - 2026	$2,128,911	$79,373	$510,419	$10,336

Contributions

Entergy currently expects to contribute approximately $408.6 million to its qualified pension plans and approximately $53.1 million to other postretirement plans in 2017. The expected 2017 pension and other postretirement plan contributions of the Registrant Subsidiaries for their employees are shown below. The 2017 required pension contributions will be known with more certainty when the January 1, 2017 valuations are completed, which is expected by April 1, 2017.

Actuarial Assumptions

The significant actuarial assumptions used in determining the pension PBO and the other postretirement benefit APBO as of December 31, 2016 and 2015 were as follows:

	2016	2015
Weighted-average discount rate:		
Qualified pension	4.30% - 4.49% Blended 4.39%	4.51% - 4.79% Blended 4.67%
Other postretirement	4.30%	4.60%
Non-qualified pension	3.63%	3.84%
Weighted-average rate of increase in future compensation levels	3.98%	4.23%
Assumed health care trend rate:		
Pre-65	6.55%	6.75%
Post-65	7.25%	7.55%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond:		
Pre-65	2026	2024
Post-65	2026	2024

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2016, 2015, and 2014 were as follows:

	2016	2015	2014
Weighted-average discount rate:			
Qualified pension:			
Service cost	5.00%	4.27%	5.14%
Interest cost	3.90%	4.27%	5.14%
Other postretirement:			
Service cost	4.92%	4.23%	5.05%
Interest cost	3.78%	4.23%	5.05%
Non-qualified pension:			
Service cost	3.65%	3.61%	4.29%
Interest cost	3.10%	3.61%	4.29%
Weighted-average rate of increase in future compensation levels	4.23%	4.23%	4.23%
Expected long-term rate of return on plan assets:			
Pension assets	7.75%	8.25%	8.50%
Other postretirement non-taxable assets	7.75%	8.05%	8.30%
Other postretirement taxable assets	6.00%	6.25%	6.50%
Assumed health care trend rate:			
Pre-65	6.75%	7.10%	7.25%
Post-65	7.55%	7.70%	7.00%
Ultimate rate	4.75%	4.75%	4.75%
Year ultimate rate is reached and beyond:			
Pre-65	2024	2023	2022
Post-65	2024	2023	2022

In 2016, Entergy refined its approach to estimating the service cost and interest cost components of qualified pension, other postretirement, and non-qualified pension costs. Under the refined approach, instead of using the weighted-average obligation discount rates at the beginning of the year, 2016 service cost and interest costs' expected cash flows were discounted by the applicable spot rates. The refinement in approach was a change in accounting estimate and, accordingly, the effect was reflected prospectively. The measurement of the benefit obligation was not affected.

With respect to the mortality assumptions, Entergy used the RP-2014 Employee and Healthy Annuitant Tables (adjusted to base year 2006) with a fully generational MP-2016 projection scale, in determining its December 31, 2016 pension plans' PBOs and other postretirement benefit APBO. Entergy used the RP-2014 Employee and Healthy Annuitant Tables (adjusted to base year 2006) with a fully generational MP-2015 projection scale, in determining its December 31, 2015 pension plans' PBOs and other postretirement benefit APBO.

Entergy's health care cost trend is affected by both medical cost inflation, and with respect to capped costs, the effects of general inflation. A one percentage point change in Entergy's assumed health care cost trend rate for 2016 would have the following effects:

	1 Percentage Point Increase		1 Percentage Point Decrease	
2016	Impact on the APBO	Impact on the sum of service costs and interest cost	Impact on the APBO	Impact on the sum of service costs and interest cost
	Increase /(Decrease) (In Thousands)			
Entergy Corporation and its subsidiaries	$173,057	$12,281	($144,460)	($9,928)

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 employing 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 IV (established in March 2002), 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's subsidiaries' contributions to defined contribution plans collectively were $47 million in 2016, $44.4 million in 2015, and $43.3 million in 2014. The majority of the contributions were to the System Savings Plan.

NOTE 12. STOCK-BASED COMPENSATION

Entergy grants stock options, restricted stock, performance units, and restricted stock unit awards to key employees of the Entergy subsidiaries under its Equity Ownership Plans which are shareholder-approved stock-based compensation plans. The Equity Ownership Plan, as restated in February 2003, expired December 31, 2016. Effective January 1, 2007, Entergy's shareholders approved the 2007 Equity Ownership and Long-Term Cash Incentive Plan (2007 Plan). The maximum aggregate number of common shares that were available for issuance from the 2007 Plan for stock-based awards was 7,000,000 with no more than 2,000,000 available for non-option grants. The 2007 Plan, which only applied to awards granted between January 1, 2007 and May 5, 2011, will expire after 10 years. Effective May 6, 2011, Entergy's shareholders approved the 2011 Equity Ownership and Long-Term Cash Incentive Plan (2011 Plan). The maximum number of common shares that were available for issuance from the 2011 Plan for stock-based awards was 5,500,000 with no more than 2,000,000 available for incentive stock option grants. The 2011 Plan, which only applied to awards granted between May 6, 2011 and May 7, 2015, will expire after 10 years. Effective May 8, 2015, Entergy's shareholders approved the 2015 Equity Ownership and Long-Term Cash Incentive Plan (2015 Plan). The maximum number of common shares that can be issued from the 2015 Plan for stock-based awards is 6,900,000 with no more than 1,500,000 available for incentive stock option grants. The 2015 Plan, which only applies to awards granted on or after May 6, 2011, will expire after 10 years. As of December 31, 2016, there were 5,192,463 authorized shares remaining for stock-based awards, including 1,500,000 for incentive stock option grants.

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:

	2016	2015	2014
		(In Millions)	
Compensation expense included in Entergy's consolidated net income	$4.4	$4.3	$4.1
Tax benefit recognized in Entergy's consolidated net income	$1.7	$1.6	$1.6
Compensation cost capitalized as part of fixed assets and inventory	$0.7	$0.7	$0.7

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:

	2016	2015	2014
Stock price volatility	20.38%	23.62%	24.67%
Expected term in years	7.25	7.06	6.95
Risk-free interest rate	1.77%	1.59%	2.16%
Dividend yield	4.50%	4.50%	4.75%
Dividend payment per share	$3.42	$3.34	$3.32

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, 2016 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, 2016	7,399,820	$84.19		
Options granted	696,900	$70.56		
Options exercised	(488,131)	$67.83		
Options forfeited/expired	(471,379)	$69.99		
Options outstanding as of December 31, 2016	7,137,210	$84.91	$—	3.35 years
Options exercisable as of December 31, 2016	6,011,816	$86.96	$—	2.38 years
Weighted-average grant-date fair value of options granted during 2016	$7.40			

The weighted-average grant-date fair value of options granted during the year was $11.41 for 2015 and $8.71 for 2014. The total intrinsic value of stock options exercised was $5 million during 2016, $5 million during 2015, and $26 million during 2014. 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, 2016. Because Entergy's year-end stock price was less than the weighted average exercise price, the aggregate intrinsic value of stock options outstanding as of December 31, 2016 was zero. The intrinsic value of "in the money" stock options is $11 million as of December 31, 2016. 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 2016, $4 million during 2015, and $4 million during 2014. Cash received from option exercises was $33 million for the year ended December 31, 2016. The tax benefits realized from options exercised was $2 million for the year ended December 31, 2016.

The following table summarizes information about stock options outstanding as of December 31, 2016:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	As of 12/31/2016	Weighted-Average Remaining Contractual Life-Yrs.	Weighted Average Exercise Price	Number Exercisable as of 12/31/2016	Weighted Average Exercise Price
$51- $64.99	798,308	6.68	$63.75	627,893	$63.90
$65- $78.99	2,853,753	4.66	$74.47	2,161,853	$75.72
$79- $91.99	2,050,549	1.84	$91.40	1,787,470	$91.62
$92- $108.20	1,434,600	1.06	$108.20	1,434,600	$108.20
$51- $108.20	7,137,210	3.35	$84.91	6,011,816	$86.96

Stock-based compensation cost related to non-vested stock options outstanding as of December 31, 2016 not yet recognized is approximately $6 million and is expected to be recognized over a weighted-average period of 1.70 years.

Restricted Stock Awards

In January 2016 the Board approved and Entergy granted 370,000 restricted stock awards under the 2015 Equity Ownership and Long-term Cash Incentive Plan. The restricted stock awards were made effective as of January 28, 2016 and were valued at $70.56 per share, which was the closing price of Entergy Corporation's common stock on that date. 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.

The following table includes information about the restricted stock awards outstanding as of December 31, 2016:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2016	642,729	$75.88
Granted	401,358	$70.89
Vested	(324,862)	$71.83
Forfeited	(35,751)	$77.38
Outstanding shares at December 31, 2016	683,474	$74.80

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

	2016	2015	2014
		(In Millions)	
Compensation expense included in Entergy's consolidated net income	$19.8	$19.5	$19.3
Tax benefit recognized in Entergy's consolidated net income	$7.6	$7.5	$7.5
Compensation cost capitalized as part of fixed assets and inventory	$4.5	$3.9	$3.1

The total fair value of the restricted stock awards granted was $29 million, $29 million, and $24 million for the years ended December 31, 2016, 2015, and 2014, respectively.

The total fair value of the restricted stock awards vested was $23 million, $29 million, and $17 million for the years ended December 31, 2016, 2015, and 2014, 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 one share of Entergy Corporation common stock at the end of the three-year performance period, plus dividends accrued during the performance period. 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. There is no payout for performance that falls within the lowest quartile of performance of the peer companies. For top quartile performance, a maximum payout of 200% of target is earned.

The costs of incentive awards are charged to income over the 3-year period. In January 2016 the Board approved and Entergy granted 199,800 performance units under the 2015 Equity Ownership and Long-Term Cash Incentive Plan. The performance units were made effective as of January 28, 2016, and were valued at $84.52 per share. Shares of the 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.

The following table includes information about the long-term performance units outstanding at the target level as of December 31, 2016:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2016	568,482	$75.33
Granted	241,236	$85.26
Vested	(54,103)	$65.36
Forfeited	(184,064)	$70.53
Outstanding shares at December 31, 2016	571,551	$82.02

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

	2016	2015	2014
		(In Millions)	
Compensation expense included in Entergy's consolidated net income	$12.3	$11.8	$10.7
Tax benefit recognized in Entergy's consolidated net income	$4.8	$4.5	$4.1
Compensation cost capitalized as part of fixed assets and inventory	$2.9	$2.3	$1.5

The total fair value of the long-term performance units granted was $21 million, $16 million and $16 million for the years ended December 31, 2016, 2015, and 2014, respectively.

In January 2016, Entergy issued 54,103 shares of Entergy Corporation common stock at a share price of $68.09 for awards earned and dividends accrued under the 2013-2015 Long-Term Performance Unit Program. In January 2015, Entergy issued 105,503 shares of Entergy Corporation common stock at a share price of $88.67 for awards earned and dividends accrued under the 2012-2014 Long-Term Performance Unit Program. There was no payout in 2014 for the performance units applicable to the 2011-2013 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 42 months. As of December 31, 2016, there were 181,650 unvested restricted stock units that are expected to vest over an average period of 30 months.

The following table includes information about the restricted stock unit awards outstanding as of December 31, 2016:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding shares at January 1, 2016	145,018	$72.03
Granted	70,800	$76.25
Vested	(30,668)	$70.66
Forfeited	(3,500)	$66.83
Outstanding shares at December 31, 2016	181,650	$74.94

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

	2016	2015	2014
		(In Millions)	
Compensation expense included in Entergy's consolidated net income	$2.2	$0.9	$2.2
Tax benefit recognized in Entergy's consolidated net income	$0.8	$0.4	$0.9
Compensation cost capitalized as part of fixed assets and inventory	$0.4	$0.3	$0.3

The total fair value of the restricted stock unit awards granted was $5 million, $4 million, and $3 million for the years ended December 31, 2016, 2015, and 2014, respectively.

The total fair value of the restricted stock unit awards vested was $2 million, $4 million, and $3 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Entergy paid $2 million, $1 million, and $2 million for the years ended December 31, 2016, 2015, and 2014, respectively, for awards under the Restricted Stock Units Awards Plan.

NOTE 13. BUSINESS SEGMENT INFORMATION

Entergy's reportable segments as of December 31, 2016 are 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 is as follows:

2016	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	$8,996,106	$1,849,638	$—	($99)	$10,845,645
Asset write-offs, impairments, and related charges	$—	$2,835,637	$—	$—	$2,835,637
Depreciation, amortization, & decommissioning	$1,298,043	$374,922	$1,647	$—	$1,674,612
Interest and investment income	$189,994	$108,466	$27,385	($180,718)	$145,127
Interest expense	$557,546	$22,858	$139,090	($53,124)	$666,370
Income taxes	$424,388	($1,192,263)	($49,384)	$—	($817,259)
Consolidated net income (loss)	$1,151,133	($1,493,124)	($94,917)	($127,595)	($564,503)
Total assets	$41,098,751	$6,696,038	$1,283,816	($3,174,171)	$45,904,434
Investment in affiliates - at equity	$198	$—	$—	$—	$198
Cash paid for long-lived asset additions	$3,754,225	$289,639	$393	$—	$4,044,257

2015	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	$9,451,486	$2,061,827	$—	($62)	$11,513,251
Asset write-offs, impairments, and related charges	$68,672	$2,036,234	$—	$—	$2,104,906
Depreciation, amortization, & decommissioning	$1,238,832	$376,560	$2,156	$—	$1,617,548
Interest and investment income	$191,546	$148,654	$34,303	($187,441)	$187,062
Interest expense	$543,132	$26,788	$129,750	($56,201)	$643,469
Income taxes	$16,761	($610,339)	($49,349)	$—	($642,927)
Consolidated net income (loss)	$1,114,516	($1,065,657)	($74,353)	($131,240)	($156,734)
Total assets	$38,356,906	$8,210,183	($461,505)	($1,457,903)	$44,647,681
Investment in affiliates - at equity	$199	$4,142	$—	$—	$4,341
Cash paid for long-lived asset additions	$2,495,194	$569,824	$236	$—	$3,065,254

2014	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Consolidated
			(In Thousands)		
Operating revenues	$9,773,822	$2,719,404	$1,821	($126)	$12,494,921
Asset write-offs, impairments, and related charges	$72,225	$107,527	$—	$—	$179,752
Depreciation, amortization, & decommissioning	$1,170,122	$417,435	$3,702	$—	$1,591,259
Interest and investment income	$171,217	$113,959	$22,159	($159,649)	$147,686
Interest expense	$531,729	$16,646	$120,908	($41,776)	$627,507
Income taxes	$472,148	$176,988	($59,539)	$—	$589,597
Consolidated net income (loss)	$846,496	$294,521	($62,887)	($117,873)	$960,257
Total assets	$38,186,286	$10,279,500	($659,207)	($1,392,124)	$46,414,455
Investment in affiliates - at equity	$199	$36,035	$—	$—	$36,234
Cash paid for long-lived asset additions	$2,113,631	$615,021	$87	$—	$2,728,739

Businesses marked with * are sometimes referred to as the "competitive businesses." Eliminations are primarily intersegment activity. Almost all of Entergy's goodwill is related to the Utility segment.

On December 29, 2014, the Vermont Yankee plant ceased power production and entered its decommissioning phase. In December 2015, Rhode Island State Energy Center, a natural gas-fired combined cycle generating plant, was sold. In October 2015 management announced the intention to shutdown the FitzPatrick plant in 2017 and the Pilgrim plant in 2019, earlier than previously expected. In 2016 management announced the planned sale of Vermont Yankee in 2018, the planned sale of FitzPatrick in 2017, and the planned termination of the Consumers Energy power purchase agreement for the Palisades plant in 2018 and the subsequent plan to shut down the Palisades plant in 2018, earlier than expected. In January 2017 management announced a settlement with New York State to shut down Indian Point 2 in 2020 and Indian Point 3 in 2021, both earlier than expected. 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 2021. Entergy will continue to have the obligation to decommission the nuclear plants owned by Entergy.

These decisions and 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 statement of operations. Total restructuring charges in 2016 were comprised of the following:

	Restructuring Costs	Paid In Cash	Non-Cash Portion	Remaining Accrual
		(In Millions)		
Employee retention and severances expenses and other benefits-related costs	$74.2	$0.9	$3.1	$70.2
Economic development costs	21.3	—	—	21.3
Total	$95.5	$0.9	$3.1	$91.5

In addition, Entergy Wholesale Commodities incurred $2.8 billion in 2016 and $2 billion in 2015 of impairment 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.

In addition, Entergy Wholesale Commodities expects to incur employee retention and severance expenses of approximately $100 million in 2017 and approximately $235 million from 2018 through the end of 2021 associated with these strategic transactions.

Geographic Areas

For the years ended December 31, 2016, 2015, and 2014, the amount of revenue Entergy derived from outside of the United States was insignificant. As of December 31, 2016 and 2015, Entergy had no long-lived assets located outside of the United States.

NOTE 14. ACQUISITIONS, DISPOSITIONS, AND IMPAIRMENT OF LONG-LIVED ASSETS

Acquisitions

Union Power Station

In March 2016, Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans purchased the Union Power Station, a 1,980 MW (summer rating) power generation facility located near El Dorado, Arkansas, from Union Power Partners, L.P. The Union Power Station consists of four natural gas-fired, combined-cycle gas turbine power blocks, each rated at 495 MW (summer rating). Entergy Louisiana purchased two of the power blocks and a 50% undivided ownership interest in certain assets related to the facility, and Entergy Arkansas and Entergy New Orleans each purchased one power block and a 25% undivided ownership interest in such related assets. The aggregate purchase price for the Union Power Station was approximately $949 million (approximately $237 million for each power block and associated assets).

Palisades Purchased Power Agreement

Entergy's purchase of the Palisades plant in 2007 included a unit-contingent, 15-year purchased power agreement (PPA) with Consumers Energy for 100% of the plant's output, excluding any future uprates. Prices under the PPA range from $43.50/MWh in 2007 to $61.50/MWh in 2022, and the average price under the PPA is $51/MWh. For the PPA, which was at below-market prices at the time of the acquisition, Entergy will amortize a liability to revenue over the life of the agreement. The amount that will be 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 $13 million in 2016, $15 million in 2015, and $16 million in 2014. In December 2016, Entergy announced that it has reached an agreement with Consumers Energy to terminate the PPA early, on May 31, 2018, subject to regulatory approvals. Because of entering into the early termination agreement, Entergy expects to amortize approximately $43 million of the liability to revenue in 2017 and $29 million to revenue in 2018. The timing of the liability amortization could fluctuate further depending upon if, and when, regulatory approval of the early termination agreement is received. See further discussion of the Palisades transaction below.

NYPA Value Sharing Agreements

Entergy's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, Entergy subsidiaries and NYPA amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, Entergy subsidiaries made annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Entergy subsidiaries paid NYPA $6.59 per MWh for power sold from Indian Point 3, up to an annual cap of $48 million, and $3.91 per MWh for power sold from FitzPatrick, up to an annual cap of $24 million. The annual payment for each year's output was due by January 15 of the following year. Entergy recorded the liability for payments to NYPA as power was generated and sold by Indian Point 3 and FitzPatrick. An amount equal to the liability was recorded to the plant asset account as contingent purchase price consideration for the plants. In 2014, Entergy Wholesale Commodities recorded approximately $72 million as plant for generation.

Dispositions

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 is the owner of the Vermont Yankee plant and is in the Entergy Wholesale Commodities segment. The sale of Entergy Nuclear Vermont Yankee to NorthStar will include the transfer of the nuclear decommissioning trust fund and the asset retirement obligation for the spent fuel management and decommissioning of the plant.

Entergy Nuclear Vermont Yankee has an outstanding credit facility with borrowing capacity of $100 million to pay for dry fuel storage costs. This credit facility is guaranteed by Entergy Corporation. At or before closing, a subsidiary of Entergy will assume the obligations under the existing credit facility or enter into a new credit facility and Entergy will guarantee the credit facility. At the closing of the sale transaction, NorthStar will pay $1,000 for the membership interests in Entergy Nuclear Vermont Yankee, and NorthStar will cause Entergy Nuclear Vermont Yankee to issue a promissory note to the Entergy entity selling the membership interests in Entergy Nuclear Vermont Yankee. The amount of the promissory note issued will be equal to the amount drawn under the credit facility or the amount drawn under the new credit facility, plus borrowing fees and costs incurred by Entergy in connection with such facility. The principal amount drawn under the outstanding credit facility was $45 million as of December 31, 2016, and the net book value of Entergy Nuclear Vermont Yankee, including unrealized gains on the decommissioning trust fund, as of December 31, 2016, was approximately $88 million.

Entergy plans to transfer all spent nuclear fuel to dry cask storage by the end of 2018, subject to obtaining necessary regulatory approvals, in advance of the planned transaction close. Under the sale agreement and related agreements to be entered into at the closing, NorthStar will commit to initiate decommissioning and site restoration by 2021 and complete those activities by 2030. The original completion date, as outlined in Entergy's Post Shutdown Decommissioning Activities Report filed with the NRC, was 2075. Entergy Nuclear Vermont Yankee, under NorthStar ownership, will be required to repay the promissory note issued to Entergy with certain of the proceeds from the recovery of damages under its claims against the DOE related to spent nuclear fuel disposal, with any balance remaining due at partial site restoration, subject to extension not to exceed two years from partial site restoration.

The transaction is subject to certain closing conditions, including approval by the NRC; approval by the State of Vermont Public Service Board, including approval of revised site restoration standards that will be proposed as part of the transaction; the transfer of all spent nuclear fuel to dry fuel storage on the independent spent fuel storage installation; and that the market value of the fund assets held in the decommissioning trust fund for the Vermont Yankee Nuclear Power Station, less the hypothetical income tax on the aggregate unrealized net gain of such fund assets at closing, is equal to or exceeds $451.95 million, subject to adjustments. The transaction is expected to close by the end of 2018, subject to certain conditions, including the condition that Entergy contribute to the decommissioning trust fund if the value is less than provided for in the agreement with NorthStar.

FitzPatrick

In August 2016, Entergy entered into an agreement to sell the FitzPatrick plant to Exelon. The transaction is expected to close in the first half of 2017. The purchase price is $100 million and the assumption by Exelon of certain liabilities related to the FitzPatrick plant, with an additional $10 million non-refundable signing fee, which was paid upon the signing of the agreement. The transaction is contingent upon, among other things, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of necessary regulatory approvals from the FERC, the NRC, and the Public Service Commission of the State of New York (NYPSC), and the receipt of a private letter ruling from the IRS. NRC approval has not yet been received, but all other necessary regulatory approvals have been received. Because certain specified conditions were satisfied in November 2016, including the continued effectiveness of the Clean Energy Standards/Zero Emissions Credit program (CES/ZEC), the establishment of certain long-term agreements on acceptable terms with the Energy Research and Development Authority of the State of New York in connection with the CES/ZEC program, and NYPSC approval of the transaction on acceptable terms, Entergy refueled the FitzPatrick plant in January and February 2017. Entergy expects to operate the FitzPatrick plant until the asset purchase agreement closing date. Entergy entered into a reimbursement agreement with Exelon pursuant to which Exelon will reimburse Entergy for specified out-of-pocket costs associated with the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017. Pursuant to the reimbursement agreement, as of December 31, 2016 Exelon reimbursed Entergy $56 million for nuclear fuel expenses and $41 million for other operation and maintenance expenses associated with preparing to refuel FitzPatrick in 2017. If the asset purchase agreement is terminated, a termination fee of up to $30 million will be payable to Entergy under certain circumstances. If it is consummated, the transaction could result in a gain or loss because of fluctuations in the decommissioning trust fund earnings and asset retirement obligation accretion. Upon the closing of the sale, the FitzPatrick decommissioning trust along with the decommissioning obligation for that plant will be transfered to Exelon.

As a result of the agreement and the status of the necessary regulatory approvals, the assets and liabilities associated with the sale of FitzPatrick to Exelon are classified as held for sale on Entergy Corporation and Subsidiaries' Consolidated Balance Sheet. As of December 31, 2016, the $785 million receivable for the beneficial interest in the decommissioning trust fund within other deferred debits and the $714 million asset retirement obligation within other non-current liabilities are classified as held for sale. The transaction also includes property, plant, and equipment with a net book value of zero.

Top Deer

In November 2016, Entergy sold its 50% membership interest in Top Deer Wind Ventures, LLC, a wind-powered electric generation joint venture owned by Entergy in the Entergy Wholesale Commodities segment and accounted for as an equity method investment. Entergy sold its 50% membership interest in Top Deer for approximately $0.5 million and realized a pre-tax loss of $0.2 million on the sale.

Rhode Island State Energy Center

In December 2015, Entergy sold the Rhode Island State Energy Center, a 583 MW natural gas-fired combined-cycle generating plant owned by Entergy in the Entergy Wholesale Commodities segment. Entergy sold Rhode Island State Energy Center for approximately $490 million and realized a pre-tax gain of $154 million on the sale.

Impairment of Long-lived Assets

2016 Impairment Conclusions

In December 2016, Entergy reached an agreement with Consumers Energy to terminate the PPA for the Palisades plant after May 2018. The agreement is subject to regulatory approvals. Assuming regulatory approvals are obtained Entergy determined that it will close the Palisades plant on October 1, 2018, after refueling in the spring of 2017 and operating through the end of that fuel cycle. As a result of the PPA termination and its intention to shut down the plant, Entergy tested the recoverability of the plant and related assets as of December 31, 2016.

Indian Point 2 and Indian Point 3 have an application pending for renewed NRC licenses. Various parties, including the State of New York, expressed opposition to renewal of the licenses. Under federal law, nuclear power plants may continue to operate beyond their original license expiration dates while their timely filed renewal applications are pending NRC approval. Indian Point 2 reached the expiration date of its original NRC operating license on September 28, 2013, and Indian Point 3 reached the expiration date of its original NRC operating license on December 12, 2015. Upon expiration of their operating licenses, each plant entered into a period of extended operation under the timely renewal rule.

In January 2017, Entergy announced that it reached a settlement with New York State to shut down Indian Point 2 by April 30, 2020 and Indian Point 3 by April 30, 2021, and resolve all New York State-initiated legal challenges to Indian Point's operating license renewal. As part of the settlement, New York State has agreed to issue Indian Point's water quality certification and Coastal Zone Management Act consistency certification and to withdraw its objection to license renewal before the NRC. New York State also has agreed to issue a water discharge permit, which is required regardless of whether the plant is seeking a renewed NRC license. The shutdowns are conditioned, among other things, upon such actions being taken by New York State. As a result of its evaluation of alternatives to the continued operation of the Indian Point plants, and taking into consideration the status of negotiations with the State of New York, Entergy tested the recoverability of the plants and related assets as of December 31, 2016.

Under generally accepted accounting principles the determination of an asset's recoverability is based on the probability-weighted undiscounted net cash flows expected to be generated by the plant and related assets. Projected net cash flows primarily depend on the status of the operations of the plant and pending legal and state regulatory matters, as well as projections of future revenues and costs over the estimated remaining life of the plant.

The tests for Palisades and Indian Point indicated that the probability-weighted undiscounted net cash flows did not exceed the carrying values of the plants and related assets as of December 31, 2016.

As of December 31, 2016 the estimated fair value of the Palisades plant and related long-lived assets is $206 million, while the carrying value was $558 million, resulting in an impairment charge of $352 million. Materials and supplies were evaluated and written down by $48 million. In summary, as of December 31, 2016, the total impairment loss and related charges for Palisades is $400 million ($258 million net-of-tax). The pre-impairment carrying value of $558 million includes the effect of a $129 million increase in Palisades' estimated decommissioning cost liability and the related asset retirement cost asset. The increase in the estimated decommissioning cost liability primarily resulted from the change in expectation regarding the timing of decommissioning cash flows. See Note 9 to the financial statements for further discussion regarding the Palisades decommissioning cost revision.

As of December 31, 2016 the estimated fair value of the Indian Point plants and related long-lived assets is $433 million, while the carrying value was $2,619 million, resulting in an impairment charge of $2,186 million. Materials and supplies were evaluated and written down by $157 million. In summary, as of December 31, 2016, the total impairment loss and related charges for Indian Point is $2,343 million ($1,511 million net-of-tax). The pre-impairment carrying value of $2,619 million includes the effect of a $392 million increase in Indian Point's estimated decommissioning cost liability and the related asset retirement cost asset. The increase in the estimated decommissioning cost liability primarily resulted from the change in expectation regarding the timing of decommissioning cash flows. See Note 9 to the financial statements for further discussion regarding the Indian Point decommissioning cost revision.

2015 Impairment Conclusions

Entergy determined in October 2015 that it would close FitzPatrick at the end of its current fuel cycle, which was planned for January 27, 2017, because of poor market conditions that led to reduced revenues, a poor market design that failed to properly compensate nuclear generators for the benefits they provide, and increased operational costs. This decision came after management's extensive analysis of whether it was advisable economically to refuel the plant, as scheduled, in the fall of 2016. Entergy also had discussions with the State of New York regarding the future of FitzPatrick. Because of the uncertainty regarding the refueling decision and its implications to the plant's expected operating life, Entergy tested the recoverability of the plant and related assets as of September 30, 2015. See above for further information on the subsequent decision to sell the FitzPatrick plant.

Entergy determined in October 2015 that it would close Pilgrim no later than June 1, 2019 because of poor market conditions that led to reduced revenues, a poor market design that failed to properly compensate nuclear generators for the benefits they provide, and increased operational costs. The decision came after management's extensive analysis of the economics and operating life of the plant following the NRC's decision in September 2015 to place the plant in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix. Because of the uncertainty regarding the plant's operating life created by the NRC's decision and management's analysis of the plant, Entergy tested the recoverability of the plant and related assets as of September 30, 2015.

Due to the announced plant closures in October 2015, as well as the continued challenging market price trend, the high level of investment required to continue to operate the Entergy Wholesale Commodities plants, and the inadequate compensation provided to nuclear generators for their capacity benefits under the current market design, Entergy tested the recoverability of the plant and related assets of the two remaining operating nuclear power generating facilities in the Entergy Wholesale Commodities business, Palisades and Indian Point, in the fourth quarter 2015. For purposes of that evaluation, Entergy considered a number of factors associated with the facilities' continued operation, including the status of the associated NRC licenses, the status of state regulatory issues, existing power purchase agreements, and the supply region in which the nuclear facilities sell energy and capacity.

The tests for FitzPatrick and Pilgrim indicated that the probability-weighted undiscounted net cash flows did not exceed the carrying values of the plants and related assets as of September 30, 2015.

The test for Palisades indicated the probability-weighted undiscounted net cash flows did not exceed the carrying value of the plant and related assets as of December 31, 2015.

The test for Indian Point indicated that the probability-weighted undiscounted net cash flows exceeded the carrying value of the plant and related assets as of December 31, 2015. As such, the carrying value of Indian Point was not impaired as of December 31, 2015. As of December 31, 2015, the net carrying value of Indian Point, including nuclear fuel, was $2,360 million.

As of September 30, 2015, the estimated fair value of the FitzPatrick plant and related long-lived assets was $29 million, while the carrying value was $742 million, resulting in an impairment charge of $713 million. Materials and supplies were evaluated and written down by $48 million. In addition, FitzPatrick had a contract asset recorded for an agreement between Entergy subsidiaries and NYPA entered when Entergy subsidiaries purchased FitzPatrick from NYPA in 2000 and NYPA retained the decommissioning trusts and the decommissioning liabilities. The agreement gave NYPA the right to require the Entergy subsidiaries to assume the decommissioning liability provided that it assigns the decommissioning trust, up to a specified level, to Entergy. If NYPA retained the decommissioning liabilities, the Entergy subsidiaries would perform the decommissioning of the plant at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trusts. The contract asset represented an estimate of the present value of the difference between the Entergy subsidiaries' stipulated contract amount for decommissioning the plants less the decommissioning costs estimated in independent decommissioning cost studies. See Note 9 for further discussion of the contract asset. Due to a change in expectation regarding the timing of decommissioning cash flows, the result was a write down of the contract asset from $335 million to $131 million, for a charge of $204 million. In summary, as of September 30, 2015, the impairment and related charges for FitzPatrick was $965 million ($624 million net-of-tax).

As of September 30, 2015, the estimated fair value of the Pilgrim plant and related long-lived assets is $65 million, while the carrying value was $718 million, resulting in an impairment charge of $653 million. Materials and supplies were evaluated and written down by $24 million. In summary, as of September 30, 2015, the total impairment loss and related charges for Pilgrim was $677 million ($438 million net-of-tax). The pre-impairment carrying value of $718 million includes the effect of a $134 million increase in Pilgrim's estimated decommissioning cost liability and the related asset retirement cost asset. The increase in the estimated decommissioning cost liability primarily resulted from the change in expectation regarding the timing of decommissioning cash flows. See Note 9 to the financial statements for further discussion regarding the Pilgrim decommissioning cost revision.

As of December 31, 2015, the estimated fair value of the Palisades plant and related long-lived assets was $463 million, while the carrying value was $859 million, resulting in an impairment charge of $396 million ($256 million net-of-tax). The pre-impairment carrying value of $859 million includes the effect of a $42 million increase in Palisades' estimated decommissioning cost liability and the related asset retirement cost asset. The increase in the estimated decommissioning cost liability primarily resulted from the assessment of the estimated decommissioning cash flows that occurred in conjunction with the impairment analysis. See Note 9 to the financial statements for further discussion regarding the Palisades decommissioning cost revision.

2014 Impairment Conclusion

In August 2013, the Board approved a plan to close and decommission Vermont Yankee at the end of its fuel cycle at the end of 2014. As a result of the decision to shut down the plant, Entergy recognized impairment and other related charges during the third quarter 2013 to write down the carrying value of Vermont Yankee and related assets to their fair values. As part of the development of the site assessment study and PSDAR, Entergy obtained a revised decommissioning cost study in the third quarter 2014. The revised estimate, along with reassessment of the assumptions regarding the timing of decommissioning cash flows, resulted in a $101.6 million increase in the decommissioning cost liability and a corresponding impairment charge, recorded in September 2014. See Note 9 to the financial statements for further discussion regarding the Vermont Yankee decommissioning cost revisions.

Overall Regarding All Impairments

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 2021 associated with these strategic transactions. See Note 13 to the financial statements for further discussion of these additional charges.

The fair value analyses for FitzPatrick, Indian Point, Pilgrim, and Palisades were performed based on the income approach, a discounted cash flow method, to determine the amount of impairment. The estimates of fair value were based on the prices that Entergy would expect to receive in hypothetical sales of the FitzPatrick, Indian Point, Pilgrim, and Palisades plants and related assets to a market participant. In order to determine these prices, Entergy used significant observable inputs, including quoted forward power and gas prices, where available. Significant unobservable inputs, such as projected long-term pre-tax operating margins (cash basis) and estimated weighted average costs of capital, were also used in the estimation of fair value. In addition, Entergy made certain assumptions regarding future tax deductions associated with the plants and related assets, the amount and timing of recoveries from future litigation with the DOE related to spent fuel storage costs, and the expected operating life of the plant. Based on the use of significant unobservable inputs, the fair value measurement for the entirety of the asset group, and for each type of asset within the asset group, are classified as Level 3 in the fair value hierarchy discussed in Note 15 to the financial statements.

The following table sets forth a description of significant unobservable inputs used in the valuation of the FitzPatrick, Indian Point, Pilgrim, and Palisades plants and related assets:

Significant Unobservable Inputs	Amount	Weighted Average
2016		
Weighted average cost of capital		
Indian Point (a)	7.0%-7.5%	7.2%
Palisades	6.5%	6.5%
Long-term pre-tax operating margin (cash basis)		
Indian Point	19.7%	19.7%
Palisades (b) (c)	17.8%-38.8%	34.6%
2015		
Weighted average cost of capital		
FitzPatrick	7.5%	7.5%
Pilgrim (d)	7.5%-8.0%	7.9%
Palisades	7.5%	7.5%
Long-term pre-tax operating margin (cash basis)		
FitzPatrick	10.2%	10.2%
Pilgrim (d)	2.4%-10.6%	8.1%
Palisades (b)	30.8%	30.8%

(a) The cash flows extending through the 2021 shutdown at Indian Point 3 were assigned a higher discount factor to incorporate the increased risk associated with longer operations.
(b) Most of the Palisades output is sold under a 15-year power purchase agreement, entered at the plant's acquisition in 2007, that originally was scheduled to expire in 2022. The power purchase agreement prices currently exceed market prices and escalate each year, up to $61.50/MWh in 2022.
(c) The fair value of Palisades at December 31, 2016 is based on the probability weighting of whether the PPA will terminate before the originally scheduled termination in 2022.
(d) The fair value of Pilgrim was based on the probability weighting of two potential scenarios.

Entergy's Accounting Policy and Entergy Wholesale Commodities Accounting group, which reports to the Chief Accounting Officer, was primarily responsible for determining the valuation of the FitzPatrick, Indian Point, Pilgrim, and Palisades plants and related assets, in consultation with external advisors. Entergy's Accounting Policy group obtained and reviewed information from other Entergy departments with expertise on the various inputs and assumptions that were necessary to calculate the fair values of the asset groups.

NOTE 15. RISK MANAGEMENT AND FAIR VALUES

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 enters into forward contracts with its customers and also sells energy and capacity in the day ahead or spot markets. In addition to its forward physical power and gas contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price falls, the combination of instruments is expected to settle in gains that offset lower revenue from generation, which results in a more predictable cash flow.

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 and interest rate swaps. 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 enters 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 settle against day-ahead power pool prices are used to manage price exposure for Entergy Wholesale Commodities generation. The maximum length of time over which Entergy is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at December 31, 2016 is approximately 2.25 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 87% for 2017, of which approximately 59% is sold under financial derivatives and the remainder under normal purchase/normal sale contracts. Total planned generation for 2017 is 27.3 TWh.

Entergy may use standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Cash, letters of credit, and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. The collateral agreements require a counterparty to post cash or letters of credit in the event an exposure exceeds an established threshold. The threshold represents an unsecured credit limit, which may be supported by a parental/affiliate guaranty, as determined in accordance with

Entergy's credit policy. In addition, collateral agreements allow 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 contain provisions that require 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 is an Entergy Corporation guarantee. As of December 31, 2016, derivative contracts with 3 counterparties were in a liability position (approximately $8 million total). In addition to the corporate guarantee, $2 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties. As of December 31, 2015, derivative contracts with 2 counterparties were in a liability position (approximately $2 million total). As of December 31, 2015, $9 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and $68 million was required to be posted by its counterparties to the Entergy subsidiary. If the Entergy Corporation credit rating falls below investment grade, the effect of the corporate guarantee is typically ignored and Entergy would have to post collateral equal to the estimated outstanding liability under the contract at the applicable date.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Louisiana and Entergy New Orleans) and Entergy Mississippi through the purchase of short-term natural gas swaps that financially settle against NYMEX futures. These swaps 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 for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy Louisiana and Entergy New Orleans. The total volume of natural gas swaps outstanding as of December 31, 2016 is 37,970,000 MMBtu for Entergy, including 30,940,000 MMBtu for Entergy Louisiana, 6,540,000 MMBtu for Entergy Mississippi, and 490,000 MMBtu for Entergy New Orleans. Credit support for these natural gas swaps is covered by master agreements that do not require collateralization based on mark-to-market value, but do carry adequate assurance language that may lead to collateralization requests.

During the second quarter 2016, Entergy participated in the annual financial transmission right (FTR) auction process for the MISO planning year of June 1, 2016 through May 31, 2017. FTRs are derivative instruments which 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 FTRs 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 FTRs 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 FTRs. The total volume of FTRs outstanding as of December 31, 2016 is 46,216 GWh for Entergy, including 10,540 GWh for Entergy Arkansas, 19,467 GWh for Entergy Louisiana, 7,535 GWh for Entergy Mississippi, 2,234 GWh for Entergy New Orleans, and 6,248 GWh for Entergy Texas. Credit support for FTRs 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 FTRs held by Entergy Wholesale Commodities is covered by cash. As of December 31, 2016, letters of credit posted with MISO covered the FTR exposure for Entergy Arkansas and Entergy Mississippi. As of December 31, 2015, no cash or letters of credit were required to be posted for FTR exposure for the Utility operating companies or Entergy Wholesale Commodities, respectively.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2016 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	Fair Value (a)	Offset (b)	Net (c) (d)	Business
			(In Millions)		
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$25	($14)	$11	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$6	($6)	$—	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$11	($10)	$1	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$16	($7)	$9	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$18	($13)	$5	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$5	($5)	$—	Entergy Wholesale Commodities
Natural gas swaps	Prepayments and other	$13	$—	$13	Utility
Financial transmission rights	Prepayments and other	$22	($1)	$21	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$18	($17)	$1	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$4	($4)	$—	Entergy Wholesale Commodities

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2015 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	Fair Value (a)	Offset (b)	Net (c) (d)	Business
			(In Millions)		
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$173	($34)	$139	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$17	($2)	$15	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$14	($14)	$—	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$2	($2)	$—	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$54	($13)	$41	Entergy Wholesale Commodities
Financial transmission rights	Prepayments and other	$24	($1)	$23	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$38	($32)	$6	Entergy Wholesale Commodities
Natural gas swaps	Other current liabilities	$9	$—	$9	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 Consolidated Balance Sheets
(d) Excludes cash collateral in the amount of $2 million posted as of December 31, 2016 and $9 million posted and $68 million held as of December 31, 2015.

The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated statements of operations for the years ended December 31, 2016, 2015, and 2014 are as follows:

Instrument	Amount of gain recognized in other comprehensive income	Income Statement location	Amount of gain (loss) reclassified from accumulated other comprehensive income into income (a)
	(In Millions)		(In Millions)
2016			
Electricity swaps and options	$135	Competitive business operating revenues	$293
2015			
Electricity swaps and options	$254	Competitive business operating revenues	($244)
2014			
Electricity swaps and options	$81	Competitive business operating revenues	($193)

(a) Before taxes of $103 million, ($85) million, and ($68) million, for the years ended December 31, 2016, 2015, and 2014, respectively

At each reporting period, Entergy measures its hedges for ineffectiveness. Any ineffectiveness is recognized in earnings during the period. The ineffective portion of cash flow hedges is recorded in competitive businesses operating revenues. The change in fair value of Entergy's cash flow hedges due to ineffectiveness was ($356) thousand, $150 thousand, and $7 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Based on market prices as of December 31, 2016, unrealized gains recorded in AOCI on cash flow hedges relating to power sales totaled ($9) million of net unrealized gains. Approximately ($15) million is expected to be reclassified from AOCI to operating revenues in the next twelve months. The actual amount reclassified from AOCI, however, could vary due to future changes in market prices.

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 statements of operations for the years ended December 31, 2016, 2015, and 2014 are as follows:

Instrument	Amount of gain (loss) recognized in accumulated other comprehensive income		Income Statement location		Amount of gain (loss) recorded in the income statement
	(In Millions)				(In Millions)
2016					
Natural gas swaps	$—		Fuel, fuel-related expenses, and gas purchased for resale	(a)	$11
Financial transmission rights	$—		Purchased power expense	(b)	$125
Electricity swaps and options	$—	(c)	Competitive business operating revenues		($11)
2015					
Natural gas swaps	$—		Fuel, fuel-related expenses, and gas purchased for resale	(a)	($41)
Financial transmission rights	$—		Purchased power expense	(b)	$166
Electricity swaps and options	$12	(c)	Competitive business operating revenues		($19)
2014					
Natural gas swaps	$—		Fuel, fuel-related expenses, and gas purchased for resale	(a)	($8)
Financial transmission rights	$—		Purchased power expense	(b)	$229
Electricity swaps and options	($13)	(c)	Competitive business operating revenues		$56

(a) Due to regulatory treatment, the natural gas swaps 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 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) Amount of gain (loss) recognized in accumulated other comprehensive income from electricity swaps and options de-designated as hedged items.

Fair Values

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

Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

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.

Effective first quarter 2016, Entergy retrospectively adopted ASU 2015-07, which simplifies the disclosure for fair value investments by removing the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share as a practical expedient. For all periods presented the common trust funds have not been assigned a level and are presented within the fair value tables only as a reconciling item to the total fair value of investments.

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 hedge contracts. 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.

- 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 FTRs and derivative power contracts used as cash flow hedges of power sales at merchant power plants.

The values for power contract assets or liabilities are 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 are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Business Unit Risk Control group and the Accounting Policy and Entergy Wholesale Commodities Accounting group. The primary functions of the Business Unit Risk Control group include: 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 Business Unit Risk Control group is also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Accounting Policy and Entergy Wholesale Commodities Accounting group performs functions related to market and counterparty settlements, revenue reporting and analysis and financial accounting. The Business Unit Risk Control group reports to the Vice President and Treasurer while the Accounting Policy and Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The amounts reflected as the fair value of electricity swaps are based on the estimated amount that the contracts are 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 would equal the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts include cash flow hedges that swap fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values are 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 are recorded as derivative contract assets or liabilities. For contracts that have unit contingent terms, a further discount is 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 are valued based on a Black Scholes model, and are calculated at the end of each month for accounting purposes. Inputs to the valuation include end of day forward market prices for the period when the transactions will settle, 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 are reviewed and can be adjusted if it is determined that there is a better representation of fair value.

On a daily basis, the Business Unit Risk Control group calculates the mark-to-market for electricity swaps and options. The Business Unit Risk Control group also validates forward market prices by comparing them to other sources of forward market prices or to settlement prices of actual market transactions. Significant differences are 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 are also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available, and uses multiple sources of market implied volatilities. Moreover, on at least a monthly basis, the Office of Corporate Risk Oversight confirms the mark-to-market calculations and prepares price scenarios and credit downgrade scenario analysis. The scenario analysis is communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis is completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities' portfolio. In particular, the credit and liquidity effects are calculated for this analysis. This analysis is communicated to senior management within Entergy and Entergy Wholesale Commodities.

The values of FTRs 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 Business Unit Risk Control group. The values are calculated internally and verified against the data published by MISO. Entergy's Accounting Policy and 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 Business Unit Risk Control groups report to the Vice President and Treasurer. The Accounting Policy and 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, 2016 and December 31, 2015. 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.

2016	Level 1	Level 2	Level 3	Total
		(In Millions)		
Assets:				
Temporary cash investments	$1,058	$—	$—	$1,058
Decommissioning trust funds (a):				
Equity securities	480	—	—	480
Debt securities	985	1,228	—	2,213
Common trusts (b)				3,031
Power contracts	—	—	16	16
Securitization recovery trust account	46	—	—	46
Escrow accounts	433	—	—	433
Gas hedge contracts	13	—	—	13
Financial transmission rights	—	—	21	21
	$3,015	$1,228	$37	$7,311
Liabilities:				
Power contracts	$—	$—	$11	$11

2015	Level 1	Level 2	Level 3	Total
		(In Millions)		
Assets:				
Temporary cash investments	$1,287	$—	$—	$1,287
Decommissioning trust funds (a):				
Equity securities	468	—	—	468
Debt securities	1,061	1,094	—	2,155
Common trusts (b)				2,727
Power contracts	—	—	195	195
Securitization recovery trust account	50	—	—	50
Escrow accounts	425	—	—	425
Financial transmission rights	—	—	23	23
	$3,291	$1,094	$218	$7,330
Liabilities:				
Power contracts	$—	$—	$6	$6
Gas hedge contracts	9	—	—	9
	$9	$—	$6	$15

(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 16 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 (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the years ended December 31, 2016, 2015, and 2014:

	2016		2015		2014	
	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights	Power Contracts	Financial transmission rights
	(In Millions)					
Balance as of January 1,	$189	$23	$215	$47	($133)	$34
Total gains (losses) for the period (a)						
Included in earnings	(10)	—	(20)	(1)	55	2
Included in OCI	135	—	254	—	131	—
Included as a regulatory liability/asset	—	68	—	63	—	119
Issuances of financial transmission rights	—	55	—	80	—	121
Purchases	—	—	15	—	17	—
Settlements	(309)	(125)	(275)	(166)	145	(229)
Balance as of December 31,	$5	$21	$189	$23	$215	$47

(a) Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the reporting period is $0.2 million, $3 million, and $120 million for the years ended December 31, 2016, 2015, and 2014, respectively.

The following table sets forth a description of the types of transactions classified as Level 3 in the fair value hierarchy and significant unobservable inputs to each which cause that classification, as of December 31, 2016:

Transaction Type	Fair Value as of December 31, 2016	Significant Unobservable Inputs	Range from Average %	Effect on Fair Value
	(In Millions)			(In Millions)
Power contracts - electricity swaps	$5	Unit contingent discount	+/-4%	$—

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)
Implied volatility	Electricity options	Sell	Increase (Decrease)	Increase (Decrease)
Implied volatility	Electricity options	Buy	Increase (Decrease)	Increase (Decrease)

NOTE 16. DECOMMISSIONING TRUST FUNDS

Entergy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The NRC requires Entergy subsidiaries to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1, Indian Point 2, Vermont Yankee, and Palisades. The funds are invested primarily in equity securities, fixed-rate debt securities, and cash and cash equivalents.

For the Indian Point 3 and FitzPatrick plants purchased in 2000 from NYPA, NYPA retained the decommissioning trust funds and the decommissioning liabilities. NYPA and Entergy subsidiaries executed decommissioning agreements, which specified their decommissioning obligations. At the time of the acquisition of the plants Entergy recorded a contract asset that represented an estimate of the present value of the difference between the stipulated contract amount for decommissioning the plants less the decommissioning costs estimated in independent decommissioning cost studies.

In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trust funds and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. The transaction was contingent upon receiving approval from the NRC, which was received in January 2017. As a result of the agreement with NYPA, in the third quarter 2016, Entergy removed the contract asset from its balance sheet, and recorded receivables for the beneficial interests in the decommissioning trust funds and recorded asset retirement obligations for the decommissioning liabilities. At December 31, 2016, the fair values of the decommissioning trust funds held by NYPA were $719 million for the Indian Point 3 plant and $785 million for the FitzPatrick plant. The fair values are based on the trust statements received from NYPA and are valued by the fund administrator using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value hierarchy. For Indian Point 3, the receivable for the beneficial interest in the decommissioning trust fund is recorded in other deferred debits on the consolidated balance sheet. For FitzPatrick, the receivable for the beneficial interest in the decommissioning trust fund is classified as held for sale within other deferred debits on the consolidated balance sheet. The decommissioning trust funds for the Indian Point 3 and FitzPatrick plants were transferred to Entergy by NYPA in January 2017. See Note 9 to the financial statements for further discussion of the decommissioning agreements with NYPA and see Note 14 to the financial statements for further discussion of the sale of FitzPatrick.

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 has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. Decommissioning trust funds for Pilgrim, Indian Point 1, Indian Point 2, Vermont Yankee, and Palisades do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these 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. Generally, Entergy records realized gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

The securities held as of December 31, 2016 and 2015 are summarized as follows:

	2016			2015		
	Fair Value	**Total Unrealized Gains**	**Total Unrealized Losses**	**Fair Value**	**Total Unrealized Gains**	**Total Unrealized Losses**
			(In Millions)			
Equity Securities	$3,511	$1,673	$1	$3,195	$1,396	$2
Debt Securities	2,213	34	27	2,155	41	17
Total	$5,724	$1,707	$28	$5,350	$1,437	$19

The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of December 31, 2016 are $443 million for Indian Point 1, $564 million for Indian Point 2, $412 million for Palisades, $960 million for Pilgrim, and $584 million for Vermont Yankee. The fair values of the decommissioning trust funds for the Registrant Subsidiaries' nuclear plants are detailed below.

Deferred taxes on unrealized gains/(losses) are recorded in other comprehensive income (loss) for the decommissioning trusts which do not meet the criteria for regulatory accounting treatment as described above. Unrealized gains/(losses) above are reported before deferred taxes of $399 million and $342 million as of December 31, 2016 and 2015, respectively. The amortized cost of debt securities was $2,212 million as of December 31, 2016 and $2,124 million as of December 31, 2015. As of December 31, 2016, the debt securities have an average coupon rate of approximately 3.21%, an average duration of approximately 5.89 years, and an average maturity of approximately 9.39 years. 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 fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2016 and 2015:

	2016				2015			
	Equity Securities		Debt Securities		Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)							
Less than 12 months	$23	$1	$1,169	$26	$54	$2	$1,031	$15
More than 12 months	1	—	20	1	1	—	61	2
Total	$24	$1	$1,189	$27	$55	$2	$1,092	$17

The unrealized losses in excess of twelve months on equity securities above relate to Entergy's Utility operating companies and System Energy.

The fair value of debt securities, summarized by contractual maturities, as of December 31, 2016 and 2015 are as follows:

	2016	2015
	(In Millions)	
less than 1 year	$125	$77
1 year - 5 years	763	857
5 years - 10 years	719	704
10 years - 15 years	109	124
15 years - 20 years	73	50
20 years+	424	343
Total	$2,213	$2,155

During the years ended December 31, 2016, 2015, and 2014, proceeds from the dispositions of securities amounted to $2,409 million, $2,492 million, and $1,872 million, respectively. During the years ended December 31, 2016, 2015, and 2014, gross gains of $32 million, $72 million, and $39 million, respectively, and gross losses of $13 million, $13 million, and $8 million, respectively, were reclassified out of other comprehensive income into earnings.

Other-than-temporary impairments and unrealized gains and losses

Entergy evaluates investment 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 has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the years ended December 31, 2016, 2015, and 2014. The assessment of whether an investment in an equity security has suffered an other-than-temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Entergy did not record material charges to other income in 2016, 2015, and 2014, respectively, resulting from the recognition of the other-than-temporary impairment of certain equity securities held in its decommissioning trust funds.

NOTE 17. VARIABLE INTEREST ENTITIES

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. 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. The storm recovery property is reflected as a regulatory asset on the consolidated Entergy Arkansas balance sheet. The creditors of Entergy Arkansas do not have recourse to the assets or revenues of Entergy Arkansas Restoration Funding, including the storm recovery property, and the creditors of Entergy Arkansas Restoration Funding do not have recourse to the assets or revenues of Entergy Arkansas. Entergy Arkansas has no payment obligations to Entergy Arkansas Restoration Funding except to remit storm recovery charge collections. 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. The investment recovery property is reflected as a regulatory asset on the consolidated Entergy Louisiana balance sheet. The creditors of Entergy Louisiana do not have recourse to the assets or revenues of Entergy Louisiana Investment Recovery Funding, including the investment recovery property, and the creditors of Entergy Louisiana Investment Recovery Funding do not have recourse to the assets or revenues of Entergy Louisiana. Entergy Louisiana has no payment obligations to Entergy Louisiana Investment Recovery Funding except to remit investment recovery charge collections. 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.

Entergy Louisiana was considered to hold a variable interest in the lessor from which it leased an undivided interest in the Waterford 3 nuclear plant. After Entergy Louisiana acquired a beneficial interest in the leased assets in March 2016, however, the lessor was no longer considered a variable interest entity. Entergy Louisiana made payments on its lease, including interest, of \$9.2 million through March 2016, \$28.8 million in 2015, and \$31 million in 2014. See Note 10 to the financial statements for a discussion of Entergy Louisiana's purchase of the Waterford 3 leased assets.

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 10 to the financial statements. System Energy made payments on its lease, including interest, of \$17.2 million in 2016, \$52.3 million in 2015, and \$51.6 million in 2014. 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 Entergy 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 Entergy accounts for this leasing arrangement as a capital financing, however, Entergy 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. Entergy believes, however, that the obligations recorded on the balance sheet materially represent the company's potential exposure to loss.

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

Transactions with Equity Method Investees

EWO Marketing, LLC, an indirect wholly-owned subsidiary of Entergy, paid capacity charges and gas transportation to RS Cogen in the amounts of $24.7 million in 2016, $24.5 million in 2015, and $23.1 million in 2014.

Entergy's operating transactions with its other equity method investees were not significant in 2016, 2015, or 2014.

NOTE 19. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 2016 and 2015 for Entergy Corporation and subsidiaries were:

	Operating Revenues	Operating Income (Loss)	Consolidated Net Income (Loss)	Net Income (Loss) Attributable to Entergy Corporation
	(In Thousands)			
2016:				
First Quarter	$2,609,852	$498,218	$235,242	$229,966
Second Quarter	$2,462,562	$442,258	$572,590	$567,314
Third Quarter	$3,124,703	$772,060	$393,204	$388,170
Fourth Quarter	$2,648,528	($2,599,001)	($1,765,539)	($1,769,068)
2015:				
First Quarter	$2,920,090	$542,769	$302,929	$298,050
Second Quarter	$2,713,231	$377,383	$153,722	$148,843
Third Quarter	$3,371,406	($965,016)	($718,233)	($723,027)
Fourth Quarter	$2,508,523	($254,300)	$104,849	$99,573

Earnings (loss) per average common share

	2016		2015	
	Basic	**Diluted**	**Basic**	**Diluted**
First Quarter	$1.29	$1.28	$1.66	$1.65
Second Quarter	$3.17	$3.16	$0.83	$0.83
Third Quarter	$2.17	$2.16	($4.04)	($4.04)
Fourth Quarter	($9.89)	($9.86)	$0.56	$0.56

Results of operations for 2016 include $2,836 million ($1,829 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2, and Indian Point 3 plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges. Results of operations for 2016 also include a reduction of income tax expense, net of unrecognized tax benefits, of $238 million as a result of a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes; income tax benefits as a result of the settlement of the 2010-2011 IRS audit, including a $75 million tax benefit recognized by Entergy Louisiana related to the treatment of the Vidalia purchased power agreement and a $54 million net benefit recognized by Entergy Louisiana related to the treatment of proceeds received in 2010 for the financing of Hurricane Gustav and Hurricane Ike storm costs pursuant to Louisiana Act 55; and a reduction in expenses of $100 million ($64 million net-of-tax) due to the effects of recording in 2016 the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. See Note 3 to the financial statements for additional discussion of the income tax items and Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

Results of operations for 2015 includes $2,036 million ($1,317 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' FitzPatrick, Pilgrim, and Palisades plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges. As a result of the Entergy Louisiana and Entergy Gulf States Louisiana business combination, results of operations for 2015 also include two items that occurred in October 2015: 1) a deferred tax asset and resulting net increase in tax basis of approximately $334 million and 2) a regulatory liability of $107 million ($66 million net-of-tax) as a result of customer credits to be realized by electric customers of Entergy Louisiana, consistent with the terms of the stipulated settlement in the business combination proceeding. See Note 2 to the financial statements for further discussion of the business combination and customer credits. Results of operations for 2015 also include the sale in December 2015 of the 583 MW Rhode Island State Energy Center for a realized gain of $154 million ($100 million net-of-tax) on the sale and the $77 million ($47 million net-of-tax) write-off and regulatory charges to recognize that a portion of the assets associated with the Waterford 3 replacement steam generator project is no longer probable of recovery. See Note 2 to the financial statements for further discussion of the Waterford 3 write-off.

Board of Directors
As of Dec. 31, 2016

MAUREEN SCANNELL BATEMAN
Attorney, Former Executive Vice President and General Counsel,
State Street Corporation
New York, New York
An Entergy director since 2000. Age 73

PATRICK J. CONDON
Retired Audit Partner,
Deloitte & Touche LLP
Frankfort, Illinois
An Entergy director since 2015.
Age 67

LEO P. DENAULT
Chairman of the Board and Chief Executive Officer,
Entergy Corporation
New Orleans, Louisiana
Chairman and Chief Executive Officer since 2013. Age 57

ADMIRAL KIRKLAND H. DONALD, USN (RET.)
Former President and Chief Executive Officer,
Systems Planning and Analysis, Inc.
Alexandria, Virginia
An Entergy director since 2013. Age 63

PHILIP L. FREDERICKSON
Former Executive Vice President
ConocoPhillips
Horseshoe Bay, Texas
An Entergy director since 2015. Age 60

ALEXIS M. HERMAN
Chair and Chief Executive Officer,
New Ventures, LLC
McLean, Virginia
An Entergy director since 2003. Age 69

DONALD C. HINTZ
Former President,
Entergy Corporation and Entergy Services, Inc.
Punta Gorda, Florida
An Entergy director since 2004. Age 73

STUART L. LEVENICK
Lead Director of Entergy.
Former Group President and Executive Office Member, Caterpillar Inc.
Peoria, Illinois
An Entergy director since 2005. Age 63

BLANCHE LAMBERT LINCOLN
Founder and Principal,
Lincoln Policy Group
Arlington, Virginia
An Entergy director since 2011. Age 56

KAREN A. PUCKETT
President and Chief Executive Officer,
Harte Hanks, Inc.
Houston, Texas
An Entergy director since 2015. Age 56

W. J. "BILLY" TAUZIN
Owner,
Tauzin Strategic Networks
Washington, D.C.
An Entergy director since 2005. Age 73

Executive Officers
As of Dec. 31, 2016

LEO P. DENAULT
Chairman and Chief Executive Officer
Joined Entergy in 1999 as vice president of corporate development and strategic planning. Became chairman and chief executive officer in 2013, after serving as executive vice president and chief financial officer. Age 57

THEODORE H. BUNTING, JR.
Group President, Utility Operations
Joined Entergy in 1983. Became group president, utility operations in 2012, after serving as senior vice president and chief accounting officer. Age 58

WILLIAM M. MOHL
President, Entergy Wholesale Commodities
Joined Entergy in 2002, retired in February 2017. Became president of Entergy Wholesale Commodities in 2013, after serving as president and chief executive officer of Entergy Gulf States Louisiana and Entergy Louisiana. Age 57

A. CHRISTOPHER BAKKEN, III
Executive Vice President and
Chief Nuclear Officer
Joined Entergy in 2016. Former project director, Hinkley Point C of EDF Energy. Age 55

MARCUS V. BROWN
Executive Vice President and
General Counsel
Joined Entergy in 1995. Became executive vice president and general counsel in 2013, after serving as senior vice president and general counsel. Age 55

ANDREW S. MARSH
Executive Vice President and
Chief Financial Officer
Joined Entergy in 1998. Became executive vice president and chief financial officer in 2013, after serving as vice president of system planning. Age 45

DONALD W. VINCI
Executive Vice President and
Chief Administrative Officer
Joined Entergy in 1985. Became executive vice president and chief administrative officer in 2016, after serving as senior vice president, human resources and chief diversity officer. Age 58

RODERICK K. WEST
Executive Vice President
Joined Entergy in 1999. Became executive vice president and chief administrative officer in 2010, after serving as president and chief executive officer of Entergy New Orleans. Age 48

PAUL D. HINNENKAMP
Senior Vice President and
Chief Operating Officer
Joined Entergy in 2001. Became senior vice president and chief operating officer in 2015, after serving as senior vice president, capital project management and technology. Age 55

ALYSON M. MOUNT
Senior Vice President and
Chief Accounting Officer
Joined Entergy in 2002. Became senior vice president and chief accounting officer in 2012, after serving as vice president and corporate controller. Age 46

ANDREA COUGHLIN ROWLEY
Senior Vice President, Human Resources
Joined Entergy in 2016. Former president and chief executive officer of Advance/Evolve LLC. Age 51

Investor Information

Shareholder News

Entergy's quarterly earnings results, dividend action and other news and information of investor interest may be obtained by calling Entergy's investor relations information line at 1-888-ENTERGY (368-3749). In addition to hearing recorded announcements, you can request information to be sent via fax or mail. Visit our investor relations website at entergy.com/investor for earnings reports, financial releases, SEC filings and other investor information, including Entergy's Corporate Governance Guidelines, Board Committee Charters for the Audit, Corporate Governance and Personnel Committees, Entergy's Code of Entegrity and other ethics policies. You can also request and receive information via email. Printed copies of the above are also available without charge by calling 1-888-ENTERGY or writing to:

Entergy Corporation
Investor Relations
P.O. Box 61000
New Orleans, LA 70161

Investor Relations materials are also available on the Entergy Investor Relations mobile web app. The app provides a convenient way to access the company's latest financial news and information, including financial releases, presentations and SEC filings, as well as the ETR stock quote. The mobile web app is available at enter.gy/ir.

Institutional Investor Inquiries

Securities analysts and representatives of financial institutions may contact David Borde, vice president, investor relations, at 504-576-5668 or dborde@entergy.com.

Shareholder Account Information

Wells Fargo Shareowner Services is Entergy's transfer agent, registrar, dividend disbursing agent and dividend reinvestment and stock purchase plan agent. Shareholders of record with questions about lost certificates, lost or missing dividend checks, or notifications of change of address should contact:

Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
Phone: 1-855-854-1360
Internet: www.shareholderonline.com

Common Stock Information

The company's common stock is listed on the New York and Chicago exchanges under the symbol "ETR." The Entergy share price is reported daily in the financial press under "Entergy" in most listings of New York Stock Exchange securities. Entergy common stock is a component of the following indices: S&P 500, S&P Utilities Index, Philadelphia Utility Index and the NYSE Composite Index, among others. As of Jan. 31, 2017, there were 180,118,291 shares of Entergy common stock outstanding. Shareholders of record totaled 27,382, and 161,735 investors held Entergy stock in "street name" through a broker.

Certifications

In May 2016, Entergy's chief executive officer certified to the New York Stock Exchange that he was not aware of any violation of the NYSE corporate governance listing standards. Also, Entergy filed certifications regarding the quality of the company's public disclosure, required by Section 302 of the Sarbanes-Oxley Act of 2002, as exhibits to our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2016.

Dividend Payments

All of Entergy's 2016 distributions were taxable as dividend distributions. The board of directors declares dividends quarterly and sets the record and payment dates. Subject to board discretion, those dates for 2017 are:

Declaration Date	Record Date	Payment Date
January 27	February 9	March 1
April 5	May 11	June 1
July 28	August 10	September 1
October 27	November 9	December 1

Investor Information

Quarterly Dividend Payments (in cents-per-share):

Quarter	2017	2016	2015	2014	2013
1	87	85	83	83	83
2		85	83	83	83
3		85	83	83	83
4		87	85	83	83

Dividend Reinvestment/Stock Purchase

Entergy offers an automatic Dividend Reinvestment and Stock Purchase Plan administered by Wells Fargo Shareowner Services. The plan is designed to provide Entergy shareholders and other investors with a convenient and economical method to purchase shares of the company's common stock. The plan also accommodates payments of up to $10,000 per month for the purchase of Entergy common shares. First time investors may make an initial minimum purchase of $250. Contact Wells Fargo Shareowner Services by telephone or internet for information and an enrollment form.

Direct Registration System

Entergy has elected to participate in a Direct Registration System that provides investors with an alternative method for holding shares. DRS will permit investors to move shares between the company's records and the broker/dealer of their choice.

Entergy Common Stock Prices

The high and low trading prices for each quarterly period in 2016 and 2015 were as follows (in dollars):

	2016		2015	
Quarter	High	Low	High	Low
1	79.72	65.38	90.33	73.88
2	81.36	72.67	79.84	69.06
3	82.09	75.99	74.09	61.27
4	76.56	66.71	70.67	63.90