UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 1996

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 529-5262	72-1229752
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue, 40th Floor Little Rock, Arkansas 72201 Telephone (501) 377-4000	71-0005900
1-2703	ENTERGY GULF STATES, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631	74-0662730
1-8474	ENTERGY LOUISIANA, INC. (a Louisiana corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 529-5262	72-0245590
0-320	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000	64-0205830
0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 529-5262	72-0273040
1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000	72-0752777

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Class	Name of Each Exchange on Which Registered
Entergy Corporation	Common Stock, $0.01 Par Value - 235,117,712 Shares outstanding at February 28, 1997	New York Stock Exchange, Inc. Chicago Stock Exchange Incorporated Pacific Stock Exchange Incorporated
Entergy Arkansas Capital I	8-1/2% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, $100 Par Value:	
	$4.40 Dividend Series	New York Stock Exchange, Inc.
	$4.52 Dividend Series	New York Stock Exchange, Inc.
	$5.08 Dividend Series	New York Stock Exchange, Inc.
	$8.80 Dividend Series	New York Stock Exchange, Inc.
	Adjustable Rate Series B (Depository Receipts)	New York Stock Exchange, Inc.
	Preference Stock, Cumulative, without Par Value $1.75 Dividend Series	New York Stock Exchange, Inc.
Entergy Gulf States Capital I	8.75% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.
Entergy Louisiana, Inc.	12.64% Preferred Stock, Cumulative, $25 Par Value	New York Stock Exchange, Inc.
Entergy Louisiana Capital I	9% Cumulative Quarterly Income Preferred Securities, Series A	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Class
Entergy Arkansas, Inc.	Preferred Stock, Cumulative, $100 Par Value Preferred Stock, Cumulative, $25 Par Value Preferred Stock, Cumulative, $0.01 Par Value
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, $100 Par Value
Entergy Louisiana, Inc.	Preferred Stock, Cumulative, $100 Par Value Preferred Stock, Cumulative, $25 Par Value
Entergy Mississippi, Inc.	Preferred Stock, Cumulative, $100 Par Value
Entergy New Orleans, Inc.	Preferred Stock, Cumulative, $100 Par Value

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes √ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of Entergy Corporation Common Stock, $0.01 Par Value, held by non-affiliates, was $6.2 billion based on the reported last sale price of such stock on the New York Stock Exchange on February 28, 1997. Entergy Corporation is the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 9, 1997, are incorporated by reference into Part III hereof.

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This combined Form 10-K is separately filed by Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representations whatsoever as to any other company.

This report should be read in its entirety. No one section of the report deals with all aspects of the subject matter.

Investors are cautioned that forward-looking statements contained herein with respect to the revenues, earnings, competitive performance, or other prospects for the business of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, or their affiliated companies may be influenced by factors that could cause actual outcomes and results to be materially different than projected. Such factors include, but are not limited to, the effects of weather, the performance of generating units, fuel prices and availability, regulatory decisions and the effects of changes in law, capital spending requirements, the evolution of competition, changes in accounting standards, and other factors.

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
Algiers	15th Ward of the City of New Orleans, Louisiana
ALJ	Administrative Law Judge
ANO	Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
ANO 1	Unit No. 1 of ANO
ANO 2	Unit No. 2 of ANO
APB	Accounting Principles Board
APSC	Arkansas Public Service Commission
Availability Agreement	Agreement, dated as of June 21, 1974, as amended, among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and the assignments thereof
Cajun	Cajun Electric Power Cooperative, Inc.
Capital Funds Agreement	Agreement, dated as of June 21, 1974, as amended, between System Energy and Entergy Corporation, and the assignments thereof
CitiPower	CitiPower Ltd.
City of New Orleans or City	New Orleans, Louisiana
Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
domestic utility companies	Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively
EPA	Environmental Protection Agency
EPAct	Energy Policy Act of 1992

DEFINITIONS (Continued)

Abbreviation or Acronym	Term
Entergy	Entergy Corporation and its various direct and indirect subsidiaries
Entergy Arkansas	Entergy Arkansas, Inc., formerly Arkansas Power & Light Company
Entergy Corporation	Entergy Corporation, a Delaware corporation, successor to Entergy Corporation, a Florida corporation
Entergy Enterprises	Entergy Enterprises, Inc.
Entergy Gulf States	Entergy Gulf States, Inc., formerly Gulf States Utilities Company (including wholly owned subsidiaries - Varibus Corporation, GSG&T, Inc., Prudential Oil & Gas, Inc., and Southern Gulf Railway Company)
Entergy Louisiana	Entergy Louisiana, Inc., formerly Louisiana Power & Light Company
Entergy Mississippi	Entergy Mississippi, Inc., formerly Mississippi Power & Light Company
Entergy New Orleans	Entergy New Orleans, Inc., formerly New Orleans Public Service Inc.
Entergy Operations	Entergy Operations, Inc.
Entergy Power	Entergy Power, Inc.
Entergy Services	Entergy Services, Inc.
EPMC	Entergy Power Marketing Corporation
ETHC	Entergy Technology Holding Company
EWG	Exempt Wholesale Generator
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FUCO	Foreign Utility Company
G&R	General and Refunding
Grand Gulf	Grand Gulf Steam Electric Generating Station (nuclear), owned 90% by System Energy
Grand Gulf 1	Unit No. 1 of Grand Gulf
Grand Gulf 2	Unit No. 2 of Grand Gulf

Abbreviation or Acronym	Term
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 11% by Entergy Power
IRS	Internal Revenue Service
kWh	kilowatt-hour(s)
London Electricity	London Electricity plc
LPSC	Louisiana Public Service Commission
MCF	1,000 cubic feet of gas
Merger	The combination transaction, consummated on December 31, 1993, by which Entergy Gulf States became a subsidiary of Entergy Corporation and Entergy Corporation became a Delaware corporation
MPSC	Mississippi Public Service Commission
MW	Megawatt(s)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, owned 70% by Entergy Gulf States
NISCO	Nelson Industrial Steam Company
1991 NOPSI Settlement	Agreement, retroactive to October 4, 1991, among Entergy New Orleans, the Council, and the Alliance for Affordable Energy, Inc. (local consumer advocate group), which settled certain Grand Gulf 1 prudence issues and certain litigation related to the resolution adopted by the Council on February 4, 1988, disallowing Entergy New Orleans' recovery of $135 million of previously deferred Grand Gulf 1-related costs
1994 NOPSI Settlement	Settlement effective January 1, 1995, between Entergy New Orleans and the Council in which Entergy New Orleans agreed to implement a permanent reduction in electric and gas rates and resolve disputes with the Council in the interpretation of the 1991 NOPSI Settlement
NRC	Nuclear Regulatory Commission
PRP	Potentially Responsible Party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 1935, as amended

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
PURPA	Public Utility Regulatory Policies Act
Rate Cap	The level of Entergy Gulf States' retail electric base rates in effect at December 31, 1993, for the Louisiana retail jurisdiction, and the level of such rates in effect prior to the settlement agreement with the PUCT on July 21, 1994, for the Texas retail jurisdiction, which may not be exceeded before December 31, 1998
Reallocation Agreement	1981 Agreement, superseded in part by a June 13, 1985 decision of FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy relating to the sale of capacity and energy from Grand Gulf
Ritchie 2	Unit No. 2 of the R. E. Ritchie Steam Electric Generating Station (gas/oil)
River Bend	River Bend Steam Electric Generating Station (nuclear), owned 70% by Entergy Gulf States
RUS	Rural Utility Services (formerly the Rural Electrification Administration or "REA")
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards, promulgated by the Financial Accounting Standards Board
SMEPA	South Mississippi Electric Power Agency
System Agreement	Agreement, effective January 1, 1983, as modified, among the domestic utility companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.
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 1
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, owned 90.7% by Entergy Louisiana. The remaining 9.3% undivided interest is leased by Entergy Louisiana.

PART I

Item 1. Business

BUSINESS OF ENTERGY

General

Entergy Corporation is a Delaware corporation which, through its direct and indirect subsidiaries, engages in the domestic and foreign electric utility business, other domestic energy-related enterprises, and telecommunications-based businesses. It has no significant assets other than the stock of its subsidiaries. Entergy Corporation is registered as a public utility holding company under PUHCA. As such, Entergy Corporation and its various direct and indirect subsidiaries (with the exception of its EWG, FUCO, and ETHC subsidiaries) are subject to the broad regulatory provisions of PUHCA. PUHCA historically has limited the operations of registered holding companies to a single, integrated public utility system and functionally related activities.

Domestic Operations and Investments

Entergy Corporation has five wholly-owned domestic retail electric utility subsidiaries: Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. As of December 31, 1996, these utility companies provided retail electric service to approximately 2.4 million customers in portions of the states of Arkansas, Louisiana, Mississippi, Tennessee, and Texas. In addition, Entergy Gulf States furnishes natural gas utility service in and around Baton Rouge, Louisiana, and Entergy New Orleans furnishes natural gas utility service in New Orleans, Louisiana. The business of these domestic utility companies is subject to seasonal fluctuations, with the peak period occurring during the third quarter of each year. During 1996, these domestic utility companies' combined electric sales as a percentage of total electric sales were: residential - 26.5%; commercial - 19.9%; and industrial - 41.5%. Electric revenues from these sectors as a percentage of total electric revenues were: residential - 35.3%; commercial - 24.4%; and industrial - 30.8%. Sales to governmental and municipal sectors and to nonaffiliated utilities accounted for the balance of energy sales. The major industrial customers of these companies are in the chemical processing, petroleum refining, paper products, and food products industries. The retail rates and services of Entergy's domestic retail utility subsidiaries are regulated by state and/or local utility regulatory bodies.

Entergy Corporation owns directly all of the common stock of Entergy Power, a Delaware corporation and domestic power producer that owns 725 MW of fossil-fueled generating assets located in Arkansas. Entergy Power markets electric capacity and energy in the wholesale market. Entergy Corporation also owns 100% of the voting stock of System Energy, an Arkansas corporation that owns and leases an aggregate 90% undivided interest in the Grand Gulf nuclear plant. System Energy sells the capacity and energy from its interest in Grand Gulf 1 at wholesale to its only customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans (see "**CAPITAL REQUIREMENTS AND FUTURE FINANCING - Certain System Financial and Support Agreements - Unit Power Sales Agreement**," below). Both Entergy Power's and System Energy's wholesale power sales are subject to the jurisdiction of FERC.

Entergy Services, Inc., a Delaware corporation wholly-owned by Entergy Corporation, provides general executive, advisory, administrative, accounting, legal, engineering, and other services primarily to the domestic utility companies of Entergy Corporation, but also to Entergy Enterprises. Entergy Operations, a Delaware corporation, is also wholly-owned by Entergy Corporation and provides nuclear management, operations and maintenance services under contract for ANO, River Bend, Waterford 3, and Grand Gulf 1, subject to the owner oversight of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, respectively. Entergy Services and Entergy Operations provide their services to Entergy's domestic retail electric utility subsidiaries, generally at cost, pursuant to service agreements approved by the SEC under PUHCA.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans own 35%, 33%, 19%, and 13%, respectively, of the common stock of System Fuels, a subsidiary incorporated in Louisiana that implements and/or maintains certain programs to procure, deliver, and store fuel supplies for those companies and for Entergy Gulf States.

Entergy Gulf States has wholly-owned subsidiaries that (i) operate intrastate gas pipelines in Louisiana used primarily to transport fuel to two of Entergy Gulf States' generating stations; (ii) own the Lewis Creek Station, a gas-fired generating plant, which is leased to and operated by Entergy Gulf States; and (iii) own several miles of railroad track constructed in Louisiana for the purpose of transporting coal for use as boiler fuel at Entergy Gulf States' Nelson Unit 6 generating facility.

Entergy Enterprises is a wholly-owned nonutility subsidiary of Entergy Corporation incorporated under Louisiana law, which invests in and develops energy-related projects and businesses. Entergy Enterprises, directly or through subsidiaries, markets energy-related expertise, products, and services to third parties and provides services to certain nonutility companies owned by Entergy. Services provided to third-parties include (i) energy management; (ii) management, operations and maintenance services for fossil and nuclear generating plants; and (iii) energy efficient lighting, heating, and cooling systems.

Entergy Power Marketing Corporation, a Delaware corporation, is a wholly-owned subsidiary of Entergy Corporation that is in the business of marketing electricity and generating fuels to third parties. It has applied to the SEC for authority to deal in a wide range of energy commodities and related financial products.

During 1996, Entergy entered into several telecommunications-based businesses, including primarily security monitoring firms operating in North and South Carolina, Alabama, and Florida. These businesses are owned through Entergy Technology Holding Company, a wholly-owned Delaware subsidiary of Entergy Corporation. Entergy Technology Holding Company intends to engage in a variety of telecommunications based enterprises that are exempt from regulation under PUHCA.

Foreign Operations and Investments

Since 1993, Entergy Corporation has directly or indirectly acquired interests in a number of foreign utility businesses. Entergy Corporation's indirect wholly-owned Australian subsidiary, CitiPower, was acquired in 1996. CitiPower is principally engaged in the electric distribution business in Melbourne, Australia, where it serves approximately 238,000 retail customers. Entergy Corporation also indirectly owns a 5% interest in Edesur, S.A., which is the retail electric distribution company for about 1.9 million customers in Buenos Aires, Argentina. In addition, on February 7, 1997, Entergy Corporation acquired a controlling stock interest in London Electricity plc, a regional electric company that is principally engaged in the distribution of electricity for approximately 2 million customers in and around London, England. London Electricity also engages in other business activities, including ownership of an interest in a 1,000 MW gas-fired combined cycle generating station and several private electric distribution systems.

Other foreign electric generation and transmission assets in which Entergy Corporation owns an interest are set forth below:

Investment	Percent Ownership
Argentina - Costanera, 1,260 MW	6%
Argentina - Costanera, expansion, 220 MW	10%
Pakistan - Hub River, 1,292 MW	7%
Peru - Edegel - 793 MW	21%
Argentina - Transener (transmission 5,000 miles)	10%

As of December 31, 1996, Entergy Corporation had a net investment of $812 million in equity capital in businesses other than its domestic retail utility businesses. Entergy Corporation continues to seek opportunities to expand its domestic and foreign businesses that are not regulated by domestic state and local utility regulatory authorities. Entergy Corporation's continued acquisition of and investments in certain foreign and domestic businesses is subject to regulation (including the effect of exemptive provisions) under PUHCA.

International operations are subject to the risks inherent in conducting business abroad, including possible nationalization or expropriation, price and currency exchange controls, limitations on foreign participation in local energy-related enterprises, and other restrictions. Changes in the relative value of currencies occur from time to time and their effects may be favorable or unfavorable on the results of operations and statement of cash flows. In addition, there are exchange control restrictions in certain countries related to the repatriation of earnings.

Selected Data

Selected domestic customer and sales data for 1996 are summarized in the following tables:

	Area Served	Customers as of December 31, 1996 Electric	Customers as of December 31, 1996 Gas
Entergy Arkansas	Portions of Arkansas and Tennessee	614,748	-
Entergy Gulf States	Portions of Texas and Louisiana	629,583	87,384
Entergy Louisiana	Portions of Louisiana	617,378	-
Entergy Mississippi	Portions of Mississippi	375,456	-
Entergy New Orleans	City of New Orleans, except Algiers, which is provided electric service by Entergy Louisiana	188,913	151,528
Total		2,426,078	238,912

1996 - Selected Electric Energy Sales Data

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy	Total (a)
				(Millions of kWh)			
Electric Department:							
Sales to retail customers	17,134	31,551	30,843	11,272	5,526	-	96,326
Sales for resale:							
- Affiliates	10,471	656	143	1,368	66	8,302	-
- Others	6,720	2,148	982	521	212	-	10,583
Total	34,325	34,355	31,968	13,161	5,804	8,302	106,909
Steam Department:							
- Sales to steam products customer	-	1,826	-	-	-	-	1,826
TOTAL	34,325	36,181	31,968	13,161	5,804	8,302	108,735
Average use per residential customer (kWh)	11,497	14,673	14,579	13,613	11,696	-	13,455

(a) Includes the effect of intercompany eliminations.

Entergy New Orleans sold 18,192,798 MCF of natural gas to retail customers in 1996. Revenues from natural gas operations for each of the three years in the period ended December 31, 1996, were material for Entergy New Orleans, but not material for Entergy (see **"INDUSTRY SEGMENTS"** below for a description of Entergy New Orleans' business segments).

Entergy Gulf States sold 7,325,289 MCF of natural gas to retail customers in 1996. Revenues from natural gas operations for each of the three years in the period ended December 31, 1996, were not material for Entergy Gulf States.

See **"ENTERGY CORPORATION AND SUBSIDIARIES SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON,"** and **"SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON OF ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, and SYSTEM ENERGY,"** which follow each company's financial statements in this report, for further information with respect to operating statistics.

Employees

As of December 31, 1996, Entergy had 13,363 employees as follows:

Full-time:	
Entergy Corporation	-
Entergy Arkansas	1,455
Entergy Gulf States	1,566
Entergy Louisiana	756
Entergy Mississippi	742
Entergy New Orleans	328
System Energy	-
Entergy Operations	3,728
Entergy Services	2,940
Other subsidiaries	1,713
Total Full-time	13,228
Part-time	135
Total Entergy	13,363

Competition

Refer to **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS"** for a detailed discussion of competitive challenges Entergy faces in the utility industry, including the recent filings of the domestic utility companies with their respective state and local regulatory authorities addressing transition to competition.

CAPITAL REQUIREMENTS AND FUTURE FINANCING

Construction expenditures for the domestic utility companies and System Energy (including environmental expenditures, which are immaterial, and AFUDC, but excluding nuclear fuel) for the period 1997-1999 are estimated as follows:

	1997	1998	1999	Total
		(In Millions)		
Entergy Arkansas	$159	$186	$196	$541
Entergy Gulf States	140	147	150	437
Entergy Louisiana	102	99	99	300
Entergy Mississippi	63	66	68	197
Entergy New Orleans	27	28	29	84
System Energy	19	21	23	63

With the exception of Entergy Arkansas, no significant construction costs are expected in connection with the domestic utility companies' generating facilities. Projected construction expenditures for the replacement of ANO 2's steam generators are included in Entergy Arkansas' estimated figures above. See Note 9 for additional information. Actual construction costs may vary from these estimates because of a number of factors, including changes in load growth estimates, changes in environmental regulations, modifications to nuclear units to meet regulatory requirements, increasing costs of labor, equipment and materials, and cost of capital. In addition to construction expenditure requirements, Entergy must meet scheduled long-term debt and preferred stock maturities and cash sinking fund requirements. See Notes 4, 5, 6, and 7 for further capital requirements and financing information.

Entergy Corporation's primary capital requirements are to invest periodically in, or make loans to, its subsidiaries and to invest in new enterprises. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES,**" for additional discussion of Entergy Corporation's current and future planned investments in its subsidiaries and financial sources for such investments. The principal source of funds for Entergy Corporation is dividend distributions from its subsidiaries. Certain events, such as the River Bend issues discussed in Notes 2 and 9, could limit the amount of these distributions. Substantial write-offs or charges resulting from adverse rulings in this matter could adversely affect Entergy Gulf States' ability to pay dividends.

Certain System Financial and Support Agreements

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

The Unit Power Sales Agreement allocates capacity and energy from System Energy's 90% ownership and leasehold interests in Grand Gulf 1 (and the related costs) to Entergy Arkansas (36%), Entergy Louisiana (14%), Entergy Mississippi (33%), and Entergy New Orleans (17%). Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans make payments to System Energy for their respective entitlements of capacity and energy on a full cost-of-service basis regardless of the quantity of energy delivered, so long as Grand Gulf 1 remains in commercial operation. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues. The financial condition of System Energy depends upon the continued commercial operation of Grand Gulf 1 and the receipt of payments from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Payments made by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Unit Power Sales Agreement are generally recovered through rates. In the case of Entergy Arkansas and Entergy Louisiana, payments are also recovered through sales of electricity from their respective retained shares of Grand Gulf 1. See Note 2 for further information regarding retained shares.

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

The Availability Agreement among System Energy and Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans was entered into in 1974 in connection with the financing by System Energy of Grand Gulf. The Availability Agreement provided that System Energy would join in the System Agreement on or before the date on which Grand Gulf 1 was placed in commercial operation. It also provided that System Energy would make available to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans all capacity and energy available from System Energy's share of Grand Gulf.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans also agreed severally to pay System Energy monthly for the right to receive capacity and energy available from Grand Gulf in amounts that (when added to any amounts received by System Energy under the Unit Power Sales Agreement, or otherwise) would at least equal System Energy's total operating expenses for Grand Gulf (including depreciation at a specified rate) and interest charges.

Under the Availability Agreement, as amended to date:

- the obligations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans for payments for Grand Gulf 1 became effective upon commercial operation of Grand Gulf 1 on July 1, 1985;

- the sale of capacity and energy generated by Grand Gulf is governed by the Unit Power Sales Agreement;

- the September 1989 write-off of System Energy's investment in Grand Gulf 2, amounting to approximately $900 million, is being amortized for Availability Agreement purposes over 27 years rather than in the month the write-off was recognized on System Energy's books; and

- the allocation percentages under the Availability Agreement are fixed as follows: Entergy Arkansas - 17.1%; Entergy Louisiana - 26.9%; Entergy Mississippi - 31.3%; and Entergy New Orleans - 24.7%.

As noted above, the Unit Power Sales Agreement provides for different allocation percentages for sales of capacity and energy from Grand Gulf 1. However, the allocation percentages under the Availability Agreement remain in effect and would govern payments made under such agreement in the event of a shortfall of funds available to System Energy from other sources, including payments by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to System Energy under the Unit Power Sales Agreement.

System Energy has assigned its rights to payments and advances from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under the Availability Agreement as security for its first mortgage bonds and reimbursement obligations to certain banks providing the letters of credit in connection with the equity funding of the sale and leaseback transactions described in Note 10 under "**Sale and Leaseback Transactions - Grand Gulf 1 Lease Obligations (System Energy)**." In these assignments, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans further agreed that, in the event they were prohibited by governmental action from making payments under the Availability Agreement (if, for example, FERC reduced or disallowed such payments as constituting excessive rates), they would then make subordinated advances to System Energy in the same amounts and at the same times as the prohibited payments. System Energy would not be allowed to repay these subordinated advances so long as it remained in default under the related indebtedness or in other similar circumstances.

Each of the assignment agreements relating to the Availability Agreement provides that Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans shall make payments directly to System Energy. However, if there is an event of default, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy

New Orleans must make those payments directly to the holders of indebtedness that are the beneficiaries of such assignment agreements. The payments must be made pro rata according to the amount of the respective obligations secured.

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

Since commercial operation of Grand Gulf 1 began, payments under the Unit Power Sales Agreement to System Energy have exceeded the amounts payable under the Availability Agreement. Accordingly, no payments under the Availability Agreement by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans have ever been required. In the event such payments were required, the ability of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans to recover from their customers amounts paid under the Availability Agreement, or under the assignments thereof, would depend upon the outcome of rate proceedings before state and local regulatory authorities. In view of the controversies that arose over the allocation of capacity and energy from Grand Gulf 1 pursuant to the Unit Power Sales Agreement, opposition to full recovery would be likely and the outcome of such proceedings, should they occur, is not predictable.

The Availability Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, upon obtaining the consent, if required, of those holders of System Energy's indebtedness then outstanding who have received the assignments of the Availability Agreement.

Capital Funds Agreement (Entergy Corporation and System Energy)

System Energy and Entergy Corporation have entered into the Capital Funds Agreement whereby Entergy Corporation has agreed to supply System Energy with sufficient capital to (i) maintain System Energy's equity capital at an amount equal to a minimum of 35% of its total capitalization (excluding short-term debt) and (ii) permit the continued commercial operation of Grand Gulf 1 and pay in full all indebtedness for borrowed money of System Energy when due under any circumstances.

Entergy Corporation has entered into various supplements to the Capital Funds Agreement, and System Energy has assigned its rights under such supplements as security for its first mortgage bonds and for reimbursement obligations to certain banks providing letters of credit in connection with the equity funding of the sale and leaseback transactions described in Note 10 under "**Sale and Leaseback Transactions - Grand Gulf 1 Lease Obligations (System Energy)**." Each such supplement provides that permitted indebtedness for borrowed money incurred by System Energy in connection with the financing of Grand Gulf may be secured by System Energy's rights under the Capital Funds Agreement on a pro rata basis (except for the Specific Payments, as defined below). In addition, in the supplements to the Capital Funds Agreement relating to the specific indebtedness being secured, Entergy Corporation has agreed to make cash capital contributions directly to System Energy sufficient to enable System Energy to make payments when due on such indebtedness (Specific Payments). However, if there is an event of default, Entergy Corporation must make those payments directly to the holders of indebtedness benefiting from the supplemental agreements. The payments (other than the Specific Payments) must be made pro rata according to the amount of the respective obligations benefiting from the supplemental agreements.

The Capital Funds Agreement may be terminated, amended, or modified by mutual agreement of the parties thereto, upon obtaining the consent, if required, of those holders of System Energy's indebtedness then outstanding who have received the assignments of the Capital Funds Agreement.

RATE MATTERS AND REGULATION

Rate Matters

The domestic utility companies' retail rates are regulated by state and/or local regulatory authorities, as described below. FERC regulates their wholesale rates (including intrasystem sales pursuant to the System Agreement) and interstate transmission of electricity, as well as rates for System Energy's sales of capacity and energy from Grand Gulf 1 to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement.

Wholesale Rate Matters

System Energy

As described above under "**CAPITAL REQUIREMENTS AND FUTURE FINANCING - Certain System Financial and Support Agreements**," System Energy recovers costs related to its interest in Grand Gulf 1 through rates charged to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans for capacity and energy under the Unit Power Sales Agreement.

On December 12, 1995, System Energy implemented a $65.5 million rate increase, subject to refund. Refer to Note 2 for a discussion of the rate increase request filed by System Energy with FERC.

System Agreement (Energy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The domestic utility companies engage in the coordinated planning, construction, and operation of generation and transmission facilities pursuant to the terms of the System Agreement as described under "**PROPERTY - Generating Stations**," below.

In connection with the Merger, FERC approved certain rate schedule changes to integrate Entergy Gulf States into the System Agreement. Certain commitments were also adopted to assure that the ratepayers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans will not be allocated higher costs. Such commitments included: (i) a tracking mechanism to protect these companies from certain unexpected increases in fuel costs; (ii) the exclusion of Entergy Gulf States from the distribution of profits from power sales contracts entered into prior to the Merger; (iii) a methodology to estimate the cost of capital in future FERC proceedings; and (iv) a stipulation that these companies be insulated from certain direct effects on capacity equalization payments if Entergy Gulf States should acquire Cajun's 30% share in River Bend. See "**Regulation - Other Regulation and Litigation**," for information on appeals of FERC Merger orders and related pending rate schedule changes.

In the December 15, 1993, order approving the Merger, FERC also initiated a new proceeding to consider whether the System Agreement permits certain out-of-service generating units to be included in reserve equalization calculations under Service Schedule MSS-1 of that agreement. In connection with this proceeding, the LPSC and the MPSC submitted testimony seeking retroactive refunds for Entergy Louisiana and Entergy Mississippi (estimated at $22.6 million and $13.2 million, respectively). The FERC staff subsequently submitted testimony concluding that Entergy's treatment was reasonable. However, because it concluded that Entergy's treatment violated the tariff, FERC staff maintained that refunds of approximately $7.2 million should be ordered. Entergy submitted testimony on September 23, 1994, describing the potential impacts (not including interest) on Service Schedule MSS-1 calculations if extended reserve shutdown units were not included in the MSS-1 calculations during the period 1987 through 1993. Under such a theory, Entergy Louisiana and Entergy Mississippi would have been overbilled by $10.6 and $8.8 million respectively, and Entergy Arkansas and Entergy New Orleans would have been underbilled by $6.3 and $13.1 million respectively. The amounts potentially subject to refund will continue to accrue while the case is pending.

On March 3, 1995, a FERC ALJ issued an opinion holding that the practice of including the out-of-service units in the reserve equalization calculations during the period 1987 through 1993 was not permitted by Service Schedule MSS-1 and, therefore, constituted a violation of the System Agreement. However, the ALJ found that the violation was in good faith and had benefited the customers of Entergy as a whole. Accordingly, the ALJ recommended that no retroactive refunds should be ordered. The ALJ also held that the System Agreement should be amended to allow out-of-service units to be included in reserve equalization as proposed in an offer of settlement filed by Entergy on February 16, 1994. The ALJ's opinion is subject to review by FERC. If FERC concurs with the finding that the System Agreement was violated, it would have the discretion to order that refunds be made. If that were to occur, certain domestic utility companies may be required to refund some or all of the amount by which they were underbilled pursuant to the System Agreement. The domestic utility companies cannot determine at this time whether they would be authorized to recover through retail rates any amounts associated with refunds that might be ordered by FERC in this proceeding. The matter remains pending before FERC.

On March 14, 1995, the LPSC filed a complaint with FERC alleging that the System Agreement results in unjust and unreasonable rates and requested that FERC order a hearing on this matter. The LPSC contended that the failure of the System Agreement to exclude curtailable load from the determination of a domestic utility company's responsibility for reserve equalization and transmission equalization costs results in an unjust and unreasonable cost allocation to the domestic utility companies that does not cause these costs to be incurred, and also results in cross-subsidization among the domestic utility companies. Further, the LPSC alleged that the mechanism by which the domestic utility companies purchase energy under the System Agreement results in unjust and unreasonable rates because it does not permit domestic utility companies that engage in real time pricing to be charged the marginal cost of the energy generated for the real time pricing customer. In May 1995, the LPSC amended its original complaint, asserting that the System Agreement should be revised to exclude curtailable load from the cost allocation determination due to conflicts with federal policies under PURPA and with Entergy's system planning philosophy. On August 5, 1996, FERC dismissed the LPSC's complaint and amended complaint. On September 30, 1996, FERC granted the LPSC's request for rehearing, solely for the purpose of affording FERC additional time for consideration of the matters raised on rehearing.

In June 1995, the APSC filed a complaint with FERC alleging that, because of changed circumstances, FERC's allocation of nuclear decommissioning costs is no longer just and reasonable. The APSC proposed that the System Agreement be amended to provide a new schedule that would equalize nuclear decommissioning costs according to load responsibility among the pre-Merger domestic utility companies. On December 17, 1996, the APSC notified FERC that it was withdrawing its complaint. The withdrawal became effective when FERC issued an order accepting the withdrawal on January 29, 1997.

<u>Open Access Transmission</u> (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

On August 2, 1991, Entergy Services, as agent for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Power, submitted to FERC (i) proposed tariffs that, subject to certain conditions, would provide to electric utilities "open access" to Entergy's integrated transmission system, and (ii) rate schedules providing for sales of wholesale power at market-based rates. FERC approved the filing in August 1992, and various parties filed appeals with the D.C. Circuit. The case was remanded to FERC in July 1994 for further proceedings. On October 31, 1994, Entergy Services, as agent for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, filed revised transmission tariffs. On January 6, 1995, FERC issued an order accepting the tariffs for filing and made them effective, subject to refund. These tariffs provide both point-to-point and network transmission service, and are intended to provide "comparability of service" over the Entergy transmission network. In that order, FERC also ordered that Entergy Power's market pricing authority be investigated, thereby making Entergy Power's market price rate schedules subject to refund. An order in the market price rate investigation is expected to be issued in 1997. Entergy expects that no refunds relating to market base rates will be required.

On March 29, 1995, FERC issued a supplemental notice of proposed rulemaking (Mega-NOPR) which would require public utilities to provide non-discriminatory open access transmission service to wholesale customers, and which would also provide guidance on the recovery of wholesale and retail stranded costs. Under the proposal, public utilities would be required to file transmission tariffs for both point-to-point and network service. Model transmission tariffs were included in the proposal. With regard to pending proceedings, including Entergy's tariff proceeding, FERC directed the parties to proceed with their cases while taking into account FERC's views expressed in the proposed rule. Hearings relating to Entergy Services' open access tariffs concluded on February 22, 1996, and an initial decision was issued by the ALJ on May 21, 1996. The initial decision and offers of partial settlement discussed below are now pending before FERC awaiting a final decision.

In September 1995 and January 1996, Entergy Services filed offers of partial settlement accepting certain provisions of the transmission tariffs contained in the Mega-NOPR and resolving certain rate issues. The remaining rate and tariff issues will be resolved as part of FERC's rulemaking in the Mega-NOPR, or after scheduled hearings. In August 1995, EPMC filed an application for permission to make market-based sales, but subsequently asked that action not be taken on that request until the open access transmission service proceeding discussed above is resolved. On December 13, 1995, Entergy Services filed revised transmission tariffs in a separate proceeding proposing terms and conditions for open access transmission service that are substantially identical to the terms and conditions contained in the Mega-NOPR transmission tariffs with rates to be the same as those determined in the pending proceeding. On February 14, 1996, FERC accepted for filing the revised transmission tariffs subject to the outcome of the pending proceeding and conditionally accepted EPMC's application for market-based sales. Subsequently, FERC accepted EPMC's application without condition.

In an April 1996 FERC order (Order No. 888), FERC issued its final rule on open access, nondiscriminatory transmission, and stranded costs. In July 1996, in response to this FERC order, Entergy Services filed, on behalf of the domestic utility companies, its open access pro forma tariff. This tariff, which supersedes the tariffs previously filed, is currently pending before FERC with respect to the rates for transmission service. The rates set forth in the July 1996 tariff are subject to the outcome of FERC action on the May 21, 1996 initial decision and the offers of partial settlement. On January 29, 1997, FERC accepted the non-rate terms and conditions of the July 1996 tariff, subject to limited modifications.

Retail Rate Matters

General (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Certain costs related to Grand Gulf 1, Waterford 3, and River Bend were phased into retail rates over a period of years in order to avoid the "rate shock" associated with increasing rates to reflect all such costs at once. The deferral period in which costs are incurred but not currently recovered has expired for all of these programs, and Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are now recovering those costs that were previously deferred.

Entergy Gulf States is involved in several rate proceedings involving, among other things, recovery of costs associated with River Bend. Some rate relief has been received, but Entergy Gulf States has been unable to obtain recognition in rates for a substantial portion of its River Bend investment. Recovery of certain costs was disallowed while other costs were deferred for future recovery, held in abeyance pending further regulatory action, or treated as investments in deregulated assets. Rate proceedings and appeals relating to these issues are ongoing as discussed in "Entergy Gulf States" below.

As a means of minimizing the need for retail rate increases, Entergy is committed to containing costs to the greatest degree practicable. In accordance with this retail rate policy, some domestic utility companies have agreed to retail rate caps and/or rate freezes for specified periods of time.

The retail regulatory philosophy is shifting in some jurisdictions from traditional cost-of-service regulation to incentive-rate regulation. Management believes incentive and performance-based rate plans encourage efficiencies and productivity while permitting utilities and their customers to share in the resulting benefits. Entergy Mississippi and Entergy Louisiana have implemented incentive rate plans. Recognizing that many industrial customers have energy alternatives, Entergy continues to work with these customers to address their needs. In certain cases, competitive prices are negotiated using variable-rate designs.

Entergy has initiated proceedings with its state and local regulators regarding an orderly transition to a more competitive market for electricity. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS,**" for a discussion of the transition to competition filings made by Entergy Mississippi, Entergy Gulf States, Entergy Louisiana, and Entergy Arkansas with their state and local regulators.

<u>Least Cost Integrated Resource Planning</u> (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

Entergy continues to utilize integrated resource planning, also known as least cost planning, in order to compete more effectively in both retail and wholesale markets. Integrated resource planning is the development of integrated supply and demand side strategies to meet future electricity demands reliably, at the lowest possible cost, and in a more competitive manner.

In the fourth quarter of 1995, the domestic utility companies provided to their retail regulators (the APSC, the Council, the LPSC, the MPSC, and the PUCT) a new integrated resource plan, ("IRP"), for informational purposes only. The new IRP provides for a flexible resource strategy to meet Entergy's additional resource requirements over the next ten years. The integrated resource planning provides for the utilization of capacity currently in extended reserve shutdown to meet additional load growth, but also provides the flexibility to rely on short-term power purchases, upgrades to existing nuclear capacity, or cogeneration when these resources are more economical.

<u>Entergy Arkansas</u>

Rate Freeze

In connection with the settlement of various issues related to the Merger, Entergy Arkansas agreed that it will not request any general retail rate increase that would take effect before November 3, 1998, except for certain instances. See Note 2 for a discussion of the rate freeze as well as other aspects of the settlement agreement between Entergy Arkansas and the APSC.

Recovery of Grand Gulf 1 Costs

Under the settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas agreed to retain a portion of its Grand Gulf 1-related costs, recover a portion of such costs currently, and defer a portion of such costs for future recovery. In 1996 and subsequent years, Entergy Arkansas retains 22% of its 36% interest in Grand Gulf 1 costs and recovers the remaining 78%. Deferrals ceased in 1990, and Entergy Arkansas is recovering a portion of the previously deferred costs each year through 1998. As of December 31, 1996, the balance of deferred costs was $228 million. Entergy Arkansas is permitted to recover on a current basis the incremental costs of financing the unrecovered deferrals.

Entergy Arkansas has the right to sell capacity and energy from its retained share of Grand Gulf 1 to third parties and to sell such energy to its retail customers at a price equal to Entergy Arkansas' avoided energy cost. Proceeds of sales to third parties of Entergy Arkansas' retained share of Grand Gulf 1 capacity and energy accrue to the benefit of Entergy Arkansas' stockholder.

Fuel Adjustment Clause

Entergy Arkansas' retail rate schedules include a fuel adjustment clause to recover the excess cost of fuel and purchased power incurred in the second prior month. The fuel adjustment clause also contains a nuclear reserve fund provision designed to cover the cost of replacement energy during refueling outages at ANO, and an incentive provision that rewards or penalizes Entergy Arkansas depending on the performance of ANO.

Entergy Gulf States

Rate Cap and Other Merger-Related Rate Agreements

In 1993, the LPSC and the PUCT approved separate regulatory proposals, which included the implementation of a five-year Rate Cap on Entergy Gulf States' retail electric base rates in the respective states, and provisions for passing fuel and nonfuel savings created by the Merger to the customers. See Note 2 for a discussion of the Rate Cap as well as other aspects of the settlement agreement between Entergy Gulf States and the LPSC and the PUCT.

Recovery of River Bend Costs

Entergy Gulf States deferred approximately $369 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges, pursuant to a 1986 PUCT accounting order. Approximately $182 million of these costs are being amortized over a 20-year period, and the remaining $187 million was written off in the first quarter of 1996 in accordance with SFAS 121, as discussed below. As of December 31, 1996, the unamortized balance of the remaining costs was $117 million. Entergy Gulf States deferred approximately $400.4 million of similar costs pursuant to a 1986 LPSC accounting order, of which approximately $40 million was unamortized as of December 31, 1996, and are being amortized over a 10-year period ending in February 1998.

In accordance with a phase-in plan approved by the LPSC, Entergy Gulf States deferred $294 million of its River Bend costs related to the period February 1988 through February 1991. Entergy Gulf States has amortized $225 million through December 31, 1996. The remainder of $69 million will be recovered in 1997 and early 1998.

Texas Jurisdiction - River Bend

In 1988, the PUCT granted Entergy Gulf States a permanent increase in annual revenues of $59.9 million resulting from the inclusion in rate base of approximately $1.6 billion of company-wide River Bend plant investment and approximately $182 million of related Texas retail jurisdiction deferred River Bend costs (Allowed Deferrals). At the same time, the PUCT disallowed as imprudent $63.5 million of company-wide River Bend plant costs and placed in abeyance, with no finding as to prudence, approximately $1.4 billion of company-wide River Bend plant investment and approximately $157 million of Texas retail jurisdiction deferred River Bend operating and carrying costs (Abeyed Deferrals).

The PUCT's order has been the subject of several appellate proceedings, culminating in an appeal to the Texas Supreme Court (Supreme Court). On January 31, 1997, the Supreme Court issued an opinion reversing the PUCT's order and remanding the case to the PUCT for further proceedings. The Supreme Court found that the PUCT had prejudiced Gulf States' rights by attempting to defer a ruling on the abeyed plant costs and incorrectly determined the amount of federal income tax expense that should have been allowed in rates. The Supreme Court ruled that the PUCT could choose either to conduct hearings and take further evidence or to decide the case on the original evidence. On February 18, 1997, the Texas Office of Public Utility Counsel filed a motion for rehearing of the Supreme Court's decision, arguing that the Supreme Court's remand should have instructed the PUCT as to how the case should be dealt with on remand. Entergy Gulf States filed a brief in opposition to the motion for rehearing on February 25, 1997. Entergy Gulf States believes that it is unlikely that the Supreme Court will grant the motion for rehearing. No procedural schedule has yet been issued by the PUCT concerning the case on remand.

As of December 31, 1996, the River Bend plant costs disallowed for retail ratemaking purposes in Texas and the River Bend plant costs held in abeyance totaled (net of taxes and depreciation) approximately $12 million and $266 million, respectively. The Allowed Deferrals were approximately $77 million, net of taxes and amortization, as of December 31, 1996. Entergy Gulf States estimates it has collected approximately $204 million of revenues as of December 31, 1996, as a result of the originally ordered rate treatment by the PUCT of these deferred costs. If recovery of the Allowed Deferrals is not upheld, future refunds could be required and future revenues based upon the Allowed Deferrals could also be lost. However, management believes that it is probable that the Allowed Deferrals will continue to be recovered in rates.

As a result of the application of SFAS 121, Entergy Gulf States wrote off Abeyed Deferrals of $169 million, net of tax, effective January 1, 1996. In light of the continuing proceedings before the PUCT and the courts (including the January 31, 1997 decision of the Texas Supreme Court), Entergy Gulf States has made no write-offs or reserves for the River Bend plant-related costs. At this time, management and legal counsel are unable to predict the amount of the abeyed and previously disallowed River Bend plant costs that may ultimately be allowed in Entergy Gulf States' Texas retail rates.

In prior proceedings involving other utilities, the PUCT has held that the original cost of nuclear power plants will be recoverable in electric rates to the extent those costs were prudently incurred. Entergy Gulf States has previously filed with the PUCT a cost reconciliation study prepared by Sandlin Associates, management consultants with expertise in the cost analysis of nuclear power plants, which supports the reasonableness of the River Bend costs held in abeyance by the PUCT. This reconciliation study determined that approximately 82% of the River Bend cost increase above the amount included by the PUCT in rate base was a result of changes in federal nuclear safety requirements, and provided other support for the remainder of the abeyed amounts. In particular, there have been four other rate proceedings in Texas involving nuclear power plants. Disallowed investment in the plants ranged from 0% to 15%. Each case was unique, and the disallowances in each were made for different reasons. Appeals of two of these PUCT decisions are currently pending. Based upon the PUCT's prior decisions, management believes that River Bend construction costs were prudently incurred and that it is reasonably possible that it will recover through rates, or otherwise through means such as a deregulated asset plan, all or substantially all of the abeyed River Bend plant costs. In the event of an adverse ruling in this case, an after-tax write off, as of December 31, 1996, of up to $278 million could be required.

NISCO Unrecovered Costs

In 1986, the PUCT ordered that the purchased power costs from NISCO in excess of Entergy Gulf States' avoided costs be disallowed. The PUCT disallowance resulted in approximately $12 million to $15 million of unrecovered purchased power costs on an annual basis, which Entergy Gulf States continued to expense as the costs were incurred. In April 1991, the Texas Supreme Court, on the appeal of such order, ordered the PUCT to allow Entergy Gulf States to recover purchased power payments in excess of its avoided cost in future proceedings if Entergy Gulf States established to the PUCT's satisfaction that the payments were reasonable and necessary expenses.

In January 1992, Entergy Gulf States applied to the PUCT for a new fixed fuel factor and requested a final reconciliation of fuel and purchased power costs incurred between December 1, 1986 and September 30, 1991. Entergy Gulf States proposed to recover net under-recoveries and interest (including under-recoveries related to NISCO) over a twelve-month period. In June 1993, the PUCT concluded that the purchased power payments made to NISCO in excess of Entergy Gulf States' avoided cost were not reasonably incurred. In October 1993, Entergy Gulf States appealed the PUCT's order to the Travis County District Court where the matter is still pending. As of December 31, 1996, Entergy Gulf States has expensed $140.8 million of unrecovered purchased power costs and deferred revenue pending the appeal to the District Court. No assurance can be given as to the timing or outcome of the appeal.

Retail Rate Proceedings

Refer to Note 2 for a discussion of additional retail rate proceedings which have been resolved during the current year and/or are currently outstanding in the regulatory jurisdictions in which Entergy Gulf States operates.

Fuel Recovery

Entergy Gulf States' Texas rate schedules include a fixed fuel factor to recover fuel and purchased power costs not recovered in base rates. The fixed factor may be revised every six months in accordance with a schedule set by the PUCT for each utility. To the extent actual costs vary from the fixed factor, refunds or surcharges are required or permitted, respectively. Fuel costs are also subject to reconciliation proceedings every three years. Entergy Gulf States' Louisiana electric rate schedules include a fuel adjustment clause to recover the cost of fuel and purchased power costs in the second prior month, adjusted by a surcharge for deferred fuel expense arising from the monthly reconciliation of actual fuel cost incurred with fuel revenues billed to customers. See Note 2 for a discussion of the LPSC fuel cost reviews.

Entergy Gulf States' Louisiana gas rates include a purchased gas adjustment to recover the cost of purchased gas.

Steam Customer Contract

In August 1996, Entergy Gulf States entered into agreements with its only steam customer whereby a generating facility will be leased to such customer beginning in August 1997, the expiration date of the previous contract. As a result of these arrangements, Entergy Gulf States' annualized revenues are expected to decrease by approximately $33 million, and its net income is expected to be reduced by approximately $15 million annually. See **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS,"** for a further discussion.

Entergy Louisiana

Recovery of Grand Gulf 1 Costs

In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Waterford 3 and Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. With respect to Waterford 3, Entergy Louisiana was granted an increase aggregating $170.9 million over the period 1985-1988, and Entergy Louisiana agreed to permanently absorb, and not recover from retail ratepayers, $284 million of its investment in the unit and to defer $266 million of its costs related to the years 1985-1988 to be recovered from April 1988 through June 1997. As of December 31, 1996, Entergy Louisiana's unrecovered deferral balance was $5.7 million.

With respect to Grand Gulf 1, Entergy Louisiana agreed to retain, and not recover from retail ratepayers, 18% of its 14% share, or approximately 2.52%, of the costs of Grand Gulf 1's capacity and energy. Non-fuel operation and maintenance costs for Grand Gulf 1 are recovered through Entergy Louisiana's base rates. Additionally, Entergy Louisiana is allowed to recover, through the fuel adjustment clause, 4.6 cents per kWh for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to nonaffiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval.

Performance-Based Formula Rate Plan

In June 1995, in conjunction with the LPSC's rate review, a performance-based formula rate plan previously proposed by Entergy Louisiana was approved with certain modifications. See Note 2 for a discussion of Entergy Louisiana's performance-based formula rate plan.

Fuel Adjustment Clause

Entergy Louisiana's rate schedules include a fuel adjustment clause to recover the cost of fuel and purchased power in the second prior month. The fuel adjustment also includes a surcharge for deferred fuel expense arising from the monthly reconciliation of actual fuel cost incurred with fuel revenues billed to customers.

Entergy Mississippi

Retail Rate Proceedings

Refer to Note 2 for a discussion of the retail rate proceedings which have been resolved during the current year and/or are currently outstanding in the regulatory jurisdictions in which Entergy Mississippi operates.

Rate Freeze

In connection with the settlement of various issues related to the Merger, Entergy Mississippi agreed that it will not request any general retail rate increase to take effect before November 3, 1998, except for certain instances. See Note 2 for a discussion of the rate freeze as well as other aspects of the settlement agreement between Entergy Mississippi and the MPSC.

Recovery of Grand Gulf 1 Costs

The MPSC granted Entergy Mississippi an annual base rate increase of approximately $326.5 million in connection with its allocated share of Grand Gulf 1 costs. The MPSC also provided for the deferral of a portion of such costs that were incurred each year through 1992, and recovery of these deferrals over a period of six years ending in 1998. As of December 31, 1996, the uncollected balance of Entergy Mississippi's deferred costs was approximately $247 million. Entergy Mississippi is permitted to recover the carrying charges on all deferred amounts on a current basis.

Formula Rate Plan

Under a formulary incentive-rate plan (Formula Rate Plan) effective March 25, 1994, Entergy Mississippi's earned rate of return is calculated automatically every 12 months and compared to and adjusted against a benchmark rate of return (calculated under a separate formula within the Formula Rate Plan). The Formula Rate Plan allows for periodic small adjustments in rates based on a comparison of actual earned returns to benchmark returns and upon certain performance factors. Refer to Note 2 for a discussion of the formula rate plan filing for the 1995 test year. The formula rate plan filing for the 1996 test year will be filed in March 1997.

Fuel Adjustment Clause

Entergy Mississippi's rate schedules include a fuel adjustment clause that recovers changes in the cost of fuel and purchased power. The monthly fuel adjustment rate is based on projected sales and costs for the month, adjusted for differences between actual and estimated costs and kWh sales for the second prior month.

Entergy New Orleans

Earnings Analysis Filings

Refer to Note 2 for a discussion of the earnings analysis filings which have been resolved during the current year and/or are currently outstanding in the regulatory jurisdiction in which Entergy New Orleans operates.

Recovery of Grand Gulf 1 Costs

Under Entergy New Orleans' various rate settlements with the Council in 1986, 1988, and 1991, Entergy New Orleans agreed to absorb and not recover from ratepayers a total of $96.2 million of its Grand Gulf 1 costs. Entergy New Orleans was permitted to implement annual rate increases in decreasing amounts each year through 1995, and to defer certain costs and related carrying charges, for recovery on a schedule extending from 1991 through 2001. As of December 31, 1996, the uncollected balance of Entergy New Orleans' deferred costs was $136 million. The 1994 NOPSI Settlement did not affect the scheduled Grand Gulf 1 phase-in rate increases.

Fuel Adjustment Clause

Entergy New Orleans' electric rate schedules include a fuel adjustment clause to recover the cost of fuel in the second prior month, adjusted by a surcharge for deferred fuel expense arising from the monthly reconciliation of actual fuel incurred with fuel cost revenues billed to customers. The adjustment, on a monthly basis, also includes the difference between nonfuel Grand Gulf 1 costs paid by Entergy New Orleans and the estimate of such costs provided in Entergy New Orleans' Grand Gulf 1 rate settlements. Entergy New Orleans' gas rate schedules include an adjustment to reflect gas costs in excess of those collected in base rates, adjusted by a surcharge similar to that included in the electric fuel adjustment clause.

Regulation

Federal Regulation (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

PUHCA

As a public utility holding company registered under PUHCA, Entergy Corporation and its various direct and indirect subsidiaries (with the exception of its EWG, FUCO, and ETHC subsidiaries) are subject to the broad regulatory provisions of PUHCA. Except with respect to investments in certain domestic power projects, foreign utility company projects, and telecommunication projects, PUHCA limits the operations of a registered holding company system to a single, integrated public utility system, plus additional systems and businesses.

Entergy Corporation and other electric utility holding companies have supported legislation in the United States Congress which would repeal PUHCA and transfer certain aspects of the oversight of public utility holding companies from the SEC to FERC. Entergy believes that PUHCA inhibits its ability to compete in the evolving electric energy marketplace and largely duplicates the oversight activities already performed by FERC and state and local regulators. In June 1995, the SEC adopted a report proposing options for the repeal or significant modification of PUHCA and proposed rule changes that would reduce the regulations governing utility holding companies. One rule change adopted as a result of such proposals eliminated the requirement to receive prior authorization for capital contributions made by a parent company to its nonutility subsidiary companies and for financing its nonutility subsidiary companies. Such rule was appealed to the D.C. Circuit by the City of New Orleans, and the appeal was subsequently denied in January 1996.

Federal Power Act

The domestic utility companies, System Energy, Entergy Power, and EPMC are subject to the Federal Power Act as administered by FERC and the DOE. The Federal Power Act provides for regulatory jurisdiction over the licensing of certain hydroelectric projects, the transmission and wholesale sale of electric energy in interstate commerce, and certain other activities, including accounting policies and practices. Such regulation includes jurisdiction over the rates charged by System Energy for capacity and energy provided to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans from Grand Gulf 1.

Entergy Arkansas holds a license for two hydroelectric projects (70 MW) that was renewed on July 2, 1980. This license, granted by FERC, expires in February 2003.

Regulation of the Nuclear Power Industry (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy)

Regulation of Nuclear Power

Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, operation of nuclear plants is intensively regulated by the NRC, which has broad power to impose licensing and safety-related requirements. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, as owners of all or a portion of ANO, River Bend, Waterford 3, and Grand Gulf 1, respectively, and Entergy Operations, as the licensee and operator of these units, are subject to the jurisdiction of the NRC. Revised safety requirements promulgated by the NRC have, in the past, necessitated substantial capital expenditures at these nuclear plants, and additional such expenditures could be required in the future.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of sites for disposal of spent nuclear fuel and other radioactive waste, nuclear plant operations, the technological and financial aspects of decommissioning plants at the end of their licensed lives, and requirements relating to nuclear insurance. These matters are briefly discussed below.

Regulation of Spent Fuel and Other High-Level Radioactive Waste

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. However, the DOE has not yet identified a permanent storage repository and, as a result, future expenditures may be required to increase spent fuel storage capacity at the plant sites. For further information concerning spent fuel disposal contracts with the DOE, schedules for initial shipments of spent nuclear fuel, current on-site storage capacity, and costs of providing additional on-site storage, see Note 9.

Regulation of Low-Level Radioactive Waste

The availability and cost of disposal facilities for low-level radioactive waste resulting from normal nuclear plant operations are subject to a number of uncertainties. Under the Low-Level Radioactive Waste Policy Act of 1980, as amended, each state is responsible for disposal of its own waste, and states may participate in regional compacts to fulfill their responsibilities jointly. The States of Arkansas and Louisiana participate in the Central Interstate Low Level Radioactive Waste Compact (Central States Compact), and the State of Mississippi participates in the Southeast Low Level Radioactive Waste Compact (Southeast Compact). Two disposal sites are currently operating in the United States, but only one site, the Barnwell Disposal Facility (Barnwell), located in South Carolina and operated by the Southeast Compact, is open to out-of-region generators. The availability of Barnwell provides only temporary relief from low-level radioactive waste storage and does not alleviate the need to develop new disposal capacity.

Both the Central States Compact and the Southeast Compact are working to establish additional disposal sites. Entergy, along with other waste generators, funds the development costs for new disposal facilities. To date, Entergy's expenditures for the development of new disposal facilities total approximately $50 million. Future levels of expenditures are difficult to predict. The current schedule for the site development in both the Central States Compact and the Southeast Compact projects that the new facilities will not be operational before 2000. Due to the political and emotional nature of siting low-level radioactive waste disposal facilities, future delays can be anticipated. Until long-term disposal facilities are established, Entergy will seek continued access to existing facilities. If such access is unavailable, Entergy will store low-level waste at its nuclear plant sites.

Regulation of Nuclear Plant Decommissioning

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy are recovering from ratepayers portions of their estimated decommissioning costs for ANO, River Bend, Waterford 3, and Grand Gulf 1, respectively. These amounts are deposited in trust funds that, together with the related earnings, can only be used for future decommissioning costs. Estimated decommissioning costs are periodically reviewed and updated to reflect inflation and changes in regulatory requirements and technology, and applications are periodically made to appropriate regulatory authorities to reflect in rates any future changes in projected decommissioning costs. For additional information with respect to decommissioning costs for ANO, River Bend, Waterford 3, and Grand Gulf 1, see Note 9.

The EPAct requires all electric utilities (including Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy) that purchased uranium enrichment services from the DOE to contribute up to a total of $150 million annually, adjusted for inflation, up to a total of $2.25 billion over approximately 15 years, for decontamination and decommissioning of enrichment facilities. In accordance with the EPAct, contributions to decontamination and decommissioning funds are recovered through rates in the same manner as other fuel costs. See Note 9 for the estimated annual contributions by Entergy for decontamination and decommissioning fees.

Nuclear Insurance

The Price-Anderson Act limits public liability for a single nuclear incident to approximately $8.92 billion. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have protection with respect to this liability through a combination of private insurance and an industry assessment program, and also have insurance for property damage, costs of replacement power, and other risks relating to nuclear generating units. For a discussion of insurance applicable to the nuclear programs of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, see Note 9.

Nuclear Operations

General (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy)

Entergy Operations operates ANO, River Bend, Waterford 3, and Grand Gulf 1, subject to the owner oversight of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, respectively. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy, and the other Grand Gulf 1 and River Bend co-owners, have retained their ownership interests in their respective nuclear generating units. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have also retained their associated capacity and energy entitlements, and pay directly or reimburse Entergy Operations at cost for its operation of the units.

ANO Matters (Entergy Corporation and Entergy Arkansas)

Entergy Operations has made periodic inspections and repairs on ANO 2's steam generators. In October 1996, Entergy Corporation's Board of Directors authorized Entergy Operations to negotiate a contract, with appropriate cancellation provisions, for the fabrication and replacement of the steam generators at ANO 2. Entergy

Operations estimates the cost of fabrication and replacement of the steam generators to be approximately $150 million. A letter of intent for the fabrication has been signed by Entergy Operations, which includes a commitment for not more than $3.2 million, and a contract is expected to be entered into in 1997. If the contract to purchase the steam generators is not canceled, the steam generators will be installed during a planned refueling outage in 2000. See Note 9 for additional information.

River Bend (Entergy Corporation and Entergy Gulf States)

In connection with the Merger, Entergy Gulf States filed two applications with the NRC in January 1993 to amend the River Bend operating license. The applications sought the NRC's consent to the Merger and to a change in the licensed operator of the facility from Entergy Gulf States to Entergy Operations. The NRC Staff issued the two license amendments for River Bend, which were effective immediately upon consummation of the Merger. On February 14, 1994, Cajun filed with the D.C. Circuit petitions for review of the two license amendments for River Bend. In March 1995, the D.C. Circuit ordered that the original NRC order and license amendments be set aside, and remanded the case to the NRC for further consideration. Subsequently, the NRC affirmed its original findings and reissued the two license amendments. Cajun and the Arkansas Cities and Cooperative filed petitions for review of those NRC orders with the D. C. Circuit. Pursuant to the Cajun Settlement, on an unopposed motion of the parties to the proceedings before the D.C. Circuit, the D.C. Circuit ordered that the cases be removed from the calendar for oral argument and held in abeyance pending a further order of the court. The two license amendments are in full force and effect.

State Regulation (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

General

Entergy Arkansas is subject to regulation by the APSC and the Tennessee Public Service Commission (TPSC). APSC regulation includes the authority to set rates, determine reasonable and adequate service, fix the value of property used and useful, require proper accounting, control leasing, control the acquisition or sale of any public utility plant or property constituting an operating unit or system, set rates of depreciation, issue certificates of convenience and necessity and certificates of environmental compatibility and public need, and control the issuance and sale of securities. Regulation by the TPSC includes the authority to set standards of service and rates for service to customers in the state, require proper accounting, control the issuance and sale of securities, and issue certificates of convenience and necessity.

Entergy Gulf States is subject to the jurisdiction of the municipal authorities of incorporated cities in Texas as to retail rates and services within their boundaries, with appellate jurisdiction over such matters residing in the PUCT. Entergy Gulf States is also subject to regulation by the PUCT as to retail rates and services in rural areas, certification of new generating plants, and extensions of service into new areas. Entergy Gulf States is subject to regulation by the LPSC as to electric and gas service, rates and charges, certification of generating facilities and power or capacity purchase contracts, depreciation, accounting, and other matters.

Entergy Louisiana is subject to regulation by the LPSC as to electric service, rates and charges, certification of generating facilities and power or capacity purchase contracts, depreciation, accounting, and other matters. Entergy Louisiana is also subject to the jurisdiction of the Council with respect to such matters within Algiers.

Entergy Mississippi is subject to regulation as to service, service areas, facilities, and retail rates by the MPSC. Entergy Mississippi is also subject to regulation by the APSC as to the certificate of environmental compatibility and public need for the Independence Station.

Entergy New Orleans is subject to regulation by the Council as to electric and gas service, rates and charges, standards of service, depreciation, accounting, issuance of certain securities, and other matters.

Franchises

Entergy Arkansas holds exclusive franchises to provide electric service in approximately 300 incorporated cities and towns in Arkansas. These franchises are unlimited in duration and continue until such a time when the municipalities purchase the utility property. In Arkansas, franchises are considered to be contracts and, therefore, are terminable upon breach of the contract.

Entergy Gulf States holds non-exclusive franchises, permits, or certificates of convenience and necessity to provide electric and gas service in approximately 55 incorporated villages, cities, and towns in Louisiana and approximately 63 incorporated cities and towns in Texas. Entergy Gulf States ordinarily holds 50-year franchises in Texas and 60-year franchises in Louisiana. Entergy Gulf States' current electric franchises will expire during 2007 - 2036 in Texas and during 2015 - 2046 in Louisiana. The natural gas franchise in the City of Baton Rouge will expire in 2015. In addition, Entergy Gulf States has received from the PUCT a certificate of convenience and necessity to provide electric service to areas within 21 counties in eastern Texas.

Entergy Louisiana holds non-exclusive franchises to provide electric service in approximately 116 incorporated villages, cities, and towns. Most of these municipal franchises have 25-year terms, although six municipalities have granted Entergy Louisiana 60-year franchises. Entergy Louisiana also supplies electric service in approximately 353 unincorporated communities, all of which are located in parishes in which Entergy Louisiana holds non-exclusive franchises.

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

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to city ordinances, which state, among other things, that the City has a continuing option to purchase Entergy New Orleans' electric and gas utility properties.

System Energy has no distribution franchises. Its business is currently limited to wholesale power sales.

Environmental Regulation

General

In the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters, the facilities and operations of Entergy are subject to regulation by various federal, state, and local authorities. Entergy believes that its affected subsidiaries are in substantial compliance with environmental regulations currently applicable to their respective facilities and operations. Because environmental regulations are subject to change, the ultimate compliance costs to Entergy cannot be precisely estimated. However, management currently estimates that ultimate capital expenditures for environmental compliance purposes, including those discussed in "Clean Air Legislation," below, will not be material for Entergy as a whole.

Clean Air Legislation

The Clean Air Act Amendments of 1990 (the Act) set up three programs that affect Entergy: an acid rain program for control of sulfur dioxide (SO_2) and nitrogen oxides (NOx), an ozone nonattainment area program for control of NOx and volatile organic compounds, and an operating permits program for administration and enforcement of these and other Clean Air Act programs.

Under the acid rain program, no additional control equipment is expected to be required by Entergy to control SO_2. The Act provides "allowances" to most of the affected Entergy generating units for emissions based upon past emission levels and operating characteristics. Each allowance is an entitlement to emit one ton of SO_2 per year. Under the Act, utilities will be required to possess allowances for SO_2 emissions from affected generating units. All Entergy generating units are classified as "Phase II" units under the Act and are subject to SO_2 allowance requirements beginning in the year 2000. Based on operating history, the domestic utility companies have been allocated more allowances than are currently necessary for normal operations. Management believes that it will be able to operate its units efficiently without installing scrubbers or purchasing allowances from outside sources, and that one or more of the domestic utility companies may have excess allowances.

Control equipment may eventually be required for NOx reductions due to the ozone nonattainment status of the areas served by Entergy Gulf States in and around Beaumont and Houston, Texas. Texas environmental authorities are studying the causes of ozone pollution and have deferred NOx controls on power plants until at least 1999. If Texas decides to regulate NOx, the cost of such control equipment for the affected Entergy Gulf States plants is estimated at $10.4 million through the year 2000.

Other Environmental Matters

The provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), authorize the EPA and, indirectly, the states to require generators and certain transporters of certain hazardous substances released from or at a site, and the owners or operators of any such site, to clean-up the site or reimburse such clean-up costs. CERCLA has been interpreted to impose joint and several liability on responsible parties. Entergy sent waste materials to various disposal sites over the years. Also, certain operating procedures and maintenance practices, which historically were not subject to regulation, are now regulated by environmental laws. Some of these sites have been the subject of governmental action under CERCLA, as a result of which the domestic utility companies have become involved with site clean-up activities. These companies have participated to various degrees in accordance with their respective potential liabilities in such site clean-ups and have developed experience with clean-up costs. The domestic utility companies have established reserves for such environmental clean-up/restoration activities. In the aggregate, the cost of such remediation is not considered material to these companies or to Entergy.

Entergy Arkansas

Entergy Arkansas has received notices from time to time from the EPA, the Arkansas Department of Pollution Control and Ecology (ADPC&E), and others alleging that it, along with others, may be a PRP for clean-up costs associated with various sites in Arkansas. Most of these sites are neither owned nor operated by any Entergy company. Contaminants at the sites include polychlorinated biphenyls (PCBs), lead, and other hazardous substances.

At the EPA's request, Entergy Arkansas voluntarily performed stabilization activities at the Benton Salvage site in Saline County, Arkansas. While the EPA has not named PRPs for this site, Entergy Arkansas has attempted to negotiate an agreement with the EPA. Entergy Arkansas and the EPA were unable to reach an agreement satisfactory to both parties. Region 6 EPA initiated its own clean-up of the site in October 1996. Entergy Arkansas does not believe that its potential liability with respect to this site will be material.

Reynolds Metals Company (Reynolds) and Entergy Arkansas notified the EPA in 1989 of possible PCB contamination at two former Reynolds plant sites (Jones Mill and Patterson) in Arkansas to which Entergy Arkansas had supplied power. Subsequently, Entergy Arkansas completed remediation at the substations serving the plant sites at a cost of $1.7 million. Additional PCB contamination was found in a portion of a drainage ditch that flows from the Patterson facility to the Ouachita River. Reynolds demanded that Entergy Arkansas participate in remediation efforts with respect to the ditch. Entergy Arkansas and independent contractors engaged by Entergy Arkansas conducted an investigation of the ditch contamination and the possible migration of PCBs from the electrical equipment that Entergy Arkansas maintained at the plant. The investigation concluded that none of the contamination was caused by Entergy Arkansas. Entergy Arkansas has thus far expended approximately $150,000 on investigation of the ditch. In May 1995, Entergy Arkansas was named as a defendant in a suit by Reynolds seeking to recover a share of its costs associated with the clean-up of hazardous substances at the Patterson site. Reynolds alleges that it has spent $11.2 million to clean-up the site, and that Entergy Arkansas bears some responsibility for PCB contamination at the site. Entergy Arkansas believes that it has no liability for contamination at the Patterson site and is contesting the lawsuit. An August 1997 trial date has been tentatively scheduled.

Entergy Arkansas entered into a Consent Administrative Order, dated February 21, 1991, with the ADPC&E that named Entergy Arkansas as a PRP for the initial stabilization associated with contamination at the Utilities Services, Inc. state Superfund site located near Rison, Arkansas. This site was found to have soil contaminated by PCBs and pentachlorophenol (a wood preservative). Containers and drums that contained PCBs and other hazardous substances were found at the site. Entergy Arkansas' share of total remediation costs is estimated not to exceed $5.0 million. Entergy Arkansas is attempting to identify and notify other PRPs with respect to this site. Entergy Arkansas has received assurances that the ADPC&E will use its enforcement authority to allocate remediation expenses among Entergy Arkansas and any other PRPs that can be identified. Approximately 20 PRPs have been identified to date. Entergy Arkansas has performed the activities necessary to stabilize the site, at a cost of approximately $400,000. Entergy Arkansas believes that its potential liability for this site will not be material.

Entergy Gulf States

Entergy Gulf States has been designated by the EPA as a PRP for the clean-up of certain hazardous waste disposal sites. Entergy Gulf States is currently negotiating with the EPA and state authorities regarding the clean-up of these sites. Several class action and other suits have been filed in state and federal courts seeking relief from Entergy Gulf States and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States premises (see "**Other Regulation and Litigation**" below). While the amounts at issue may be substantial, Entergy Gulf States believes that its results of operations and financial condition will not be materially adversely affected by the outcome of the suits. As of December 31, 1996, a remaining recorded liability of $21.4 million existed relating to the clean-up of seven sites at which Entergy Gulf States has been designated a PRP.

In 1971, Entergy Gulf States purchased property near its Sabine generating station, known as the Bailey site, for possible expansion of cooling water facilities. Entergy Gulf States sold the property in 1984. In October 1984, an abandoned waste site on the property was included on the Superfund National Priorities List (NPL) by the EPA. Entergy Gulf States has pursued negotiations with the EPA and is a member of a task force with other PRPs for the voluntary clean-up of the waste site. A consent decree has been signed by all PRPs for the voluntary clean-up of the Bailey site. Remediation costs are currently expected to be approximately $33 million, however, federal and state agencies are still examining potential liabilities associated with natural resource damage. Entergy Gulf States is expected to be responsible for 2.26% of the estimated clean-up cost. This matter is currently under negotiation with the other PRPs and the agencies. Entergy Gulf States does not believe that its remaining responsibility with respect to this site will be material after allowance for the existing provision for clean-up in the amount of $629,000.

Entergy Gulf States is currently involved in a multi-phased remedial investigation of an abandoned manufactured gas plant (MGP) site, known as the Lake Charles Service Center, located in Lake Charles, Louisiana. The property was the site of an MGP that is believed to have operated from approximately 1916 to 1931. Coal tar, a by-product of the distillation process employed at MGPs, was apparently routed to a portion of the property for disposal. The same area has also been used as a landfill. Under an order issued by the Louisiana Department of Environmental Quality (LDEQ), which is currently stayed, Entergy Gulf States was required to investigate and, if necessary, take remedial action at the site. Preliminary estimates of remediation costs are approximately $20 million. On February 13, 1995, the EPA published a proposed rule adding the Lake Charles Service Center to the NPL. Another PRP has been identified and is believed to have had a role in the ownership and operation of the MGP. Negotiations with that company for joint participation and possible remedial action have been held and are expected to continue. Entergy Gulf States has agreed to the terms of the Administrative Order on Consent (AOC) negotiated between Entergy and the EPA. The AOC is expected to be signed by both parties in 1997. Entergy Gulf States does not presently believe that its ultimate responsibility with respect to this site will be material after allowance for the existing provision for clean-up of $19.8 million.

Entergy Gulf States is currently involved in an initial investigation of an MGP site, known as the Old Jennings Ice Plant, located in Jennings, Louisiana. The MGP site is believed to have operated from approximately 1909-1926. In July 1996, a petroleum-like substance was discovered on the surface soil, a notification was made to the LDEQ. The LDEQ was aware of this site based upon a survey performed by an environmental consultant for the EPA. Entergy Gulf States obtained the services of an environmental consultant to collect core samples and to perform a search of historical records to determine the type of operation that occurred at Jennings. Results of the core sampling are not final, but limited amounts of contamination were found on-site. Entergy Gulf States does not presently believe that its ultimate responsibility with respect to this site will be material. The amount of the existing provision for clean-up is $500,000.

Entergy Gulf States along with Entergy Louisiana has been named as a PRP for an abandoned waste oil recycling plant site in Livingston Parish, Louisiana, known as Combustion, Inc., which is included on the NPL. Although most surface remediation has been completed, additional studies related to residual groundwater contamination are expected to continue in 1997. Entergy Gulf States and Entergy Louisiana have been named as defendants in a class action lawsuit lodged against a group of PRPs associated with the site. (For information regarding litigation in connection with the Combustion, Inc. site, see "**Other Regulation and Litigation**" below.) Entergy Gulf States does not presently believe that its ultimate responsibility with respect to this site will be material.

Entergy Gulf States received notification in 1992 from the EPA of potential liability with respect to a site in Iota, Louisiana. This site was the depository of a variety of wastes, including medical and chemical wastes. During 1996, Entergy Gulf States paid approximately $45,000 to the EPA to settle its liability for this site.

Entergy Gulf States, along with Entergy Arkansas and Entergy Louisiana, has been notified of its potential liability with respect to the Benton Salvage site located in Saline County, Arkansas. Although Entergy Gulf States and Entergy Louisiana have had minor involvement in the Benton Salvage site, no remediation is expected to be required by these companies. See "Entergy Arkansas" above for a discussion of the Benton Salvage site.

Entergy Louisiana, Entergy New Orleans, and System Energy

Entergy Louisiana, Entergy New Orleans, and System Energy have received notices from the EPA and/or the states of Louisiana and Mississippi that one or more of them may be a PRP for disposal sites that are neither owned nor operated by any Entergy subsidiary. In response to such notices, the sites discussed below have been remediated:

- Entergy Louisiana, along with Entergy Arkansas and Entergy Gulf States, was notified in 1990 of its potential liability relating to the Benton Salvage site located in Saline County, Arkansas. Although Entergy Gulf States and Entergy Louisiana have been involved in the Benton Salvage site, their contributions are considered minor. Therefore, no remediation action is required by these companies. See "Entergy Arkansas" above for a discussion of the Benton Salvage site.

- The EPA named Entergy Louisiana and System Energy as two of the 44 PRPs for the Disposal Systems, Inc. site in Mississippi. The State of Mississippi has indicated that it intends to have the PRPs conduct a clean-up of the Disposal Systems, Inc. site but has not yet taken formal action. Entergy Louisiana has settled its involvement in this matter with the EPA. The State of Mississippi is continuing to evaluate whether additional remediation measures are necessary. However, further remediation costs at the site are not expected to be material.

- From 1992 to 1994, Entergy Louisiana performed site assessments and remedial activities at three retired power plants, known as the Homer, Jonesboro, and Thibodaux municipal sites, previously owned and operated by Louisiana municipalities. Entergy Louisiana purchased the power plants as part of the acquisition of municipal electric systems after operating them for the last few years of their useful lives.

The site assessments indicated some subsurface contamination from fuel oil. In December 1994, Entergy Louisiana completed all remediation work at Homer to the LDEQ's satisfaction and the LDEQ granted "No Further Action" status in February 1995. All remediation activities at the Jonesboro Plant were completed in May 1996. Remediation of the Thibodaux site is expected to be completed in 1998. The costs incurred through December 31, 1996 for the Homer, Jonesboro, and Thibodaux sites are $22,000, $156,000, and $125,000, respectively. Remaining costs for both Homer and Jonesboro sites are considered immaterial. Significant remedial activities are ongoing at the Thibodaux site.

There are certain disposal sites for which Entergy Louisiana and Entergy New Orleans have been named by the EPA as PRPs for associated clean-up costs, but management believes no liability exists in connection with these sites for Entergy Louisiana and Entergy New Orleans. Such Louisiana sites include Combustion Inc., an abandoned waste oil recycling plant site located in Livingston Parish (involving at least 70 PRPs, including Entergy Gulf States), and the Dutchtown site (also included on the NPL and involving 57 PRPs). Entergy Louisiana has found no evidence of its involvement in the Combustion Inc. site. (For information regarding litigation in connection with the Livingston Parish site, see "**Other Regulation and Litigation**," below). With respect to the Dutchtown site, Entergy New Orleans believes it has no liability because the material it sent to this site was not a hazardous substance.

During 1993, the LDEQ issued new rules for solid waste regulation, including regulation of waste water impoundments. Entergy Louisiana has determined that certain of its power plant waste water impoundments were affected by these regulations and has chosen to upgrade or close them. As a result, a remaining recorded liability in the amount of $6.7 million existed at December 31, 1996, for waste water upgrades and closures to be completed by the end of 1997. Cumulative expenditures relating to the upgrades and closures of waste water impoundments were $7.1 million as of December 31, 1996.

Other Regulation and Litigation

Merger (Entergy Corporation and Entergy Gulf States)

In July and August 1992, applications were filed with FERC, the LPSC, the PUCT, and the SEC under PUHCA, seeking authorization of various aspects of the Merger. In January 1993, Entergy Gulf States filed two applications with the NRC seeking approval of the change in ownership of Entergy Gulf States and an amendment to the operating license for River Bend to reflect its operation by Entergy Operations. All regulatory approvals were obtained in 1993 and the Merger was consummated on December 31, 1993.

FERC's orders approving the Merger were appealed to the D.C. Circuit by Entergy Services, the City, the Arkansas Electric Energy Consumers (AEEC), the APSC, Cajun, the MPSC, the American Forest and Paper Association, the State of Mississippi, the City of Benton and other cities, and Occidental Chemical Corporation (Occidental). Entergy Services sought review of FERC's deletion of a 40% cap on the amount of fuel savings Entergy Gulf States may be required to transfer to other Entergy domestic utility companies under a tracking mechanism designed to protect the other companies from certain unexpected increases in fuel costs. The other parties sought to overturn FERC's decisions on various grounds, including the issues of whether FERC appropriately conditioned the Merger to protect various interested parties from alleged harm and FERC's reliance on Entergy's transmission tariff to mitigate any potential anticompetitive impacts of the Merger.

On November 18, 1994, the D. C. Circuit denied motions filed by Cajun, Occidental, and AEEC for a remand to FERC and a partial summary grant of the petitions for review. At the same time, the D.C. Circuit ordered that the cases be held in abeyance pending FERC's issuance of (i) a final order on remand in the proceedings on Entergy's transmission tariff (see discussion of tariff case in "**RATE MATTERS AND REGULATION - Rate Matters - Wholesale Rate Matters -** Open Access Transmission" above), and (ii) a final order on competition issues in the proceedings on the Merger.

On December 30, 1993, Entergy Services submitted to FERC tariff revisions to comply with FERC's order dated December 15, 1993, approving the Merger. On February 4, 1994, the APSC and AEEC filed with FERC a joint protest to the compliance filing, alleging that Entergy should be required to insulate the ratepayers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans from all litigation liabilities related to Entergy Gulf States' River Bend nuclear facility. In its May 17, 1994, order on rehearing, FERC addressed Entergy's commitment to insulate the customers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans against liability resulting from certain litigation involving River Bend. In response to FERC's clarification of Entergy's commitment, Entergy Services filed a new compliance filing on June 16, 1994. APSC and AEEC subsequently filed protests questioning the adequacy of Entergy's June 16, 1994, compliance filing. FERC has not yet acted on the compliance filings.

Requests for rehearing of the SEC order approving the Merger were filed with the SEC by Houston Industries Incorporated and its subsidiary Houston Lighting & Power Company on December 28, 1993, and petitions for review seeking to set aside the SEC order were filed with the D.C. Circuit by these parties and by Cajun in February 1994. The matter was subsequently remanded by the D.C. Circuit to the SEC for further consideration in light of developments at FERC relating to Entergy's transmission tariffs. On December 6, 1996, pursuant to a settlement with Entergy Gulf States, Houston Industries Incorporated and Houston Lighting & Power Company withdrew their petitions for review of the SEC order.

Employment Litigation

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits described below that have been filed by former employees asserting that they were wrongfully terminated and/or discriminated against due to age, race, and/or sex. Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are vigorously defending these suits and deny any liability to the plaintiffs. However, no assurance can be given as to the outcome of these cases.

(Entergy Corporation and Entergy Arkansas)

Entergy Corporation and Entergy Arkansas are defendants in five suits filed in federal court on behalf of a total of approximately 62 plaintiffs who claim they were illegally terminated from their jobs due to discrimination on the basis of age or race. One of these suits seeks class certification. A trial date is scheduled in March 1997 for one suit comprised of 29 plaintiffs, and a trial date is scheduled in May 1997 for another suit comprised of 18 plaintiffs. Trial dates have not been set in the other suits.

(Entergy Corporation and Entergy Gulf States)

Entergy Corporation and Entergy Gulf States are defendants in lawsuits involving approximately 176 plaintiffs filed in state court in Texas by former employees who claim that they lost their jobs as a result of the Merger. The plaintiffs in these cases have asserted various claims, including discrimination on the basis of age, race, and/or sex. The court has preliminarily ruled that each plaintiff's claim should be tried separately. The first case is scheduled for trial in June 1997.

(Entergy Corporation, Entergy Gulf States, and Entergy Louisiana)

Entergy Corporation, Entergy Gulf States and Entergy Louisiana are defendants in a suit filed in federal court in Louisiana by approximately 39 plaintiffs who claim, among other things, they were wrongfully discharged from their employment on the basis of their age. No trial date has been set for this case.

(Entergy Louisiana and Entergy New Orleans)

Entergy Louisiana and Entergy New Orleans are defendants in a suit filed in state court in Louisiana by 110 plaintiffs who seek to certify a class on behalf of all employees who allegedly were terminated or required to resign on the basis of age. The court has set a hearing for certification of the class for March 13, 1997; no trial date has been set. Entergy Louisiana and/or Entergy New Orleans also are defendants in approximately 27 other suits filed in federal or state court by plaintiffs who claim they were wrongfully discharged on the basis of age, race, or sex.

Asbestos and Hazardous Waste Suits

(Entergy Gulf States and Entergy Louisiana)

A number of plaintiffs who allegedly suffered damage or injury, or are survivors of persons who died, allegedly as a result of exposure to "hazardous toxic waste" that emanated from a site in Livingston Parish, sued Entergy Gulf States and approximately 70 other defendants, including Entergy Louisiana, in 17 suits filed in the Livingston Parish, Louisiana District Court (State District Court). The plaintiffs alleged that the defendants generated, transported, or participated in the storage of such wastes at the facility, which was previously operated as a waste oil recycling facility. These State District Court suits, which seek damages in total amounts ranging from $1 million to $10 billion and are now consolidated in a class action, and three federal suits in three states other than Louisiana involving issues arising from the same facility, have been removed and transferred, respectively, to the U.S. District Court for the Middle District of Louisiana. Entergy Gulf States settled all claims against it in the suits and the settlements were approved by court order on February 7, 1996. Entergy Louisiana received preliminary approval of a settlement of all claims against it in the suits for approximately $2.3 million. A court date for the fairness hearing to approve the settlement has not been set.

(Entergy Gulf States)

A total of 23 suits have been filed on behalf of approximately 4,255 plaintiffs in state and federal courts in Jefferson County, Texas. These suits seek relief from Entergy Gulf States as well as numerous other defendants for damages caused to the plaintiffs or others by the alleged exposure to hazardous waste and asbestos on the defendants' premises. All of the plaintiffs in such suits are also suing Entergy Gulf States and all other defendants on a conspiracy count. It is not yet known how many of the plaintiffs in the suits discussed above worked on Entergy Gulf States' premises. There have been numerous asbestos-related law suits filed in the District Court of Calcasieu Parish in Lake Charles, Louisiana, on behalf of approximately 200 plaintiffs naming numerous defendants including Entergy Gulf States. The suits allege that each plaintiff contracted an asbestos-related disease from exposure to asbestos insulation products on the premises of such defendants. Settlements of the Jefferson County suits involving approximately 1,800 plaintiffs and Calcasieu Parish suits involving approximately 91 plaintiffs are in the process of being consummated. In May 1996, the majority of remaining cases in Calcasieu Parish involving approximately 70 plaintiffs were settled for an immaterial amount; there are approximately 40 cases still pending. Entergy Gulf States' share of the settlements of these cases was not material to its financial position or results of operations.

Cajun - River Bend Litigation (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States and Cajun, respectively, own 70% and 30% undivided interests in River Bend (operated by Entergy Gulf States), and 42% and 58% undivided interests in Big Cajun 2, Unit 3 (operated by Cajun). These relationships have spawned a number of long-standing disputes and claims between the parties. An agreement setting forth terms for the resolution of all such disputes was reached by Entergy Gulf States, the Cajun bankruptcy trustee, and the RUS, and was approved by the United States District Court for the Middle District of Louisiana (District Court) on August 26, 1996 (Cajun Settlement). The terms include, but are not limited to, the following: (i) Cajun's interest in River Bend will be turned over to the RUS, which will have the option to retain the interest, sell it to a third party, or transfer it to Entergy Gulf States at no cost; (ii) Cajun will set aside a total of $125 million for its share of the decommissioning costs of River Bend; (iii) Cajun will transfer certain transmission assets to Entergy Gulf States; (iv) Cajun will settle transmission disputes and be released from claims for payment under transmission arrangements with Entergy Gulf States as discussed under "Cajun - Transmission Service" below; (v) all funds paid by Entergy Gulf States into the registry of the District Court will be returned to Entergy Gulf States; (vi) Cajun will be released from its unpaid past, present, and future liability for River Bend costs and expenses; and (vii) all litigation between Cajun and Entergy Gulf States will be dismissed. On September 6, 1996, the Committee of Unsecured Creditors in the Cajun bankruptcy proceeding filed a Notice of Appeal to the United States Court of

Appeals for the Fifth Circuit (Fifth Circuit), objecting that the order approving the Cajun Settlement was separate from the approval of a plan of reorganization and, therefore, improper. The Cajun Settlement is subject to this appeal and approvals by the appropriate regulatory agencies. Entergy Gulf States expects to make filings with FERC and the SEC seeking approval for the transfer of certain Cajun transmission assets to Entergy Gulf States. Management believes that it is probable that the Cajun Settlement will ultimately be approved and consummated.

The Cajun Settlement resolved Cajun's civil action instituted in June 1989 against Entergy Gulf States, in which Cajun sought to rescind or terminate the Joint Ownership Participation and Operating Agreement (Operating Agreement) entered into on August 28, 1979, relating to River Bend. In that suit, Cajun also sought to recover its alleged $1.6 billion investment in the unit plus attorneys' fees, interest, and costs. The Cajun Settlement resolves both the portion of the suit by Cajun to rescind the Operating Agreement and the breach of contract claims.

In 1992, two member cooperatives of Cajun brought an additional independent action to declare the Operating Agreement null and void, based upon Entergy Gulf States' failure to get prior LPSC approval which was alleged to be necessary. Prior to its bankruptcy proceedings, Cajun intervened as a plaintiff in this action. Entergy Gulf States believes the suits are without merit and believes Cajun's claim is mooted by the Cajun Settlement.

On December 21, 1994, Cajun filed a petition in the United States Bankruptcy Court for the Middle District of Louisiana seeking relief under Chapter 11 of the Bankruptcy Code. Proponents of all of the plans of reorganization submitted to the Bankruptcy Court have incorporated the Cajun Settlement as an integral condition to the effectiveness of their plan. The timing and completion of a reorganization plan depends on Bankruptcy Court approval and any required regulatory approvals. The Bankruptcy Court has approved proposals by three groups seeking to acquire the non-nuclear assets of Cajun and has signed an order that establishes rules for how Cajun's creditors will vote on the three plans. On December 16, 1996, the Bankruptcy Court began hearings on the balloting and the plan that will be adopted. The matter remains before the Bankruptcy Court.

See Note 9 for additional information regarding the Cajun litigation, Cajun's bankruptcy proceedings, and related filings.

Cajun - Transmission Service (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States and Cajun are parties to FERC proceedings relating to transmission service charge disputes. See Note 9 for additional information regarding these FERC proceedings, FERC orders issued as a result of such proceedings, and the potential effects of these proceedings upon Entergy Gulf States.

On December 7, 1993, Cajun filed a complaint in the Middle District of Louisiana alleging that Entergy Gulf States failed to provide Cajun an opportunity to construct certain facilities that allegedly would have reduced its rates under Service Schedule CTOC, and is seeking an order compelling the conveyance of certain facilities and awarding unspecified damages. Entergy Gulf States has moved to dismiss the complaint on the basis, among others, that FERC has already addressed the matter in the proceedings described in Note 9.

Service Area Dispute

(Entergy Corporation and Entergy Gulf States)

Entergy Gulf States was requested by Cajun and Jefferson Davis Electric Cooperative, Inc. (Jefferson Davis), to provide the transmission of power over Entergy Gulf States' system for delivery to an area near Lake Charles, Louisiana. Cajun and Jefferson Davis filed a suit in federal court in the Western District of Louisiana alleging that Entergy Gulf States breached its obligations under the parties' contract and violated the antitrust laws by refusing to provide the transmission service. Cajun and Jefferson Davis seek an injunction requiring Entergy Gulf States to provide the requested service and unspecified treble damages for Entergy Gulf States' refusal to provide the service. In November 1989, the federal court denied Cajun's and Jefferson Davis' motion for a preliminary injunction. Entergy Gulf States believes this proceeding is resolved by the Cajun Settlement.

(Entergy Corporation and Entergy Mississippi)

On October 11, 1994, twelve Mississippi cities filed a complaint in state court against Entergy Mississippi and eight electric power associations seeking a judgment from the court declaring unconstitutional certain Mississippi statutes that establish the procedure that must be followed before a municipality can acquire the facilities and certificate rights of a utility serving in the municipality. Specifically, the suit requests that the court declare unconstitutional certain 1987 amendments to the Mississippi Public Utilities Act that require that the MPSC cancel a utility's certificate to serve in the municipality before a municipality may acquire a utility's facilities located in the municipality. The suit also requests that the court find that Mississippi municipalities can serve any consumer in the boundaries of the municipality and within one mile thereof. On January 6, 1995, Entergy Mississippi and the other defendants filed motions to dismiss. In October 1995, the state court dismissed the complaint. The plaintiffs have appealed the dismissal to the Mississippi Supreme Court, where it is currently pending.

Taxes Paid Under Protest (Entergy Corporation and Entergy Louisiana)

Since the mid-1980's, Entergy Louisiana and the tax authorities of St. Charles Parish, Louisiana (Parish), the parish in which Waterford 3 is located, have disputed use taxes paid on nuclear fuel ($6.5 million through 1996) under protest by Entergy Louisiana. Entergy Louisiana has been successful in lawsuits in the Parish with regard to recovering these taxes, plus interest, and also with regard to Parish lease tax issues pertaining to fuel financing arrangements. In June 1995, Entergy Louisiana received a favorable decision from the Louisiana Fifth Circuit Court of Appeals that confirmed that no such use taxes are due. The Parish and Entergy Louisiana are currently discussing a possible settlement of all pending tax-related litigation including the likely return of the amounts previously paid under protest. The suits by Entergy Louisiana with regard to state use tax paid under protest on nuclear fuel are still pending.

Federal Income Tax Audit (Entergy Corporation, Entergy Louisiana, and System Energy)

In August 1994, Entergy received an IRS report covering the federal income tax audit of Entergy Corporation and subsidiaries for the years 1988 - 1990. The report asserts an $80 million tax deficiency for the 1990 consolidated federal income tax returns related primarily to the utilization of accelerated investment tax credits associated with Waterford 3 and Grand Gulf nuclear plants. Changes to the initial report, made in the IRS appeal process, have reduced the assessment related to the issue by $22 million to $58 million. Entergy and the Appeals Officer agreed to pursue a "technical advice" ruling from the IRS National Office to address the remainder of the issue. Entergy Corporation believes there is no material tax deficiency and is confident that a satisfactory resolution of the matter will be achieved.

Panda Energy Corporation Complaint (Entergy Corporation)

Panda Energy Corporation (Panda) has commenced litigation in the Dallas District Court naming Entergy Corporation, Energy Enterprises, Entergy Power, Entergy Power Asia, Ltd., and Entergy Power Development Corporation as defendants. The allegations against the defendants include, among others, tortious interference with contractual relations, conspiracy, misappropriation of corporate opportunity, unfair competition and fraud, and constructive trust issues. Panda seeks damages of approximately $4.8 billion, of which $3.6 billion is claimed in punitive damages. Entergy believes that this litigation is unfounded, but entered into arrangements on April 30, 1996, to settle the matter for $350,000, subject to revocation by Entergy if the court ruled on the case.

Thereafter, the Dallas District Court entered an order of dismissal because the plaintiff was unable to show any damages and the facts did not support a cause of action against the defendants. As a result, Entergy revoked the $350,000 settlement agreement. In May of 1996, Panda filed an appeal of the court's order for dismissal. Appeal briefs have been submitted by both parties, but no date has yet been designated for oral argument.

Catalyst Technologies, Inc. (Entergy Corporation)

In June 1993, Catalyst Technologies, Inc. (CTI) filed a petition against Electec, Inc. (Electec), the predecessor to Entergy Enterprises. Prior to the filing of the petition, CTI and Electec entered into an agreement whereby CTI was required to raise a specified amount of funding in exchange for the right to acquire Electec's computer software technology marketing rights. CTI alleges that due to actions of Electec, it was unable to secure the necessary funding, and, therefore, was not able to meet the terms of the agreement. The petition alleges breach of contract, breach of the obligation of good-faith and fair dealing, and bad-faith breach of contract against Electec. It was originally believed CTI was claiming damages of approximately $36 million from Entergy Enterprises. It now appears that CTI will allege damages ranging from $231 million to $258 million. Entergy Enterprises' position is that CTI is not entitled to any damages, and that even if damages were sustained, they would not exceed $600,000. The case is scheduled for a jury trial beginning on July 14, 1997, in Civil District Court for the Parish of Orleans, Louisiana. Entergy Enterprises is vigorously contesting these claims.

EARNINGS RATIOS OF DOMESTIC UTILITY COMPANIES AND SYSTEM ENERGY

The domestic utility companies' and System Energy's ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred dividends pursuant to Item 503 of SEC Regulation S-K are as follows:

	Ratios of Earnings to Fixed Charges Years Ended December 31,				
	1992	1993	1994	1995	1996
Entergy Arkansas	2.28	3.11(b)	2.32	2.56	2.93
Entergy Gulf States	1.72	1.54	.36(c)	1.86	1.47
Entergy Louisiana	2.79	3.06	2.91	3.18	3.16
Entergy Mississippi	2.37	3.79(b)	2.12	2.92	3.54
Entergy New Orleans	2.66	4.68(b)	1.91	3.93	3.51
System Energy	2.04	1.87	1.23	2.07	2.21

	Ratios of Earnings to Combined Fixed Charges and Preferred Dividends Years Ended December 31,				
	1992	1993	1994	1995	1996
Entergy Arkansas	1.86	2.54(b)	1.97	2.12	2.44
Entergy Gulf States(a)	1.37	1.21	.29(c)	1.54	1.19
Entergy Louisiana	2.18	2.39	2.43	2.60	2.64
Entergy Mississippi	1.97	3.08(b)	1.81	2.51	3.07
Entergy New Orleans.	2.36	4.12(b)	1.73	3.56	3.22

(a) "Preferred Dividends" in the case of Entergy Gulf States also include dividends on preference stock.

(b) Earnings for the year ended December 31, 1993, include approximately $81 million, $52 million, and $18 million for Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans, respectively, related to the change in accounting principle to provide for the accrual of estimated unbilled revenues.

(c) Earnings for the year ended December 31, 1994, for Entergy Gulf States were not adequate to cover fixed charges and combined fixed charges and preferred dividends by $144.8 million and $197.1 million, respectively.

Entergy New Orleans

Narrative Description of Entergy New Orleans Industry Segments

Electric Service

Entergy New Orleans supplied retail electric service to 188,912 customers as of December 31, 1996. During 1996, 40% of electric operating revenues was derived from residential sales, 39% from commercial sales, 6% from industrial sales, and 15% from sales to governmental and municipal customers.

Natural Gas Service

Entergy New Orleans supplied retail natural gas service to 151,528 customers as of December 31, 1996. During 1996, 56% of gas operating revenues was derived from residential sales, 19% from commercial sales, 9% from industrial sales, and 16% from sales to governmental and municipal customers. (See **"FUEL SUPPLY - Natural Gas Purchased for Resale."**)

Selected Financial Information Relating to Industry Segments

For selected financial information relating to Entergy New Orleans' industry segments, see Entergy New Orleans' financial statements and Note 15.

Employees by Segment

Entergy New Orleans' full-time employees by industry segment as of December 31, 1996, were as follows:

Electric	219
Natural Gas	109
Total	328

(For further information with respect to Entergy New Orleans' segments, see **"PROPERTY."**)

Entergy Gulf States

For the year ended December 31, 1996, 95% of Entergy Gulf States' operating revenues was derived from the electric utility business. Of the remaining operating revenues 3% was derived from the steam business and 2% from the natural gas business.

Generating Stations

The total capability of Entergy's owned and leased generating stations as of December 31, 1996, by company and by fuel type, is indicated below:

	Owned and Leased Capability MW(1)				
Company	Total	Fossil	Nuclear	Gas Turbine and Internal Combustion	Hydro
Entergy Arkansas	4,373 (2)	2,379	1,694	230 (4)	70
Entergy Gulf States	6,558 (2)	5,828	655	75	-
Entergy Louisiana	5,423 (2)	4,329	1,075	19	-
Entergy Mississippi	3,063 (2)	3,052	-	11	-
Entergy New Orleans	934 (2)	918	-	16	-
System Energy	1,061	-	1,061	-	-
Total	21,412 (3)	16,506 (3)	4,485	351	70

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

(2) Excludes the capacity of fossil-fueled generating stations placed on extended reserve as follows: Entergy Arkansas - 506 MW; Entergy Gulf States - 405 MW; Entergy Louisiana - 157 MW; Entergy Mississippi - 73 MW; and Entergy New Orleans - 143 MW. Generating stations that are not expected to be utilized in the near-term to meet load requirements are placed in extended reserve shutdown in order to minimize operating expenses.

(3) Excludes net capability of generating facilities owned by Entergy Power, which owns 725 MW of fossil-fueled capacity.

(4) Includes 188 MW of capacity leased by Entergy Arkansas through 1999.

Load and capacity projections are regularly reviewed in order to coordinate and recommend the location and time of installation of additional generating capacity and of interconnections in light of the availability of power, the location of new loads, and maximum economy to Entergy. Based on load and capability projections and bulk power availability, Entergy has no current plans to install additional generating capacity. When new generation resources are needed, Entergy expects to meet this need by means other than construction of new base load generating capacity. In the meantime, Entergy will meet capacity needs by, among other things, purchasing power in the wholesale power market and/or removing generating stations from extended reserve shutdown.

Under the terms of the System Agreement, certain generating capacity and other power resources are shared among the domestic utility companies. Among other things, the System Agreement provides that parties having generating reserves greater than their load requirements (long companies) shall receive payments from those parties having deficiencies in generating reserves (short companies) and an amount sufficient to cover certain of the long companies' costs, including operating expenses, fixed charges on debt, dividend requirements on preferred and preference stock, and a fair rate of return on common equity investment. Under the System Agreement, these charges are based on costs associated with the long companies' steam electric generating units fueled by oil or gas. In addition, for all energy exchanged among the domestic utility companies under the System Agreement, the short companies are required to pay the cost of fuel consumed in generating such energy plus a charge to cover other associated costs (see "**RATE MATTERS AND REGULATION - Rate Matters - Wholesale Rate Matters - System Agreement,**" above, for a discussion of FERC proceedings relating to the System Agreement).

Entergy's business is subject to seasonal fluctuations, with the peak period occurring in the summer months. The 1996 peak demand of 19,444 MW occurred on July 22, 1996. The net capability at the time of peak was 21,127 MW, net of off-system firm sales of 285 MW. The capacity margin at the time of the peak was approximately 8.0% excluding units placed on extended reserve and capacity owned by Entergy Power.

Interconnections

The electric power supply facilities of Entergy consist principally of steam-electric production facilities strategically located with reference to availability of fuel, protection of local loads, and other controlling economic factors. These are interconnected by a transmission system operating at various voltages up to 500 kilovolts. Generally, with the exception of Grand Gulf 1, Entergy Power's capacity and a small portion of Entergy Mississippi's capacity, operating facilities or interests therein are owned by the domestic utility company serving the area in which the facilities are located. However, all of Entergy's generating facilities are centrally dispatched and operated in order to obtain the lowest cost sources of energy with a minimum of investment and the most efficient use of plant.

In addition to the many neighboring utilities with which the domestic utility companies interconnect, the domestic utility companies are members of the Southwest Power Pool, the primary purpose of which is to ensure the reliability and adequacy of the electric bulk power supply in the southwest region of the United States. The Southwest Power Pool is a member of the North American Electric Reliability Council. The domestic utility companies are also members of the Western Systems Power Pool.

Gas Property

As of December 31, 1996, Entergy New Orleans distributed and transported natural gas for distribution solely within the limits of the City of New Orleans through a total of 1,439 miles of gas distribution mains and 40 miles of gas transmission pipelines. Koch Gateway Pipeline Company is a principal supplier of natural gas to Entergy New Orleans, delivering to six of Entergy New Orleans' 14 delivery points.

As of December 31, 1996, the gas properties of Entergy Gulf States were not material to Entergy Gulf States.

Titles

Entergy's generating stations are generally located on properties owned in fee simple. The greater portion of the transmission and distribution lines of the domestic utility companies has been constructed over property of private owners pursuant to easements or on public highways and streets pursuant to appropriate franchises. The rights of each domestic utility company in the realty on which its facilities are located are considered by it to be adequate for its use in the conduct of its business. Minor defects and irregularities customarily found in properties of like size and character exist, but such defects and irregularities do not materially impair the use of the properties affected thereby. The domestic utility companies generally have the right of eminent domain, whereby they may, if necessary, perfect or secure titles to, or easements or servitudes on, privately-held lands used or to be used in their utility operations.

Substantially all the physical properties owned by each domestic utility company and System Energy, respectively, are subject to the lien of a mortgage and deed of trust securing the first mortgage bonds of such company. The Lewis Creek generating station is owned by GSG&T, Inc., a subsidiary of Entergy Gulf States, and is not subject to the lien of the Entergy Gulf States mortgage securing the first mortgage bonds of Entergy Gulf States, but is leased to and operated by Entergy Gulf States. In the case of Entergy Louisiana, certain properties are also subject to the liens of second mortgages securing other obligations of Entergy Louisiana. In the case of Entergy Mississippi and Entergy New Orleans, substantially all of their properties and assets are also subject to the second mortgage lien of their respective general and refunding mortgage bond indentures.

FUEL SUPPLY

The sources of generation and average fuel cost per kWh for the domestic utility companies and System Energy for the years 1994-1996 were:

	Natural Gas		Fuel Oil		Nuclear Fuel		Coal	
Year	% of Gen	Cents per kWh	% of Gen	Cents per kWh	% of Gen	Cents Per kWh	% of Gen	Cents Per kWh
1996	42	2.99	1	3.03	41	.56	16	1.73
1995	50	1.99	-	-	35	.60	15	1.73
1994	44	2.24	1	3.99	39	.60	16	1.82

Actual 1996 and projected 1997 sources of generation for the domestic utility companies and System Energy are:

	Natural Gas		Fuel Oil		Nuclear		Coal	
	1996	1997	1996	1997	1996	1997	1996	1997
Entergy Arkansas	7%	7%	-	-	57%	51%	36%	42%
Entergy Gulf States	69%	66%	-	-	20%	19%	11%	15%
Entergy Louisiana	56%	48%	-	-	44%	52%	-	-
Entergy Mississippi	54%	71%	13%	-	-	-	33%	29%
Entergy New Orleans	99%	100%	1%	-	-	-	-	-
System Energy	-	-	-	-	100%(a)	100%(a)	-	-
Total	42%	39%	1%	-	41%	41%	16%	20%

(a) Capacity and energy from System Energy's interest in Grand Gulf 1 is allocated as follows: Entergy Arkansas - 36%; Entergy Louisiana - 14%; Entergy Mississippi - 33%; and Entergy New Orleans - 17%.

The balance of generation, which was immaterial, was provided by hydroelectric power.

Natural Gas

The domestic utility companies have long-term firm and short-term interruptible gas contracts. Long-term firm contracts comprise less than 30% of the domestic utility companies' total requirements but can be called upon, if necessary, to satisfy a significant percentage of the domestic utility companies' needs. Additional gas requirements are satisfied by short-term contracts and spot-market purchases. Entergy Gulf States has a transportation service agreement with a gas supplier that provides flexible natural gas service to certain generating stations by using such supplier's pipeline and gas storage facility.

Many factors, including wellhead deliverability, storage and pipeline capacity, and demand requirements of end users, influence the availability and price of natural gas supplies for power plants. Demand is tied to regional weather conditions as well as to the prices of other energy sources. Supplies of natural gas are expected to be adequate in 1997. However, pursuant to federal and state regulations, gas supplies to power plants may be interrupted during periods of shortage. To the extent natural gas supplies may be disrupted, the domestic utility companies will use alternate fuels, such as oil, or rely on coal and nuclear generation.

Coal

Entergy Arkansas has long-term contracts with mines in the State of Wyoming for the supply of low-sulfur coal for the White Bluff Steam Electric Generating Station and Independence. These contracts, which expire in 2002 and 2011, provide for approximately 85% of Entergy Arkansas' expected annual coal requirements. Additional requirements are satisfied by annual spot market purchases. Entergy Gulf States has a contract for a supply of low-sulfur Wyoming coal for Nelson Unit 6, which should be sufficient to satisfy the fuel requirements at Nelson Unit 6 through 2010. Cajun has advised Entergy Gulf States that Cajun has contracts that should provide an adequate supply of coal until 1999 for the operation of Big Cajun 2, Unit 3.

Nuclear Fuel

The nuclear fuel cycle involves the mining and milling of uranium ore to produce a concentrate, the conversion of uranium concentrate to uranium hexafluoride gas, enrichment of that gas, fabrication of nuclear fuel assemblies for use in fueling nuclear reactors, and disposal of the spent fuel.

System Fuels is responsible for contracts to acquire nuclear material to be used in fueling Entergy Arkansas', Entergy Louisiana's, and System Energy's nuclear units and maintaining inventories of such materials during the various stages of processing. Each of these companies contracts for the fabrication of its own nuclear fuel and purchases the required enriched uranium hexafluoride from System Fuels. The requirements for Entergy Gulf States' River Bend plant are covered by contracts made by Entergy Gulf States. Entergy Operations acts as agent for System Fuels and Entergy Gulf States in negotiating and/or administering nuclear fuel contracts.

In October 1989, System Fuels entered into a revolving credit agreement with a bank that provides up to $45 million in borrowings to finance its nuclear materials and services inventory. Should System Fuels default on its obligations under its credit agreement, Entergy Arkansas, Entergy Louisiana, and System Energy have agreed to purchase nuclear materials and services under the agreement.

Based upon the planned fuel cycles for Entergy's nuclear units, the following tabulation shows the years through which existing contracts and inventory will provide materials and services:

	Uranium Concentrate	Acquisition of or Conversion to Uranium Hexafluoride	Enrichment	Fabrication	Spent Fuel Disposal
ANO 1	(1)	(1)	(2)	2000	(3)
ANO 2	(1)	(1)	(2)	1999	(3)
River Bend	(1)	(1)	(2)	2001	(3)
Waterford 3	(1)	(1)	(2)	1999	(3)
Grand Gulf 1	(1)	(1)	(2)	2000	(3)

(1) Current contracts will provide a significant percentage of these materials and services through termination dates ranging from 1997-2001. Additional materials and services required beyond these dates are estimated to be available for the foreseeable future.

(2) Current contracts will provide a significant percentage of these materials and services through approximately 2000.

(3) The Nuclear Waste Policy Act of 1982 provides for the disposal of spent nuclear fuel or high level waste by the DOE.

Entergy will enter into additional arrangements to acquire nuclear fuel beyond the dates shown above. Except as noted above, Entergy cannot predict the ultimate availability or cost of such arrangements at this time.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy currently have arrangements to lease nuclear fuel and related equipment and services in aggregate amounts up to $125 million, $70 million, $80 million, and $110 million, respectively. As of December 31, 1996, the unrecovered cost base of Entergy Arkansas', Entergy Gulf States', Entergy Louisiana's, and System Energy's nuclear fuel leases amounted to approximately $79.1 million, $49.8 million, $38.2 million, and $83.6 million, respectively. The lessors finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These agreements are subject to annual renewal with, in Entergy Louisiana's and Entergy Gulf States' case, the consent of the lenders. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have been extended and now have termination dates of December 1999, December 1999, January 2000, and February 2000, respectively. The debt securities issued pursuant to these fuel lease arrangements have varying maturities through January 31, 1999. It is expected that the credit agreements will be extended or alternative financing will be secured by each lessor upon the maturity of the current arrangements. If extensions or alternative financing cannot be arranged, the lessee in each case must purchase sufficient nuclear fuel to allow the lessor to retire such borrowings.

Natural Gas Purchased for Resale

Entergy New Orleans has several suppliers of natural gas for resale. Its system is interconnected with three interstate and three intrastate pipelines. Presently, Entergy New Orleans' primary suppliers are Koch Gas Services Company (KGS), an interstate gas marketer, and Bridgeline and Pontchartrain, intrastate pipelines. Entergy New Orleans has a firm gas purchase contract with KGS. The KGS gas supply is transported to Entergy New Orleans pursuant to a transportation service agreement with Koch Gateway Pipeline Company (KGPC). This service is subject to FERC-approved rates. Entergy New Orleans has firm contracts with its two intrastate suppliers and also makes interruptible spot market purchases. In recent years, natural gas deliveries have been subject primarily to weather-related curtailments. However, Entergy New Orleans has experienced no such curtailments.

After the implementation of FERC-mandated interstate pipeline restructuring in 1993, curtailments of interstate gas supply could occur if Entergy New Orleans' suppliers failed to perform their obligations to deliver gas under their supply agreements. KGPC could curtail transportation capacity only in the event of pipeline system constraints. Based on the current supply of natural gas, and absent extreme weather-related curtailments, Entergy New Orleans does not anticipate any interruptions in natural gas deliveries to its customers.

Entergy Gulf States purchases natural gas for resale under a "No-Notice" type of agreement from Mid Louisiana Gas Company. Abandonment of service by the present supplier would be subject to abandonment proceedings by FERC.

Research

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are members of the Electric Power Research Institute (EPRI). EPRI conducts a broad range of research in major technical fields related to the electric utility industry. Entergy participates in various EPRI projects based on Entergy's needs and available resources. During 1996, 1995, and 1994, Entergy contributed approximately $9 million, $9 million, and $18 million, respectively, for EPRI and other research programs in which Entergy was involved.

Item 2. Properties

Refer to Item 1. "**Business** - **PROPERTY**," for information regarding the properties of the registrants.

Item 3. Legal Proceedings

Refer to Item 1. "**Business** - **RATE MATTERS AND REGULATION**," for details of the registrants' material rate proceedings and other regulatory proceedings and litigation that are pending or that terminated in the fourth quarter of 1996.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of 1996, no matters were submitted to a vote of the security holders of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, or System Energy.

PART II

Item 5. Market for Registrants' Common Equity and Related Stockholder Matters

Entergy Corporation

The shares of Entergy Corporation's common stock are listed on the New York, Chicago, and Pacific Stock Exchanges.

The high and low prices of Entergy Corporation's common stock for each quarterly period in 1996 and 1995 were as follows:

	1996		1995	
	High	Low	High	Low
	(In Dollars)			
First	30 3/8	26 3/8	24 3/4	20
Second	28 1/2	25 1/4	25 1/2	20 7/8
Third	28 5/8	24 7/8	26 1/8	23 5/8
Fourth	29	26 3/4	29 1/4	26

Dividends of 45 cents per share were paid on Entergy Corporation's common stock in each of the quarters of 1996 and 1995.

As of February 28, 1997, there were 92,267 stockholders of record of Entergy Corporation.

For information with respect to Entergy Corporation's future ability to pay dividends, refer to Note 8, "**DIVIDEND RESTRICTIONS**." In addition to the restrictions described in Note 8, PUHCA provides that, without approval of the SEC, the unrestricted, undistributed retained earnings of any Entergy Corporation subsidiary are not available for distribution to Entergy Corporation's common stockholders until such earnings are made available to Entergy Corporation through the declaration of dividends by such subsidiaries.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy

There is no market for the common stock of Entergy Corporation's wholly owned subsidiaries. Cash dividends on common stock paid by the subsidiaries to Entergy Corporation during 1996 and 1995, were as follows:

	1996	1995
	(In Millions)	
Entergy Arkansas	$ 142.8	$ 153.4
Entergy Gulf States	--	--
Entergy Louisiana	$ 179.2	$ 221.5
Entergy Mississippi	$ 79.9	$ 61.7
Entergy New Orleans	$ 34.0	$ 30.6
System Energy	$ 112.5	$ 92.8
Entergy S.A.	$ 0.7	$ 3.5
Entergy Transener S.A.	$ 1.7	$ 2.1
Entergy Argentina S.A.	$ 0.3	--
Entergy Argentina S.A. Ltd.	$ 3.1	--

In February 1997, Entergy Corporation received common stock dividend payments from its subsidiaries totaling $66.9 million. For information with respect to restrictions that limit the ability of System Energy and the domestic utility companies to pay dividends, see Note 8. In order to improve its capital structure, Entergy Gulf States has not paid common stock dividends since the third quarter of 1994. See **"Management's Financial Discussion and Analysis - Liquidity and Capital Resources".**

Item 6. Selected Financial Data

Entergy Corporation.. Refer to information under the heading **"ENTERGY CORPORATION AND SUBSIDIARIES SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

Entergy Arkansas. Refer to information under the heading **"ENTERGY ARKANSAS, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

Entergy Gulf States. Refer to information under the heading **"ENTERGY GULF STATES, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

Entergy Louisiana. Refer to information under the heading **"ENTERGY LOUISIANA, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

Entergy Mississippi. Refer to information under the heading **"ENTERGY MISSISSIPPI, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

Entergy New Orleans. Refer to information under the heading **"ENTERGY NEW ORLEANS, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

System Energy. Refer to information under the heading **"SYSTEM ENERGY RESOURCES, INC. SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON."**

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Entergy Corporation and Subsidiaries. Refer to information under the heading **"ENTERGY CORPORATION AND SUBSIDIARIES MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS**

- LIQUIDITY AND CAPITAL RESOURCES," " - SIGNIFICANT FACTORS AND KNOWN TRENDS," and "- RESULTS OF OPERATIONS."

Entergy Arkansas. Refer to information under the heading **"ENTERGY ARKANSAS, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."**

Entergy Gulf States. Refer to information under the heading **"ENTERGY GULF STATES, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."**

Entergy Louisiana. Refer to information under the heading **"ENTERGY LOUISIANA, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."**

Entergy Mississippi. Refer to information under the heading **"ENTERGY MISSISSIPPI, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."**

Entergy New Orleans. Refer to information under the heading **"ENTERGY NEW ORLEANS, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."**

System Energy. Refer to information under the heading **"SYSTEM ENERGY RESOURCES, INC. MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS."**

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS

ENTERGY CORPORATION AND SUBSIDIARIES

REPORT OF MANAGEMENT

The management of Entergy Corporation and subsidiaries has prepared and is responsible for the financial statements and related financial information included herein. The financial statements are based on generally accepted accounting principles. Financial information included elsewhere in this report is consistent with the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls that is designed to provide reasonable assurance, on a cost-effective basis, as to the integrity, objectivity, and reliability of the financial records, and as to the protection of assets. This system includes communication through written policies and procedures, an employee Code of Conduct, and an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

Management believes that these policies and procedures provide reasonable assurance that its operations are carried out with a high standard of business conduct.

ED LUPBERGER
Chairman, President, and Chief Executive Officer
of Entergy Corporation, Entergy Arkansas,
Entergy Gulf States, Entergy Louisiana,
Entergy Mississippi, and Entergy New Orleans

GERALD D. MCINVALE
Executive Vice President and
Chief Financial Officer

DONALD C. HINTZ
President and Chief Executive Officer of System Energy

ENTERGY CORPORATION AND SUBSIDIARIES

AUDIT COMMITTEE CHAIRPERSON'S LETTER

The Entergy Corporation Board of Directors' Audit Committee is comprised of five directors who are not officers of Entergy Corporation: Lucie J. Fjeldstad, Chairperson, Admiral Kinnaird McKee, Eugene H. Owens, Robert D. Pugh, and H. Duke Shackelford. The committee held five meetings during 1996.

The Audit Committee oversees Entergy Corporation's financial reporting process on behalf of the Board of Directors and provides reasonable assurance to the Board that sufficient operating, accounting, and financial controls are in existence and are adequately reviewed by programs of internal and external audits.

The Audit Committee discussed with Entergy's internal auditors and the independent public accountants (Coopers & Lybrand L.L.P.) the overall scope and specific plans for their respective audits, as well as Entergy Corporation's financial statements and the adequacy of Entergy Corporation's internal controls. The committee met, together and separately, with Entergy's internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluation of Entergy Corporation's internal controls, and the overall quality of Entergy Corporation's financial reporting. The meetings also were designed to facilitate and encourage private communication between the committee and the internal auditors and independent public accountants.

LUCIE J. FJELDSTAD
Chairperson, Audit Committee

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Net cash flow from operations for Entergy, the domestic utility companies, and System Energy for the years ended December 31, 1996, 1995, and 1994, was as follows:

	1996	1995	1994
		(In Millions)	
Entergy	$1,458	$1,426	$1,558
Entergy Arkansas	$ 377	$ 338	$ 356
Entergy Gulf States	$ 322	$ 401	$ 326
Entergy Louisiana	$ 352	$ 385	$ 368
Entergy Mississippi	$ 182	$ 185	$ 195
Entergy New Orleans	$ 44	$ 99	$ 39
System Energy	$ 287	$ 96	$ 337

The positive cash flow from operations for the domestic utility companies results from continued efforts to streamline operations and to reduce costs, as well as from collections under rate phase-in plans that exceed current cash requirements for the related costs. (In the income statement, these revenue collections are offset by the amortization of previously deferred costs so that there is no effect on net income.) These phase-in plans will continue to contribute to Entergy's cash position over the next several years. Specifically, the Grand Gulf 1 phase-in plans will expire in 1998 for Entergy Arkansas and Entergy Mississippi, and in 2001 for Entergy New Orleans. Entergy Gulf States' phase-in plan for River Bend will expire in 1998, and Entergy Louisiana's phase-in plan for Waterford 3 will expire in June 1997.

Financing Sources

Cash from operations, supplemented by cash on hand, was sufficient to meet substantially all investing and financing requirements of the domestic utility companies, other than early refinancings of existing debt, including capital expenditures, dividends, and debt/preferred stock maturities during 1996. System Energy issued two series of first mortgage bonds in August 1996 totaling $235 million, of which $210 million was used to meet a scheduled September 1, 1996, System Energy debt maturity. Entergy's investments in nonregulated businesses in 1996 were funded with debt and equity capital.

Entergy has been able to fund the capital requirements for its domestic utility businesses with cash from operations resulting from the items discussed above in **Cash Flow**. Should additional cash be needed to fund investments or retire debt, the domestic utility companies and System Energy have the ability, subject to regulatory approval and compliance with issuance tests, to issue debt or preferred securities to meet such requirements. In addition, to the extent market conditions and interest and dividend rates allow, the domestic utility companies and System Energy will continue to refinance and/or redeem higher cost debt and preferred stock prior to maturity. The domestic utility companies may continue to establish special purpose trusts as financing subsidiaries for the purpose of issuing preferred trust securities, such as those issued in 1996 by Entergy Louisiana Capital I and Entergy Arkansas Capital I, and those issued in January 1997 by Entergy Gulf States Capital I. Entergy Corporation, the domestic utility companies, and System Energy also have SEC authorization to effect short-term borrowings. See Notes 4, 5, 6, 7, and 9 for additional information on Entergy's capital and refinancing requirements in 1997-2001.

LIQUIDITY AND CAPITAL RESOURCES

In May 1996, Entergy Corporation registered 10 million additional shares of common stock pursuant to a new dividend reinvestment and stock purchase plan, which became effective in July 1996. See Note 5 for further discussion.

Financing Uses

Productive investment by Entergy Corporation is integral to enhancing the long-term value of its common stock. Entergy Corporation has been expanding its investments in business opportunities overseas as well as in the United States. Through the end of 1996, Entergy Corporation had acquired or participated in foreign electric ventures in Australia, Argentina, Chile, Pakistan, and Peru, and had acquired several telecommunications-based businesses in the United States. As of December 31, 1996, Entergy Corporation had a net investment of $812 million in equity capital in businesses other than its domestic retail utility business. See Note 13 for a discussion of Entergy Corporation's acquisition of CitiPower on January 5, 1996, and Note 16 for Entergy Corporation's acquisition of London Electricity plc on February 7, 1997.

To make capital investments, fund its subsidiaries, and pay dividends, Entergy Corporation will utilize internally generated funds, cash on hand, funds available under its $300 million credit facility, funds received from its dividend reinvestment and stock purchase plan, and other bank financings if required. See Note 9 for a discussion of capital requirements. Entergy Corporation receives funds through dividend payments from its subsidiaries. During 1996, such dividend payments from subsidiaries totaled $554.2 million. In order to improve its capital structure, Entergy Gulf States has not paid common stock dividends since the third quarter of 1994. In 1996, Entergy Corporation paid $405 million of common stock dividends. Declarations of dividends on common stock are made at the discretion of Entergy Corporation's Board of Directors. Management will not recommend future dividend increases to the Board unless such increases are justified by adequate earnings growth of Entergy Corporation and its subsidiaries. See Note 8 for information on dividend restrictions.

Entergy Corporation and Entergy Gulf States

See Notes 2 and 9 regarding River Bend and Cajun issues, including recent developments. An adverse ruling regarding River Bend could result in up to approximately $278 million of potential write-offs (net of tax) and up to $204 million in refunds of previously collected revenue. Such write-offs and charges could result in substantial net losses being reported in the future by Entergy Gulf States, with resulting adverse adjustments to the common equity of Entergy Corporation and Entergy Gulf States. Adverse resolution of these matters could negatively affect Entergy Gulf States' ability to obtain financing, which could in turn affect Entergy Gulf States' liquidity and ability to resume paying dividends.

Entergy Corporation and System Energy

Under the Capital Funds Agreement, Entergy Corporation has agreed to supply to System Energy sufficient capital to maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt), to permit the continued commercial operation of Grand Gulf 1, and to pay in full all indebtedness for borrowed money of System Energy when due under any circumstances. In addition, under supplements to the Capital Funds Agreement assigning System Energy's rights as security for specific debt of System Energy, Entergy Corporation has agreed to make cash capital contributions, if required, to enable System Energy to make payments on such debt when due. The Capital Funds Agreement can be terminated by the parties thereto, subject to consent of certain creditors.

Competition and Industry Challenges

The electric utility industry traditionally has operated as a regulated monopoly in which there was little opportunity for direct competition in the provision of electric service. The industry is now undergoing a transition to an environment of increased retail and wholesale competition. The causes of the movement toward competition are numerous and complex. They include legislative and regulatory changes, technological advances, consumer demands, greater availability of natural gas, environmental needs, and other factors. The increasingly competitive environment presents opportunities to compete for new customers, as well as the risk of loss of existing customers. The following issues have been identified by Entergy as its major competitive challenges.

Open Access Transmission

The EPAct addressed a wide range of energy issues and is being implemented by both FERC and state regulators. The EPAct is designed to promote wholesale competition among utility and nonutility generators by amending PUHCA to exempt from regulation a class of EWGs, among others, consisting of utility affiliates and nonutilities that own and operate facilities for the generation and transmission of power for sale at wholesale. The EPAct also gave FERC the authority to order investor-owned utilities to transmit wholesale power and energy to or for wholesale purchasers and sellers. This creates potential for electric utilities and other power producers to gain increased access to the transmission systems of other utilities to facilitate wholesale sales.

In response to the EPAct, FERC commenced a rulemaking on the subject of "stranded costs" in 1994. This rulemaking concerns a regulatory framework for dealing with recovery of costs that were prudently incurred by electric utilities to serve customers under the traditional regulatory framework. These costs may become "stranded" as a result of increased competition. The risk of exposure to stranded costs that may result from competition in the industry will depend on the extent and timing of retail competition, the resolution of jurisdictional issues concerning stranded cost recovery, and the extent to which such costs are recovered from departing or remaining customers.

FERC issued Order No. 888 as the final order in this rulemaking in April 1996 requiring that all public utilities subject to its jurisdiction provide comparable wholesale transmission access through the filing of a single open access tariff. In addition, FERC ruled that public utilities are entitled to full recovery of prudently incurred costs associated with wholesale requirements signed before July 11, 1994. If the costs are stranded by retail wheeling, public utilities should first seek recovery of these costs from the appropriate state or local regulators. FERC indicated that it would be the primary forum for recovery in cases where retail customers become wholesale purchasers.

FERC also issued Order No. 889, which prescribes the requirements and procedures for the implementation and maintenance of an open access same-time information system by each public utility. In addition, FERC issued a notice of proposed rulemaking concerning capacity reservation tariffs as the next phase of its efforts to promote wholesale competition. In July 1996, Entergy Services filed, on behalf of the domestic utility companies, an open access proforma tariff.

In September 1996, FERC issued an order revising the original requirement that open access same-time information service sites and standards of conduct be in place for all transmission providers by November 1, 1996. FERC scheduled a two-step compliance procedure in which the operation of open access same-time information service sites was to begin on a test basis beginning in December 1996, with full commercial operations and compliance with the standards of conduct beginning in January 1997. In January 1997, Entergy Services filed its standards of conduct with FERC, and an open access same-time information site was established.

In response to Order No. 888, Entergy Services filed a request for clarification and rehearing regarding the following four issues: (i) the special nature and treatment of stranded nuclear decommissioning costs; (ii) the reciprocity rules applicable to rural electric cooperatives; (iii) the functional unbundling requirements for registered holding companies; and (iv) the nature of network service. The request for rehearing is currently pending.

Transition to Competition Filings

Entergy has initiated discussions with its state and local regulators regarding an orderly transition to a more competitive market for electricity. As discussed in more detail in Note 2, Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana have made filings with their respective state regulators concerning the transition to competition. These filings call for the accelerated recovery of the companies' nuclear investment and nuclear-related purchase obligations over a seven-year period and for the protection of certain classes of ratepayers from possibly unfairly bearing the burden of cost shifting which may result from competition. The majority of the domestic utilities' current net investment in nuclear generation shown in Note 1 is included in the proposals for accelerated recovery filed with state regulators. See Note 2 for a discussion of Entergy Mississippi's August 1996 transition to competition filing with the MPSC.

Retail and Wholesale Rate Issues

The retail regulatory philosophy is shifting in some jurisdictions from traditional cost-of-service regulation to incentive-rate regulation. Incentive and performance-based rate plans encourage efficiencies and productivity while permitting utilities and their customers to share in the results. Entergy Mississippi and Entergy Louisiana have implemented incentive-rate plans.

Several of the domestic utility companies have recently been ordered to grant base rate reductions and have refunded or credited customers for previous overcollections of rates. The continuing pattern of rate reductions is a characteristic of the competitive environment in which the domestic utilities operate. See Note 2 for additional discussion of rate reductions and incentive-rate regulation, as well as a System Energy proposed rate increase.

Legislative Activity

Retail wheeling is the transmission and/or distribution by an electric utility of energy produced by another entity over the utility's transmission and distribution system to a retail customer in the electric utility's area of service. California, Rhode Island, New Hampshire, Massachusetts, and Pennsylvania have already initiated the restructuring of the utility industry within their respective states. Most other states have initiated studies of industry restructuring. Included in the majority of the more developed proposals are plans for utilities to have a reasonable opportunity to recover investments in utility plant that have previously been determined to be prudently incurred. Within the areas served by the domestic utility companies, formal proceedings to study retail competition/industry restructuring are being conducted by the LPSC, the MPSC, and the PUCT.

In January 1996, the Council voted to investigate retail utility service competition. Although no date has been set, the investigation will focus on the impact of competition, service unbundling, and utility restructuring on consumers of retail electric and gas utility service in New Orleans.

The PUCT has developed rules that permit greater wholesale electric competition in Texas, as mandated by the Texas legislature in its 1995 session. In January 1997, the PUCT submitted reports to the Texas legislature concerning broader competitive issues such as the unbundling of electric utility operations, market-based pricing, performance-based ratemaking, and the identification and recovery of potential stranded costs as part of the transition to a more competitive electric industry environment. Currently it is uncertain what action, if any, the legislature may take with respect to these issues.

See Note 2 for information related to the LPSC and MPSC generic proceedings on competition.

A number of bills were introduced in Congress during 1996 that called for future deregulation of the electric power industry. Included in these proposals are some that would amend or repeal PUHCA and/or PURPA. Other provisions in some of the bills would give consumers the ability to choose their own electricity service.

On February 20, 1997, the SEC issued new Rule 58 under PUHCA, which will permit registered public utility holding companies to enter into an array of energy-related businesses for which specific approval had previously been required. These businesses include, among other things, management, operations and maintenance contracting for energy-related facilities, energy efficiency contracting, and the sale and servicing of a range of electric appliances and equipment. The rule, which will become effective on March 22, 1997, will permit broader diversification by Entergy into these businesses.

Municipalization

In some areas of the country, municipalities (or comparable entities) whose residents are served at retail by an investor-owned utility pursuant to a franchise, are exploring the possibility of establishing new electric distribution systems, or extending existing ones. In some cases, municipalities are also seeking new delivery points in order to serve retail customers, especially large industrial customers, which currently receive service from an investor-owned utility. Where successful, the establishment of a municipal system or the acquisition by a municipal system of a utility's customers could result in the utility's inability to recover costs that it has incurred for the purpose of serving those customers.

Industry Consolidation

Another factor in making the transition to competition nationwide is the continuing and accelerating trend of utility mergers. A significant trend developing among the more recent merger announcements is the proposed combination of electric utilities and gas pipeline and/or distribution companies.

Functional Unbundling

An additional trend which has recently emerged is the unbundling of traditional utility functions. In some areas of the country, utilities are attempting to sell either all or a substantial portion of their generation assets and will become, in large part, suppliers of transmission and distribution services only.

Effects of Alternate Energy Sources on Retail Electric Sales to Industrial and Large Commercial Customers

Many industrial and large commercial customers of the domestic utility companies have cost structures that are energy sensitive. For this reason, these customers are currently exploring, or in the future may explore, available energy alternatives such as fuel switching, cogeneration, self-generation, production shifting, and efficiency measures. To the extent that these customers avail themselves of such options, the domestic utility companies may suffer a loss of load. Accordingly, in an effort to retain such load, certain of the domestic utility companies, Entergy Gulf States and Entergy Louisiana in particular, have negotiated electric service contracts with large industrial and commercial customers with the specific aim of retaining the load represented by these customers. Electric service under such agreements may be provided at tariffed rates lower than would otherwise be applicable.

The results of operations of the domestic utility companies have not thus far been materially adversely affected as a result of the negotiation of retail electric service agreements with industrial and large commercial customers. This is due in large measure to the utilities' success in reducing costs, overall load growth, increasing sales to all customer classes, and the regulatory treatment accorded to negotiated electric service agreements. However, in view of the likelihood of increased competition in the electric utility business in the future, there can be no assurance that the effect of negotiated electric prices for industrial and large commercial customers will not eventually have a negative effect on the results of operations of the domestic utility companies.

During 1995, the Council approved a resolution requiring prior approval of the regulatory treatment of any lost contribution to fixed costs as a result of incentive-rate agreements with large industrial or commercial customers entered into for the purposes of retaining those customers. The Council's resolution also requires prior approval of the regulatory treatment of stranded costs resulting from the loss of large customers.

During 1995, Entergy Louisiana received separate notices from two large industrial customers that will proceed with proposed cogeneration projects for the purpose of fulfilling their future electric energy needs. These customers will continue to purchase their energy requirements from Entergy Louisiana until their cogeneration facilities are completed and operational, which is expected to occur in 1997 and 1998. After that time, these customers will continue to purchase energy from Entergy Louisiana, but at a reduced level. During 1996, these two customers represented an aggregate of approximately 17% of total Entergy Louisiana industrial sales, and provided 12% of total industrial base revenues.

During 1996, Entergy Gulf States entered into agreements concerning a steam generating station that historically has been contractually dedicated to providing steam and cogenerated electricity for a large industrial customer. Under these agreements, the generating facility was leased to the customer, but Entergy Gulf States will continue to operate the facility. The customer has announced that it will spend $190 million to make major improvements to the facility, including a new 150 MW gas turbine generator. As a result of these agreements, which were entered into with the expectation that the customer otherwise would terminate its contracts with Entergy Gulf States and construct its own generating facilities, Entergy Gulf States' revenues from this customer are estimated to be reduced by approximately $33 million annually beginning in August 1997, and Entergy Gulf States' net income is expected to be reduced by approximately $15 million annually.

In November 1996, another industrial customer of Entergy Gulf States with an electrical load of approximately 31 MW ceased purchasing electricity from Entergy Gulf States due to the commencement of operations of a cogeneration facility. This is expected to result in an annual revenue loss to Entergy Gulf States of approximately $5.5 million, and an annual reduction in net income of approximately $3.3 million.

Domestic and Foreign Investments

Entergy Corporation seeks opportunities to expand its domestic and foreign businesses that are not regulated by domestic state and local regulatory authorities. Such business ventures currently include power development and operations and retail services related to the utility business. Refer to "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES**" for a discussion of Entergy Corporation's 1996 investments in domestic and foreign nonregulated businesses. These investments may involve a greater risk than domestically regulated utility enterprises. In 1996, Entergy Corporation's investments in domestic and foreign nonregulated investments reduced consolidated net income by approximately $25.4 million. While such investments did not have a positive effect on 1996 earnings, management believes they will show profits in the near term.

In an effort to expand into new energy-related businesses, Entergy plans to commercialize the fiber optic telecommunications network that connects system facilities and supports its internal business needs. Entergy will provide long-haul fiber optic capacity to major telecommunications carriers which, in turn, will market that service to third parties. The Telecommunications Act of 1996 permits a company such as Entergy to market such a service, subject to state and local regulatory approval. This law contains an exemption from PUHCA that will permit registered utility holding companies to form and capitalize subsidiaries to engage in telephone, telecommunications, and information service businesses without SEC approval. However, the law requires that such telecommunications subsidiaries file for exemption with the Federal Communications Commission, and that they not engage in transactions with utility affiliates within their holding company systems or acquire utility affiliates' rate-based property without state or local regulatory approval.

During 1996, Entergy Corporation's wholly-owned subsidiary, Entergy Technology Holding Company, entered the electronic security monitoring business through the acquisition of six full-service security monitoring companies. These companies serve an aggregate of approximately 80,000 customers within the states of North Carolina, South Carolina, Alabama, and Florida. These acquisitions represent an investment by Entergy Corporation of approximately $83 million in the security monitoring industry, substantially all of which was financed by debt.

In October 1995, FERC issued an order granting EWG status to EPMC, which was created in 1995 to become a buyer and seller of electric energy and generating fuels. In February 1996, FERC approved market-based rate sales of electricity by EPMC. Such approval allows EPMC to begin providing wholesale customers with a variety of services, including physical trading. An application currently is pending before the SEC seeking additional authority for EPMC to purchase and sell derivative contracts relating to electricity, gas, and fuels.

In January 1997, Entergy Corporation announced that a preliminary agreement had been reached with Maine Yankee Atomic Power Company (Maine Yankee) for a new nonutility subsidiary of Entergy Enterprises to provide management and operations services for the Maine Yankee nuclear plant. Subsequently, Entergy Nuclear, Inc. (Entergy Nuclear), a Delaware corporation, was organized for this purpose. On February 13, 1997, an agreement to provide such services for an initial period of up to one year was executed by Entergy Nuclear and Maine Yankee. The creation of Entergy Nuclear and its undertaking with Maine Yankee are authorized by existing SEC orders previously granted to Entergy Enterprises. Entergy Corporation has an application pending at the SEC to create a different structure under which Entergy Nuclear would engage in this business.

SIGNIFICANT FACTORS AND KNOWN TRENDS

On January 5, 1996, Entergy Corporation finalized its acquisition of CitiPower, an electric distribution company serving Melbourne, Australia, and surrounding suburbs. The purchase price of CitiPower was approximately $1.2 billion, of which $294 million represented an equity investment by Entergy Corporation, and the remainder represented debt that is non-recourse to Entergy Corporation. Entergy Corporation funded the majority of the equity portion of the investment by using $230 million of its $300 million line of credit. CitiPower serves approximately 238,000 customers, the majority of which are commercial customers. At the time of the acquisition, CitiPower had 846 employees.

On December 18, 1996, Entergy made a formal cash offer to acquire London Electricity for $2.1 billion. London Electricity is a regional electric company serving approximately two million customers in the metropolitan area of London, England. The offer was approved by authorities in the United Kingdom and as of February 7, 1997, the offer was made unconditional and Entergy, through an English subsidiary, controlled over 90% of the common shares of London Electricity. Through procedures available under applicable law, Entergy expects to gain control of 100% of the common shares of London Electricity. The acquisition was financed with $1.7 billion of debt that is non-recourse to Entergy Corporation, and $392 million of equity provided by Entergy Corporation from available cash and borrowings under its $300 million line of credit.

In 1996, Entergy made a proposal to develop, finance and construct the Saltend Project, a proposed 1,100 MW gas fired, combined cycle cogeneration plant to be located adjacent to the British Petroleum Company chemical facility in northeast England. The development of the Saltend Project is subject to the negotiation of definitive agreements and obtaining all necessary governmental approvals, which is expected to be accomplished in 1997. The total cost of this project, which would be developed over a period of about two years, currently is estimated to be approximately $650 million.

On December 20, 1996, Entergy exercised an option to acquire, through a subsidiary, a 25% equity interest in San Isidro S.A., a Chilean company which is developing a 370 MW gas fired, combined cycle generating facility in central Chile. Entergy's interest, which is expected to be acquired during the first quarter of 1997, will require an estimated $20 million cash investment as well as a guaranty of up to $30 million relating to the payment of the turnkey contractor for the San Isidro project. The other owner of the project, who is also the developer, is Empresa Nacional de Electricidad, S.A. (ENDESA).

ANO Matters

Entergy Operations has made periodic inspections and repairs on the tubes in ANO 2's steam generators, which have experienced cracking. In October 1996, Entergy Corporation's Board of Directors authorized Entergy Operations to negotiate a contract, with appropriate cancellation provisions, for the fabrication and replacement of the steam generators at ANO. See Note 9 for additional information.

Deregulated Utility Operations

Entergy Gulf States discontinued regulatory accounting principles for its wholesale jurisdiction and steam department and the Louisiana deregulated portion of River Bend during 1989 and 1991, respectively. The operating income (loss) from these operations was $13.9 million in 1996, $1.2 million in 1995, and ($5.2) million in 1994.

The increases in 1996 and 1995 net income from deregulated operations were principally due to increased revenues, partially offset by increased depreciation. The future impact of the deregulated utility operations on Entergy and Entergy Gulf States' results of operations and financial position will depend on future operating costs, the efficiency and availability of generating units, and the future market for energy over the remaining life of the assets. The deregulated operations will be subject to the requirements of SFAS 121, as discussed in Note 1, in determining the recognition of any asset impairment.

Property Tax Exemptions

Waterford 3's local property tax exemptions expired in December 1995. In a March 1996 LPSC order, Entergy Louisiana was permitted to defer recovery of the estimated Waterford 3 property tax from January 1996 through June 1996. The order allows for the recovery of the property tax beginning in July 1996 and also for the recovery, from July 1996 through June 1997, of the related deferral. In April 1996, Louisiana authorities assessed 1996 property taxes of $19.3 million on Waterford 3.

River Bend's local property tax exemptions expired in December 1996. The 1997 property tax is estimated to be approximately $13.2 million. The tax related to the Texas jurisdiction was included in the rate proceeding filed with the PUCT in November 1996. Entergy Gulf States expects that the LPSC will address the accounting treatment and recovery of River Bend's property taxes related to the Louisiana jurisdiction in conjunction with the fourth required Merger-related earnings review to be filed in May 1997.

Accounting Issues

New Accounting Standard - Entergy adopted SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121), effective January 1, 1996. This standard describes circumstances that may result in assets being impaired and provides criteria for recognition and measurement of asset impairment. See Notes 1 and 2 for information regarding the write-off recorded in 1996 and potential additional impacts of the new accounting standard on Entergy.

Continued Application of SFAS 71 - As a result of the EPAct, the actions of regulators, and other factors, the electric utility industry is moving toward a combination of competition and a modified regulatory environment. The domestic utility companies' and System Energy's financial statements currently reflect, for the most part, assets and costs based on existing cost-based ratemaking regulations in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). Continued applicability of SFAS 71 to the domestic utility companies' and System Energy's financial statements requires that rates set by an independent regulator on a cost-of-service basis be charged to and collected from customers.

In the event that all or a portion of a utility's operations cease to meet those criteria for various reasons, including deregulation, a change in the method of regulation, or a continued change in the competitive environment for the utility's regulated services, the utility should discontinue application of SFAS 71 for the relevant portion. That discontinuation should be reported by elimination from the balance sheet of the effects of any actions of regulators recorded as regulatory assets and liabilities. The effect of discontinuing application of SFAS 71 would have a material impact on Entergy's financial statements.

The domestic utility companies' and System Energy's financial statements continue to apply SFAS 71 for their regulated operations, except for those portions of Entergy Gulf States' business described in "**Deregulated Utility Operations**" above. Although discussions with regulatory authorities regarding retail competition have occurred and are expected to continue, management does not expect any definitive outcomes in the foreseeable future, and therefore, the regulated operations continue to apply SFAS 71. See Note 1 for additional discussion of Entergy's application of SFAS 71.

Accounting for Decommissioning Costs - In February 1996, the FASB issued an exposure draft of a proposed SFAS addressing the accounting for decommissioning costs of nuclear generating units as well as liabilities related to the closure and removal of all long-lived assets. See Note 9 for a discussion of proposed changes in the accounting for decommissioning/closure costs and the potential impact of these changes on Entergy.

Financial Instruments

Derivative instruments have been used by Entergy on a limited basis. Entergy has a policy that financial derivatives are to be used only to mitigate business risks and not for speculative purposes. See Notes 7 and 9 for additional information concerning Entergy's derivative instruments outstanding as of December 31, 1996.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Corporation

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries as of December 31, 1996 and 1995, and the related statements of consolidated income, retained earnings and paid-in-capital and cash flows for each of the three years in the period ended December 31, 1996. 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 generally accepted auditing standards. 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entergy Corporation and Subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the net amount of capitalized costs for River Bend exceed those costs currently being recovered through rates. At December 31, 1996, approximately $467 million is not currently being recovered through rates. Based upon the regulatory decision on this matter, a write-off of all or a portion of such costs may be required.

As discussed in Note 1 to the consolidated financial statements, at January 1, 1996 the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Also, as discussed in Note 1 to the consolidated financial statements, in 1996 and 1995, certain of the Corporation's subsidiaries changed their methods of accounting for incremental nuclear plant outage maintenance costs.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

On January 5, 1996, Entergy Corporation finalized its acquisition of CitiPower. In accordance with the purchase method of accounting, the results of operations for 1995 and 1994 of Entergy Corporation and subsidiaries reported in its Statements of Consolidated Income and Cash Flows do not include CitiPower's results of operations. See Note 13 for additional information regarding CitiPower.

Net Income

Consolidated net income decreased in 1996 primarily due to the $174 million net of tax write-off of River Bend rate deferrals pursuant to SFAS 121 and the one-time recording in 1995 of the cumulative effect of the change in accounting method for incremental nuclear refueling outage maintenance costs at Entergy Arkansas. The effect of these items was partially offset by the reversal of a Cajun-River Bend litigation accrual at Entergy Gulf States. Excluding these items, net income would have increased 17% due to decreased other operation and maintenance expenses for domestic regulated operations as a result of restructuring programs, as discussed in Note 12, and ongoing efficiency improvement programs throughout Entergy.

Consolidated net income increased in 1995 due primarily to increased electric operating revenues, decreased other operation and maintenance expenses, the onetime recording of the cumulative effect of the change in accounting method for incremental nuclear refueling outage maintenance costs at Entergy Arkansas, and decreased interest expense, partially offset by increased income taxes and decreased miscellaneous income - net.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues and Sales,**" "**Expenses,**" and "**Other**" below.

Revenues and Sales

See **"SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON,"** following the financial statements, for information on operating revenues by source and kWh sales.

The changes in electric operating revenues for the twelve months ended December 31, 1996 and 1995, are as follows:

Description	Increase/ (Decrease) 1996	1995
	(In Millions)	
Change in base revenues	($117.5)	$6.6
Rate riders	1.8	15.3
Fuel cost recovery	382.3	(28.0)
Sales volume/weather	108.0	141.3
Other revenue (including unbilled)	(49.3)	4.3
Sales for resale	37.6	35.6
System Energy-FERC Settlement	-	120.5
Total	$362.9	$295.6

Electric operating revenues increased in 1996 as a result of higher fuel adjustment revenues, which do not affect net income, and an increase in retail energy sales, partially offset by rate reductions at various domestic utility companies. The increase in retail sales is primarily the result of an increase in customers and customer usage.

Electric operating revenues increased in 1995 as a result of an increase in retail energy sales, the effects of the 1994 FERC Settlement, and increased wholesale revenues, partially offset by rate reductions at Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans and lower fuel adjustment revenues. Warmer weather and non-weather related volume growth contributed equally to the increase in retail electric energy sales. The increase in sales for resale was primarily from increased energy sales outside of Entergy's service area. The increase in other revenues was due to the effects of the 1994 FERC Settlement and the 1994 NOPSI Settlement.

Gas operating revenues increased in 1996 due to higher unit purchase prices for gas purchased for resale and colder than normal weather in the first quarter of 1996.

Nonregulated and foreign-energy related business revenues increased in 1996 due primarily to the acquisition of CitiPower. See Note 13 for additional information regarding CitiPower.

Expenses

Operating expenses for 1996 include the operating expenses of CitiPower, which were not included in the prior year financial statements. See Note 13 for additional information regarding CitiPower. Excluding the operating expenses of CitiPower, Entergy's operating expenses increased in 1996. The following discussion excludes the impact of the acquisition of CitiPower.

In 1996, fuel and purchased power expenses increased as a result of higher fuel costs and an increase in energy sales. Other operation and maintenance expenses decreased in 1996 due to lower payroll-related expenses, resulting from restructuring programs as discussed in Note 12, in addition to ongoing operating efficiency improvement programs throughout Entergy. Rate deferrals charged against operating expenses in 1996 represent the deferral of Waterford 3 local property taxes and the deferral of a portion of the proposed System Energy rate increase at Entergy Mississippi and Entergy New Orleans. Nuclear refueling outage expenses decreased primarily due to the effect of deferring the nuclear refueling outage expenses at Grand Gulf 1 in the fourth quarter of 1996 rather than recognizing those expenses as incurred. The majority of the increase in decommissioning costs and depreciation rates is reflected in the 1995 System Energy FERC rate increase filing, subject to refund. See Note 2 for a discussion of the proposed rate increase.

Operating expenses decreased in 1995 primarily due to reduced other operation and maintenance expenses. Other operation and maintenance expenses decreased because of lower payroll-related expenses resulting from the restructuring program discussed in Note 12 and 1994 Merger-related costs. The decrease in operating expenses was partially offset by an increase in nuclear refueling outage expenses due to a 1995 refueling outage at Grand Gulf 1 and the adoption of the change in accounting method at Entergy Arkansas.

Excluding CitiPower, interest on long-term debt decreased for 1996, due primarily to ongoing retirement and refinancing of higher cost debt at the domestic utility companies and System Energy. Borrowings by Entergy Corporation from a $300 million line of credit related to CitiPower investment contributed to the increase in other interest-net in 1996.

Interest charges decreased in 1995 as a result of the retirement and refinancing of higher cost long-term debt.

Preferred dividend requirements decreased in 1996 and 1995 due to stock redemption activities.

Other

Miscellaneous other income - net decreased in 1996 as a result of the write-off of River Bend rate deferrals pursuant to SFAS 121, as discussed in Note 2, and a decrease in Grand Gulf 1 carrying charges at Entergy Arkansas due to a decline in the deferral balance, partially offset by the Entergy Gulf States' reversal of a Cajun-River Bend litigation accrual. Income tax expense increased due to higher pretax income excluding the River Bend rate deferral write-off and the prior year change in accounting method.

Miscellaneous other income - net decreased in 1995 due primarily to expansion activities in nonregulated businesses. Income tax expense increased in 1995 due to higher pretax income and the effects of the 1994 FERC Settlement.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	For the Years Ended December 31,		
	1996	1995	1994
	(In Thousands, Except Share Data)		
Operating Revenues:			
Electric	$6,450,940	$6,088,018	$5,792,410
Natural gas	134,456	103,992	118,962
Steam products	59,143	49,295	46,559
Nonregulated and foreign energy-related businessess	518,987	45,901	23,889
Total	7,163,526	6,287,206	5,981,820
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,635,885	1,395,889	1,450,598
Purchased power	704,744	356,596	340,067
Nuclear refueling outage expenses	55,148	84,972	63,979
Other operation and maintenance	1,577,383	1,528,351	1,613,313
Depreciation, amortization, and decommissioning	790,948	695,865	659,142
Taxes other than income taxes	353,270	300,120	284,349
Rate deferrals	(33,874)	-	-
Amortization of rate deferrals	401,301	408,087	399,121
Total	5,484,805	4,769,880	4,810,569
Operating Income	1,678,721	1,517,326	1,171,251
Other Income (Deductions):			
Allowance for equity funds used during construction	9,951	9,629	11,903
Write-off of River Bend rate deferrals	(194,498)	-	-
Miscellaneous - net	137,583	30,993	50,086
Total	(46,964)	40,622	61,989
Interest Charges:			
Interest on long-term debt	674,532	633,851	665,541
Other interest - net	49,053	33,749	22,354
Distributions on preferred securities of subsidiary	4,797	-	-
Allowance for borrowed funds used during construction	(8,347)	(8,368)	(9,938)
Preferred and preference dividend requirements of subsidiaries and other	70,536	77,969	81,718
Total	790,571	737,201	759,675
Income Before Income Taxes	841,186	820,747	473,565
Income Taxes	421,159	336,182	131,724
Income before the Cumulative Effect of Accounting Changes	420,027	484,565	341,841
Cumulative Effect of Accounting Changes (net of income taxes)	-	35,415	-
Net Income	$420,027	$519,980	$341,841
Earnings per average common share before cumulative effect of accounting changes	$1.83	$2.13	$1.49
Earnings per average common share	$1.83	$2.28	$1.49
Dividends declared per common share	$1.80	$1.80	$1.80
Average number of common shares outstanding	229,084,241	227,669,970	228,734,843

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Activities:			
Net income	$420,027	$519,980	$341,841
Noncash items included in net income:			
Write-off of River Bend rate deferrals	194,498	-	-
Cumulative effect of a change in accounting principle	-	(35,415)	-
Change in rate deferrals/excess capacity-net	423,036	390,177	394,344
Depreciation, amortization, and decommissioning	790,948	695,865	659,142
Deferred income taxes and investment tax credits	76,920	(31,006)	(151,731)
Allowance for equity funds used during construction	(9,951)	(9,629)	(11,903)
Amortization of deferred revenues	-	-	(14,632)
Changes in working capital:			
Receivables	(30,322)	(30,550)	(382)
Fuel inventory	(17,220)	(28,956)	16,993
Accounts payable	4,011	(19,124)	65,776
Taxes accrued	(27,488)	115,250	(25,689)
Interest accrued	7,176	(194)	(15,255)
Other working capital accounts	(121,692)	(85,454)	126,058
Change in other regulatory assets	(85,051)	(3,876)	(33,032)
Decommissioning trust contributions	(52,204)	(37,756)	(24,755)
Provision for estimated losses and reserves	31,063	(37,752)	79,494
Other	(146,238)	24,153	151,649
Net cash flow provided by operating activities	1,457,513	1,425,713	1,557,918
Investing Activities:			
Construction/capital expenditures	(571,890)	(618,436)	(676,180)
Allowance for equity funds used during construction	9,951	9,629	11,903
Nuclear fuel purchases	(123,929)	(207,501)	(179,932)
Proceeds from sale/leaseback of nuclear fuel	109,980	226,607	128,675
Acquisition of CitiPower	(1,156,112)	-	-
Investment in nonregulated/nonutility properties	(76,091)	(172,814)	(49,859)
Proceeds from sale of Hub River stock	26,955	-	-
Proceeds from sale of Independence 2	39,398	-	-
Proceeds from sale of nonutility property	-	-	26,000
Other	(32,619)	(28,982)	(20,151)
Net cash flow used in investing activities	(1,774,357)	(791,497)	(759,544)

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Financing Activities:			
Proceeds from the issuance of:			
General and refunding mortgage bonds	39,608	109,285	24,534
First mortgage bonds	431,906	-	59,410
Bank notes and other long-term debt	1,066,858	273,542	164,699
Common Stock	118,087	-	-
Preferred securities of subsidiaries' trusts	125,963	-	-
Retirement of:			
First mortgage bonds	(821,575)	(225,800)	(303,800)
General and refunding mortgage bonds	(56,000)	(69,200)	(45,000)
Other long-term debt	(145,110)	(221,043)	(148,962)
Premium and expense on refinancing sale/leaseback bonds	-	-	(48,497)
Repurchase of common stock	-	-	(119,486)
Redemption of preferred stock	(157,503)	(46,564)	(49,091)
Changes in short-term borrowings - net	(24,981)	(126,200)	128,200
Common stock dividends paid	(405,346)	(408,553)	(410,223)
Net cash flow provided by (used in) financing activities	171,907	(714,533)	(748,216)
Effect of exchange rates on cash and cash equivalents	50	-	-
Net increase (decrease) in cash and cash equivalents	(144,887)	(80,317)	50,158
Cash and cash equivalents at beginning of period	533,590	613,907	563,749
Cash and cash equivalents at end of period	$388,703	$533,590	$613,907
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$677,535	$626,531	$660,150
Income taxes	$373,247	$285,738	$218,667
Noncash investing and financing activities:			
Capital lease obligations incurred	$16,358	-	$88,574
Change in unrealized appreciation (depreciation) of decommissioning trust assets	$7,803	$16,614	($2,198)
Acquisition of nuclear fuel	$47,695	-	-

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	1996	1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$34,807	$42,822
Temporary cash investments - at cost, which approximates market	346,782	490,768
Special deposits	7,114	-
Total cash and cash equivalents	388,703	533,590
Notes receivable	1,384	6,907
Accounts receivable:		
Customer (less allowance for doubtful accounts of $9.2 million in 1996 and $7.1 million in 1995)	324,687	333,343
Other	99,066	59,176
Accrued unbilled revenues	351,429	293,461
Deferred fuel	122,184	25,924
Fuel inventory	139,603	122,167
Materials and supplies - at average cost	339,622	345,330
Rate deferrals	444,543	420,221
Prepayments and other	151,312	175,121
Total	2,362,533	2,315,240
Other Property and Investments:		
Decommissioning trust funds	357,962	277,716
Nonregulated investments	513,058	372,453
Other	59,053	62,166
Total	930,073	712,335
Utility Plant:		
Electric	22,811,164	21,698,593
Plant acquisition adjustment - Entergy Gulf States	455,425	471,690
Electric plant under leases	679,991	675,425
Property under capital leases - electric	147,277	145,146
Natural gas	168,143	166,872
Steam products	81,743	77,551
Construction work in progress	401,676	482,950
Nuclear fuel under capital leases	250,651	312,782
Nuclear fuel	112,625	49,100
Total	25,108,695	24,080,109
Less - accumulated depreciation and amortization	8,885,572	8,259,318
Utility plant - net	16,223,123	15,820,791
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	399,493	1,033,282
SFAS 109 regulatory asset - net	1,196,041	1,279,495
Unamortized loss on reacquired debt	217,664	224,131
Other regulatory assets	435,652	350,601
Long-term receivables	216,082	224,726
CitiPower license (net of $15.6 million of amortization)	606,214	-
Other	379,419	305,329
Total	3,450,565	3,417,564
TOTAL	$22,966,294	$22,265,930

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,	
	1996	**1995**
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$345,620	$558,650
Notes payable	20,686	45,667
Accounts payable	554,558	460,379
Customer deposits	155,534	140,054
Taxes accrued	180,340	207,828
Accumulated deferred income taxes	78,010	72,847
Interest accrued	203,425	195,445
Dividends declared	8,950	12,194
Obligations under capital leases	151,287	151,140
Other	184,157	247,039
Total	1,882,567	2,091,243
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,770,760	3,777,644
Accumulated deferred investment tax credits	607,641	612,701
Obligations under capital leases	247,360	303,664
Other	1,298,306	1,277,419
Total	5,924,067	5,971,428
Long-term debt	7,590,804	6,777,124
Subsidiaries' preferred stock with sinking fund	216,986	253,460
Subsidiary's preference stock	150,000	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	130,000	-
Shareholders' Equity:		
Subsidiaries' preferred stock without sinking fund	430,955	550,955
Common stock, $.01 par value, authorized 500,000,000 shares; issued 234,456,457 shares in 1996 and 230,017,485 shares in 1995	2,345	2,300
Paid-in capital	4,320,591	4,201,483
Retained earnings	2,341,703	2,335,579
Cumulative foreign currency translation	21,725	-
Less - treasury stock (1,496,118 shares in 1996 and 2,251,318 in 1995)	45,449	67,642
Total	7,071,870	7,022,675
Commitments and Contingencies (Notes 2, 9, 10, and 16)		
TOTAL	$22,966,294	$22,265,930

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS AND PAID-IN CAPITAL

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$2,335,579	$2,223,739	$2,310,082
Add:			
Net income	420,027	519,980	341,841
Total	2,755,606	2,743,719	2,651,923
Deduct:			
Dividends declared on common stock	412,250	409,801	411,806
Common stock retirements	-	-	13,940
Capital stock and other expenses	1,653	(1,661)	2,438
Total	413,903	408,140	428,184
Retained Earnings, December 31	$2,341,703	$2,335,579	$2,223,739

	1996	1995	1994
Paid-in Capital, January 1	$4,201,483	$4,202,134	$4,223,682
Add:			
Gain (loss) on reacquisition of subsidiaries' preferred stock	1,795	(26)	(23)
Common stock issuances related to stock plans	117,560	(3,002)	-
Total	4,320,838	4,199,106	4,223,659
Deduct:			
Common stock retirements	-	-	22,468
Capital stock discounts and other expenses	247	(2,377)	(943)
Total	247	(2,377)	21,525
Paid-in Capital, December 31	$4,320,591	$4,201,483	$4,202,134

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
		(In Thousands, Except Per Share Amounts)			
Operating revenues	$ 7,163,526	$ 6,287,206	$ 5,981,820	$ 4,475,224	$ 4,098,332
Income before cumulative effect of a change in accounting principle	$ 420,027	$ 484,565	$ 341,841	$ 458,089	$ 437,637
Earnings per share before cumulative effect of accounting changes	$ 1.83	$ 2.13	$ 1.49	$ 2.62	$ 2.48
Dividends declared per share	$ 1.80	$ 1.80	$ 1.80	$ 1.65	$ 1.45
Return on average common equity	6.41%	8.11%	5.31%	12.58%	10.31%
Book value per share, year-end (2)	$ 28.51	$ 28.41	$ 27.93	$ 28.27	$ 24.35
Total assets (2)	$ 22,966,294	$ 22,265,930	$ 22,621,874	$ 22,876,697	$ 14,239,537
Long-term obligations (1)(2)	$ 8,335,150	$ 7,484,248	$ 7,817,366	$ 8,177,882	$ 5,630,505

(1) Includes long-term debt (excluding currently maturing debt), preferred and preference stock with sinking fund, preferred securities of subsidiary trust, and noncurrent capital lease obligations.

(2) 1993 amounts include the effects of the Merger in accordance with the purchase method of accounting for combinations.

	1996	1995	1994	1993	1992
			(In Thousands)		
Electric Operating Revenues:					
Residential	$2,277,647	$2,177,348	$2,127,820	$1,594,515	$1,441,628
Commercial	1,573,251	1,491,818	1,500,462	1,071,070	1,008,474
Industrial	1,987,640	1,810,045	1,834,155	1,197,695	1,098,147
Governmental	169,287	154,032	159,840	136,471	127,880
Total retail	6,007,825	5,633,243	5,622,277	3,999,751	3,676,129
Sales for resale	376,011	334,874	293,702	280,505	243,507
Other (1)	67,104	119,901	(123,569)	88,713	96,971
Total	$6,450,940	$6,088,018	$5,792,410	$4,368,969	$4,016,607
Billed Electric Energy Sales (Millions of kWh):					
Residential	28,303	27,704	26,231	18,946	17,549
Commercial	21,234	20,719	20,050	13,420	12,928
Industrial	44,340	42,260	41,030	24,889	23,610
Governmental	2,449	2,311	2,233	1,887	1,839
Total retail	96,326	92,994	89,544	59,142	55,926
Sales for resale	10,583	10,471	7,908	8,291	7,979
Total	106,909	103,465	97,452	67,433	63,905

(1) 1994 includes the effects of the FERC Settlement, the 1994 NOPSI Settlement, and an Entergy Gulf States reserve for rate refund.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Entergy Arkansas, Inc.

We have audited the accompanying balance sheets of Entergy Arkansas, Inc. (formerly Arkansas Power & Light Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1995 the Company changed its method of accounting for incremental nuclear plant outage maintenance costs.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

ENTERGY ARKANSAS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1996 due primarily to the onetime recording of the cumulative effect of the change in accounting method in 1995 for incremental nuclear refueling outage maintenance costs as discussed in Note 1. Excluding the above mentioned item, net income would have increased $21.1 million in 1996 principally due to a decrease in other operation and maintenance expenses.

Net income increased in 1995 due primarily to the onetime recording of the cumulative effect of the change in accounting method for incremental nuclear refueling outage maintenance costs. Excluding the above mentioned item, net income for 1995 decreased due to an increase in depreciation, amortization, and decommissioning expenses and income tax expense offset by an increase in revenues from retail energy sales and a decrease in other operation and maintenance expenses.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues and Sales**," "**Expenses**," and "**Other**" below.

Revenues and Sales

See "**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**," following the financial statements, for information on operating revenues by source and kWh sales.

The changes in electric operating revenues for the twelve months ended December 31, 1996, and 1995 are as follows:

Description	Increase/ (Decrease) 1996	1995
	(In Millions)	
Change in base revenues	($10.1)	($3.4)
Rate riders	(5.3)	15.9
Fuel cost recovery	8.0	25.1
Sales volume/weather	19.5	38.2
Other revenue (including unbilled)	(7.1)	9.7
Sales for resale	90.2	(28.0)
Total	$95.2	$57.5

Electric operating revenues increased for 1996 due primarily to increased sales for resale and retail energy sales. The increase in sales for resale is due to higher generation availability compared to 1995. The increase in retail energy sales resulted from increased customer usage, partially attributable to more severe weather as compared to 1995.

ENTERGY ARKANSAS, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

Electric operating revenues increased for 1995 due primarily to increased retail energy sales and fuel adjustment revenues partially offset by a decrease in sales for resale to associated companies. The increase in sales volume/weather resulted from increased customers and associated usage, while the remainder resulted from warmer weather in the summer months. The decrease in sales for resale to associated companies was caused by changes in generation availability and requirements among the domestic utility companies.

Expenses

Operating expenses increased in 1996 because of an increase in fuel, and purchased power expenses, partially offset by reduced amortization of previous rate deferrals and decreased other operation and maintenance expenses. The increase in fuel and purchased power expenses is largely due to an increase in generation and purchases related to the increase in sales for resale. The decrease in other operation and maintenance expenses resulted from lower payroll expenses. Payroll expenses decreased as a result of restructuring costs recorded in 1995 and the resulting decrease in employees.

Operating expenses increased in 1995 because of an increase in depreciation, amortization, and decommissioning expenses, offset by a decrease in other operation and maintenance expenses. Depreciation, amortization, and decommissioning expenses increased primarily due to additions and upgrades at ANO and additions to transmission lines, substations, and other equipment. Also, decommissioning expense increased due to the implementation of the decommissioning rate rider which resulted from the decommissioning study performed in 1994. The decrease in other operation and maintenance expenses is largely due to restructuring costs and storm damage costs recorded in 1994 .

Other

Miscellaneous other income - net decreased in 1996 due to reduced Grand Gulf 1 carrying charges as a result of a decline in the deferral balance. Income tax expense increased in 1996 because of higher pretax income.

Income tax expense increased in 1995 primarily due to the write-off in 1994 of investment tax credits in accordance with the FERC Settlement. Income tax expense also increased due to higher pre-tax income in 1995.

ENTERGY ARKANSAS, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Revenues	$1,743,433	$1,648,233	$1,590,742
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	257,008	231,619	261,932
Purchased power	432,825	363,199	328,379
Nuclear refueling outage expenses	29,365	31,754	33,107
Other operation and maintenance	358,789	375,059	390,472
Depreciation, amortization, and decommissioning	167,878	162,087	149,878
Taxes other than income taxes	37,688	38,319	33,610
Amortization of rate deferrals	149,730	174,329	166,793
Total	1,433,283	1,376,366	1,364,171
Operating Income	310,150	271,867	226,571
Other Income:			
Allowance for equity funds used during construction	3,886	3,567	4,001
Miscellaneous - net	32,591	46,227	48,049
Total	36,477	49,794	52,050
Interest Charges:			
Interest on long-term debt	98,531	106,853	106,001
Other interest - net	6,257	8,485	4,811
Distributions on preferred securities of subsidiary	1,927	-	-
Allowance for borrowed funds used during construction	(2,330)	(2,424)	(3,674)
Total	104,385	112,914	107,138
Income Before Income Taxes	242,242	208,747	171,483
Income Taxes	84,444	72,082	29,220
Income before the Cumulative Effect of Accounting Changes	157,798	136,665	142,263
Cumulative Effect of Accounting Changes (net of income taxes)	-	35,415	-
Net Income	157,798	172,080	142,263
Preferred Stock Dividend Requirements and Other	16,110	18,093	19,275
Earnings Applicable to Common Stock	$141,688	$153,987	$122,988

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Activities:			
Net income	$157,798	$172,080	$142,263
Noncash items included in net income:			
Cumulative effect of a change in accounting principle	-	(35,415)	-
Change in rate deferrals/excess capacity-net	139,701	125,504	102,959
Depreciation, amortization, and decommissioning	167,878	162,087	149,878
Deferred income taxes and investment tax credits	(46,026)	(33,882)	(54,080)
Allowance for equity funds used during construction	(3,886)	(3,567)	(4,001)
Changes in working capital:			
Receivables	(4,292)	(39,209)	10,817
Fuel inventory	137	(22,895)	17,359
Accounts payable	(1,112)	55,732	(32,114)
Taxes accrued	14,035	(5,080)	2,226
Interest accrued	(2,615)	(824)	(346)
Other working capital accounts	(7,529)	(28,375)	20,324
Decommissioning trust contributions	(18,961)	(16,702)	(11,581)
Provision for estimated losses and reserves	4,125	2,849	16,617
Other	(22,675)	6,055	(4,744)
Net cash flow provided by operating activities	376,578	338,358	355,577
Investing Activities:			
Construction expenditures	(145,529)	(165,071)	(179,116)
Allowance for equity funds used during construction	3,886	3,567	4,001
Nuclear fuel purchases	(26,084)	(41,219)	(40,074)
Proceeds from sale/leaseback of nuclear fuel	25,451	41,832	40,074
Net cash flow used in investing activities	(142,276)	(160,891)	(175,115)
Financing Activities:			
Proceeds from issuance of:			
First mortgage bonds	84,256	-	-
Other long-term debt	-	118,662	27,992
Preferred securities of subsidiary trust	58,168	-	-
Retirement of:			
First mortgage bonds	(112,807)	(25,800)	(800)
Other long-term debt	(1,700)	(124,025)	(30,231)
Redemption of preferred stock	(69,624)	(9,500)	(11,500)
Changes in short-term borrowings - net	-	(34,000)	12,605
Dividends paid:			
Common stock	(142,800)	(153,400)	(80,000)
Preferred stock	(17,736)	(18,362)	(19,597)
Net cash flow used in financing activities	(202,243)	(246,425)	(101,531)
Net increase (decrease) in cash and cash equivalents	32,059	(68,958)	78,931
Cash and cash equivalents at beginning of period	11,798	80,756	1,825
Cash and cash equivalents at end of period	$43,857	$11,798	$80,756
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$94,662	$102,851	$98,787
Income taxes	$110,211	$113,080	$79,553
Noncash investing and financing activities:			
Capital lease obligations incurred	$16,358	-	$47,719
Acquisition of nuclear fuel	$27,500	-	-
Change in unrealized appreciation of decommissioning trust assets	$5,968	$9,128	$1,361

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
ASSETS

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$5,117	$7,780
Temporary cash investments - at cost, which approximates market:		
Associated companies	17,462	908
Other	21,278	3,110
Total cash and cash equivalents	43,857	11,798
Accounts receivable:		
Customer (less allowance for doubtful accounts of $2.3 million in 1996 and $2.1 million in 1995)	71,144	81,686
Associated companies	45,303	40,577
Other	5,862	6,962
Accrued unbilled revenues	104,764	93,556
Fuel inventory - at average cost	57,319	57,456
Materials and supplies - at average cost	72,976	75,030
Rate deferrals	153,141	131,634
Deferred excess capacity	9,005	11,088
Deferred nuclear refueling outage costs	24,534	32,824
Prepayments and other	7,491	8,974
Total	595,396	551,585
Other Property and Investments:		
Investment in subsidiary companies - at equity	11,211	11,122
Decommissioning trust fund	203,274	166,832
Other - at cost (less accumulated depreciation)	5,058	5,085
Total	219,543	183,039
Utility Plant:		
Electric	4,578,728	4,438,519
Property under capital leases	57,869	48,968
Construction work in progress	83,524	119,874
Nuclear fuel under capital lease	79,103	98,691
Nuclear fuel	27,500	-
Total	4,826,724	4,706,052
Less - accumulated depreciation and amortization	1,976,204	1,846,112
Utility plant - net	2,850,520	2,859,940
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	75,249	228,390
Deferred excess capacity	-	5,984
SFAS 109 regulatory asset - net	244,767	219,906
Unamortized loss on reacquired debt	56,664	58,684
Other regulatory assets	80,257	68,160
Other	31,421	28,727
Total	488,358	609,851
TOTAL	$4,153,817	$4,204,415

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$32,465	$28,700
Notes payable	667	667
Accounts payable:		
Associated companies	91,205	42,156
Other	97,589	120,250
Customer deposits	21,800	18,594
Taxes accrued	54,194	40,159
Accumulated deferred income taxes	70,506	48,992
Interest accrued	27,625	30,240
Dividends declared	2,832	4,458
Co-owner advances	33,873	34,450
Deferred fuel cost	6,955	17,837
Obligations under capital leases	53,012	54,697
Other	15,135	26,238
Total	507,858	467,438
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	785,994	823,471
Accumulated deferred investment tax credits	108,307	112,890
Obligations under capital leases	83,940	93,574
Other	113,998	116,762
Total	1,092,239	1,146,697
Long-term debt	1,255,388	1,281,203
Preferred stock with sinking fund	40,027	49,027
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	60,000	-
Shareholder's Equity:		
Preferred stock without sinking fund	116,350	176,350
Common stock, no par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 1996 and 1995	470	470
Paid-in capital	590,169	590,844
Retained earnings	491,316	492,386
Total	1,198,305	1,260,050
Commitments and Contingencies (Note 2, 9, and 10)		
TOTAL	$4,153,817	$4,204,415

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$492,386	$491,799	$448,811
Add:			
Net income	157,798	172,080	142,263
Increase in investment in subsidiary	42	-	-
Total	650,226	663,879	591,074
Deduct:			
Dividends declared:			
Preferred stock	16,110	18,093	19,275
Common stock	142,800	153,400	80,000
Total	158,910	171,493	99,275
Retained Earnings, December 31 (Note 8)	$491,316	$492,386	$491,799

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
			(In Thousands)		
Operating revenues	$1,743,433	$1,648,233	$1,590,742	$1,591,568	$1,521,129
Income before cumulative effect of accounting changes	$ 157,798	$ 136,665	$ 142,263	$ 155,110	$ 130,529
Total assets	$4,153,817	$4,204,415	$4,292,215	$4,334,105	$4,038,811
Long-term obligations (1)	$1,439,355	$1,423,804	$1,446,940	$1,478,203	$1,453,588

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, preferred securities of subsidiary trust, and noncurrent capital lease obligations.

	1996	1995	1994	1993	1992
			(In Thousands)		
Electric Operating Revenues:					
Residential	$546,100	$542,862	$506,160	$528,734	$476,090
Commercial	323,328	318,475	307,296	306,742	291,367
Industrial	364,943	362,854	338,988	336,856	325,569
Governmental	16,989	17,084	16,698	16,670	17,700
Total retail	1,251,360	1,241,275	1,169,142	1,189,002	1,110,726
Sales for resale					
Associated companies	248,211	178,885	212,314	175,784	203,470
Non-associated companies	207,887	195,844	182,920	203,696	181,558
Other	35,975	32,229	26,366	23,086	25,375
Total	$1,743,433	$1,648,233	$1,590,742	$1,591,568	$1,521,129
Billed Electric Energy Sales (Millions of kWh):					
Residential	6,023	5,868	5,522	5,680	5,102
Commercial	4,390	4,267	4,147	4,067	3,841
Industrial	6,487	6,314	5,941	5,690	5,509
Governmental	234	243	231	230	248
Total retail	17,134	16,692	15,841	15,667	14,700
Sales for resale					
Associated companies	10,471	8,386	10,591	8,307	10,357
Non-associated companies	6,720	5,066	4,906	5,643	5,056
Total	34,325	30,144	31,338	29,617	30,113

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Entergy Gulf States, Inc.

We have audited the accompanying balance sheets of Entergy Gulf States, Inc. (formerly Gulf States Utilities Company) as of December 31, 1996 and 1995 and the related statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the net amount of capitalized costs for River Bend exceed those costs currently being recovered through rates. At December 31, 1996, approximately $467 million is not currently being recovered through rates. Based upon the regulatory decision on this matter, a write-off of all or a portion of such costs may be required.

As discussed in Note 1 to the consolidated financial statements, at January 1, 1996 the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

ENTERGY GULF STATES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1996 principally due to the $174 million net of tax write-off of River Bend rate deferrals required by the adoption of SFAS 121. This write-off was partially offset by the third quarter reversal of the Cajun-River Bend litigation accrual. Excluding the River Bend rate deferrals and the Cajun-River Bend litigation accrual, net income for 1996 would have increased slightly due to an increase in electric operating revenue and a decrease in other operation and maintenance expenses.

Net income increased in 1995 principally as the result of an increase in electric operating revenues, a decrease in other operation and maintenance expenses, and an increase in other income. These changes were partially offset by higher income taxes.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues and Sales**," "**Expenses**," and "**Other**" below.

Revenues and Sales

See "**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**," following the financial statements, for information on operating revenues by source and kWh sales.

The changes in electric operating revenues for the twelve months ended December 31, 1996 and 1995, are as follows:

Description	Increase/ (Decrease) 1996	1995
	(In Millions)	
Change in base revenues	($60.3)	$32.0
Fuel cost recovery	152.0	(29.6)
Sales volume/weather	65.1	35.0
Other revenue (including unbilled)	12.8	1.1
Sales for resale	(32.6)	31.3
Total	$137.0	$69.8

Electric operating revenues increased in 1996 primarily due to increased fuel adjustment revenues, which do not affect net income, increased customers, and increased customer usage. These increases were partially offset by rate reductions in effect for both Texas and Louisiana retail customers and increased base revenues for 1995, as discussed below. Sales for resale to associated companies decreased as a result of changes in generation availability and requirements among the domestic utility companies.

ENTERGY GULF STATES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Electric operating revenues increased in 1995 primarily due to increased sales volume/weather and higher sales for resale. These increases were partially offset by lower fuel adjustment revenues, which do not affect net income. Base revenues also increased in 1995 as a result of rate refund reserves established in 1994, which were subsequently reduced as a result of an amended PUCT order. The increase in base revenues was partially offset by rate reductions in effect for Texas and Louisiana. Sales volume/weather increased because of warmer than normal summer weather and an increase in usage by all customer classes. Sales for resale increased as a result of changes in generation availability and requirements among the domestic utility companies.

Gas operating revenues and steam operating revenues increased for 1996 primarily due to higher fuel prices and increased usage.

Expenses

Operating expenses increased in 1996 as a result of higher fuel expenses, including purchased power, partially offset by lower other operation and maintenance expenses. Fuel and purchase power expenses, taken together, increased because of higher gas prices and increased energy requirements resulting from higher energy sales. Other operation and maintenance expenses decreased primarily due to lower payroll-related expenses associated with restructuring programs accrued for in 1995.

Operating expenses decreased in 1995 as a result of lower other operation and maintenance expenses and purchased power expenses. Other operation and maintenance expenses decreased primarily due to changes made in 1994 for Merger-related costs, restructuring costs, and certain pre-acquisition contingencies including unfunded Cajun-River Bend cost and environmental clean-up cost. Purchased power expenses decreased because of the availability of less expensive gas and nuclear fuel for use in electric generation as well as changes in the generation requirements among the domestic utility companies. Another reason for the decrease in purchased power expenses in 1995 was the recording of a provision for refund of disallowed purchase power expenses in 1994.

Other

Other income decreased in 1996 due to the write-off of River Bend rate deferrals pursuant to the adoption of SFAS 121 (see Note 2 for additional information). This decrease was partially offset by the Cajun-River Bend litigation accrual reversal. Income taxes increased primarily due to higher taxable income, which excludes the net effect of the write-off of River Bend rate deferrals and the Cajun-River Bend accrual reversal .

Other miscellaneous income increased in 1995 as the result of certain adjustments made in 1994 related to pre-acquisition contingencies including Cajun-River Bend litigation (see Note 9 for additional information), the write-off of previously disallowed rate deferrals, and plant held for future use. As a result of these charges, income taxes on other income were significantly higher in 1995 compared to 1994.

ENTERGY GULF STATES, INC.
STATEMENTS OF INCOME (LOSS)

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Revenues:			
Electric	$1,925,988	$1,788,964	$1,719,201
Natural gas	34,050	23,715	31,605
Steam products	59,143	49,295	46,559
Total	2,019,181	1,861,974	1,797,365
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	520,065	516,812	517,177
Purchased power	295,960	169,767	192,937
Nuclear refueling outage expenses	8,660	10,607	12,684
Other operation and maintenance	402,719	432,647	505,701
Depreciation, amortization, and decommissioning	206,070	202,224	197,151
Taxes other than income taxes	102,170	102,228	98,096
Amortization of rate deferrals	71,639	66,025	66,416
Total	1,607,283	1,500,310	1,590,162
Operating Income	411,898	361,664	207,203
Other Income (Deductions):			
Allowance for equity funds used during construction	2,618	1,125	1,334
Write-off of plant held for future use	-	-	(85,476)
Write-off of River Bend rate deferrals	(194,498)	-	-
Miscellaneous - net	69,841	22,573	(64,843)
Total	(122,039)	23,698	(148,985)
Interest Charges:			
Interest on long-term debt	181,071	191,341	195,414
Other interest - net	12,819	8,884	8,720
Allowance for borrowed funds used during construction	(2,235)	(1,026)	(1,075)
Total	191,655	199,199	203,059
Income (Loss) Before Income Taxes	98,204	186,163	(144,841)
Income Taxes	102,091	63,244	(62,086)
Net Income (Loss)	(3,887)	122,919	(82,755)
Preferred Stock Dividend Requirements and Other	28,505	29,643	29,919
Earnings (Loss) Applicable to Common Stock	($32,392)	$93,276	($112,674)

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
STATEMENTS OF CASH FLOWS

	1996	1995	1994
	For the Years Ended December 31,		
	(In Thousands)		
Operating Activities:			
Net income (loss)	($3,887)	$122,919	($82,755)
Noncash items included in net income (loss):			
Write-off of River Bend rate deferrals	194,498	-	-
Change in rate deferrals	72,597	66,025	96,979
Depreciation, amortization, and decommissioning	206,070	202,224	197,151
Deferred income taxes and investment tax credits	101,380	63,231	(62,171)
Allowance for equity funds used during construction	(2,618)	(1,125)	(1,334)
Write-off of plant held for future use	-	-	85,476
Changes in working capital:			
Receivables	3,691	40,193	(72,341)
Fuel inventory	(12,868)	(6,357)	(2,336)
Accounts payable	(26,706)	(4,820)	60,112
Taxes accrued	(1,266)	24,935	(10,378)
Interest accrued	(7,186)	1,510	(4,189)
Reserve for rate refund	-	(56,972)	56,972
Deferred fuel	(68,349)	(24,840)	(431)
Other working capital accounts	(70,775)	(16,079)	34,212
Change in other regulatory assets	(17,303)	7,332	5,522
Decommissioning trust contributions	(5,922)	(8,147)	(3,202)
Provision for estimated losses and reserves	(1,885)	10,119	4,181
Other	(37,116)	(19,394)	24,891
Net cash flow provided by operating activities	322,355	400,754	326,359
Investing Activities:			
Construction expenditures	(154,993)	(185,944)	(155,989)
Allowance for equity funds used during construction	2,618	1,125	1,334
Nuclear fuel purchases	(25,124)	(1,425)	(31,178)
Proceeds from sale/leaseback of nuclear fuel	26,523	542	29,386
Net cash flow used in investing activities	(150,976)	(185,702)	(156,447)
Financing Activities:			
Proceeds from the issuance of long-term debt	780	2,277	101,109
Retirement of:			
First mortgage bonds	(195,417)	-	-
Other long-term debt	(50,425)	(50,425)	(102,425)
Redemption of preferred and preference stock	(10,179)	(7,283)	(6,070)
Dividends paid:			
Common stock	-	-	(289,100)
Preferred and preference stock	(28,336)	(29,661)	(30,131)
Net cash flow used in financing activities	(283,577)	(85,092)	(326,617)
Net increase (decrease) in cash and cash equivalents	(112,198)	129,960	(156,705)
Cash and cash equivalents at beginning of period	234,604	104,644	261,349
Cash and cash equivalents at end of period	$122,406	$234,604	$104,644
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$189,962	$187,918	$191,850
Income taxes	$285	$208	$251
Noncash investing and financing activities:			
Capital lease obligations incurred	-	-	$31,178
Change in unrealized appreciation (depreciation) of decommissioning trust assets	$1,604	$2,121	($915)

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
ASSETS

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$6,573	$13,751
Temporary cash investments - at cost, which approximates market:		
Associated companies	45,234	46,336
Other	70,599	174,517
Total cash and cash equivalents	122,406	234,604
Accounts receivable:		
Customer (less allowance for doubtful accounts of $2.0 million in 1996 and $1.6 million in 1995)	87,883	110,187
Associated companies	2,777	1,395
Other	30,758	15,497
Accrued unbilled revenues	75,351	73,381
Deferred fuel costs	99,503	31,154
Accumulated deferred income taxes	56,714	43,465
Fuel inventory - at average cost	45,009	32,141
Materials and supplies - at average cost	86,157	91,288
Rate deferrals	105,456	97,164
Prepayments and other	16,321	15,566
Total	728,335	745,842
Other Property and Investments:		
Decommissioning trust fund	41,983	32,943
Other - at cost (less accumulated depreciation)	38,358	28,626
Total	80,341	61,569
Utility Plant:		
Electric	7,112,021	6,942,983
Natural Gas	45,443	45,789
Steam products	81,743	77,551
Property under capital leases	72,800	77,918
Construction work in progress	112,137	148,043
Nuclear fuel under capital lease	49,833	69,853
Total	7,473,977	7,362,137
Less - accumulated depreciation and amortization	2,846,083	2,664,943
Utility plant - net	4,627,894	4,697,194
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	120,158	419,904
SFAS 109 regulatory asset - net	372,817	453,628
Unamortized loss on reacquired debt	54,761	61,233
Other regulatory assets	45,139	27,836
Long-term receivables	216,082	224,727
Other	185,921	169,125
Total	994,878	1,356,453
TOTAL	$6,431,448	$6,861,058

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$160,865	$145,425
Accounts payable:		
Associated companies	55,630	31,349
Other	85,541	136,528
Customer deposits	25,572	21,983
Taxes accrued	36,147	37,413
Interest accrued	49,651	56,837
Nuclear refueling reserve	12,354	22,627
Obligations under capital leases	39,110	37,773
Other	18,186	86,653
Total	483,056	576,588
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,200,935	1,177,144
Accumulated deferred investment tax credits	219,188	208,618
Obligations under capital leases	83,524	108,078
Deferred River Bend finance charges	33,688	58,047
Other	539,752	558,750
Total	2,077,087	2,110,637
Long-term debt	1,915,346	2,175,471
Preferred stock with sinking fund	77,459	87,654
Preference stock	150,000	150,000
Shareholder's Equity:		
Preferred stock without sinking fund	136,444	136,444
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 100 shares in 1996 and 1995	114,055	114,055
Paid-in capital	1,152,689	1,152,505
Retained earnings	325,312	357,704
Total	1,728,500	1,760,708
Commitments and Contingencies (Note 2, 9, and 10)		
TOTAL	$6,431,448	$6,861,058

See Notes to Financial Statements.

ENTERGY GULF STATES, INC
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$357,704	$264,626	$666,401
Add:			
Net income (loss)	(3,887)	122,919	(82,755)
Total	353,817	387,545	583,646
Deduct:			
Dividends declared:			
Preferred and preference stock	28,336	29,482	29,831
Common stock	-	-	289,100
Preferred and preference stock redemption and other	169	359	89
Total	28,505	29,841	319,020
Retained Earnings, December 31 (Note 8)	$325,312	$357,704	$264,626

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
			(In Thousands)		
Operating revenues	$2,019,181	$ 1,861,974	$1,797,365	$1,827,620	$1,773,374
Income (loss) before extraordinary items and the cumulative effect of accounting changes	$ (3,887)	$ 122,919	$ (82,755)	$ 69,461	$ 139,413
Total assets	$6,431,448	$ 6,861,058	$6,843,461	$7,137,351	$7,164,447
Long-term obligations (1)	$2,226,329	$ 2,521,203	$2,689,042	$2,772,002	$2,798,768

(1) Includes long-term debt (excluding currently maturing debt), preferred and preference stock with sinking fund, and noncurrent capital lease obligations.

	1996	1995	1994	1993	1992
			(In Thousands)		
Electric Operating Revenues:					
Residential	$612,398	$573,566	$569,997	$585,799	$560,552
Commercial	444,133	412,601	414,929	415,267	400,803
Industrial	685,178	604,688	626,047	650,230	642,298
Governmental	31,023	25,042	25,242	26,118	26,195
Total retail	1,772,732	1,615,897	1,636,215	1,677,414	1,629,848
Sales for resale					
Associated companies	20,783	62,431	45,263	-	-
Non-associated companies	76,173	67,103	52,967	31,898	24,485
Other (1)	56,300	43,533	(15,244)	38,649	40,203
Total	$1,925,988	$1,788,964	$1,719,201	$1,747,961	$1,694,536
Billed Electric Energy Sales (Millions of kWh):					
Residential	8,035	7,699	7,351	7,192	6,825
Commercial	6,417	6,219	6,089	5,711	5,474
Industrial	16,661	15,393	15,026	14,294	14,413
Governmental	438	311	297	296	302
Total retail	31,551	29,622	28,763	27,493	27,014
Sales for resale					
Associated companies	656	2,935	1,866	-	-
Non-associated companies	2,148	2,212	1,650	666	540
Total Electric Department	34,355	34,769	32,279	28,159	27,554
Steam Department	1,826	1,742	1,659	1,597	1,722
Total	36,181	36,511	33,938	29,756	29,276

(1) 1994 includes the effects of an Entergy Gulf States reserve for rate refund.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Entergy Louisiana, Inc.

We have audited the accompanying balance sheets of Entergy Louisiana, Inc. (formerly Louisiana Power & Light Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1996 due principally to a decrease in base rate revenues, partially offset by decreases in other operation and maintenance expense and lower interest on long-term debt.

Net income decreased in 1995 due to an April 1995 rate reduction and higher income taxes, partially offset by lower other operation and maintenance expenses.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues and Sales**" and "**Expenses**" and "**Other**" below.

Revenues and Sales

See "**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**," following the financial statements, for information on operating revenues by source and kWh sales.

The changes in operating revenues for the twelve months ended December 31, 1996 and 1995 are as follows:

Description	Increase/ (Decrease) 1996	1995
	(In Millions)	
Change in base revenues	($36.4)	($29.9)
Fuel cost recovery	160.2	(35.9)
Sales volume/weather	19.7	40.7
Other revenue (including unbilled)	3.9	(23.3)
Sales for resale	6.6	12.9
Total	$154.0	($35.5)

Operating revenues were higher in 1996 due primarily to higher fuel adjustment revenues, which do not affect net income, and to increased sales of energy, principally caused by modest growth in the number of customers. These increases were partially offset by the impact of base rate reductions ordered in the second quarters of 1995 and 1996, and by a settlement of related rate issues during the fourth quarter of 1995.

Operating revenues were lower in 1995, due primarily to the base rate reduction mentioned above and to lower fuel adjustment revenues, which do not affect net income. This decrease was partially offset by increased customer usage, principally caused by warmer than usual summer weather. The completion of the amortization of proceeds from litigation with a gas supplier in the second quarter of 1994 also contributed to the decrease in other revenue, partially offset by higher sales to non-associated utilities.

Expenses

Operating expenses increased in 1996 due primarily to increases in fuel and purchased power expenses, higher depreciation, and higher taxes other than income taxes. These increases were partially offset by a decrease in other operation and maintenance expense as a result of restructuring charges recorded in 1995 and by the recording of rate deferrals in 1996, as discussed below. The increase in fuel and purchased power expenses is due to both higher gas costs and increased energy sales. Depreciation expense increased due to capital improvements to transmission lines and substations and due to an increase in the depreciation rate associated with Waterford 3. Taxes other than income taxes increased largely as a result of the expiration of Waterford 3's local property tax exemption in December 1995. This increase was offset for the first six months of 1996 by the recording of the LPSC-approved rate deferral for these taxes as discussed in Note 2.

Operating expenses decreased in 1995 due to decreases in fuel and purchased power expenses, and other operation and maintenance expenses, partially offset by an increase in depreciation. The decrease in fuel expenses is due to lower fuel prices partially offset by an increase in generation. Other operation and maintenance expenses decreased because of lower payroll-related expenses as a result of the restructuring program discussed in Note 12, power plant waste water site closures in 1994, and a court settlement reducing legal expense. Depreciation expense increased due to capital improvements to distribution lines and substations and to an increase in the depreciation rate associated with Waterford 3.

Other

Interest charges on long-term debt decreased for 1996, due to the retirement and refinancing of higher-cost long-term debt.

For 1995, income taxes increased due to the write-off in 1994 of deferred investment tax credits in accordance with the 1994 FERC Settlement, a decrease in tax depreciation associated with Waterford 3, and higher pre-tax income.

ENTERGY LOUISIANA, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Revenues	$1,828,867	$1,674,875	$1,710,415
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	419,331	300,015	331,422
Purchased power	403,322	351,583	366,564
Nuclear refueling outage expenses	15,885	17,675	18,187
Other operation and maintenance	297,667	311,535	350,854
Depreciation, amortization, and decommissioning	167,779	161,023	151,994
Taxes other than income taxes	72,329	55,867	56,101
Rate deferrals	(10,767)	-	-
Amortization of rate deferrals	26,875	28,422	28,422
Total	1,392,421	1,226,120	1,303,544
Operating Income	436,446	448,755	406,871
Other Income:			
Allowance for equity funds used during construction	862	1,950	3,486
Miscellaneous - net	2,933	2,831	747
Total	3,795	4,781	4,233
Interest Charges:			
Interest on long-term debt	122,604	129,691	129,952
Other interest - net	6,938	7,210	6,494
Distributions on preferred securities of subsidiary	2,870	-	-
Allowance for borrowed funds used during construction	(1,493)	(2,016)	(2,469)
Total	130,919	134,885	133,977
Income Before Income Taxes	309,322	318,651	277,127
Income Taxes	118,560	117,114	63,288
Net Income	190,762	201,537	213,839
Preferred Stock Dividend Requirements and Other	19,947	21,307	23,319
Earnings Applicable to Common Stock	$170,815	$180,230	$190,520

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 1996	1995	1994
		(In Thousands)	
Operating Activities:			
Net income	$190,762	$201,537	$213,839
Noncash items included in net income:			
Change in rate deferrals	19,860	28,422	28,422
Depreciation, amortization, and decommissioning	167,779	161,023	151,994
Deferred income taxes and investment tax credits	18,809	2,450	(15,972)
Allowance for equity funds used during construction	(862)	(1,950)	(3,486)
Amortization of deferred revenues	-	-	(14,632)
Changes in working capital:			
Receivables	(4,889)	(8,069)	1,094
Accounts payable	22,838	4,420	(6,811)
Taxes accrued	(11,222)	20,472	(16,970)
Interest accrued	5,047	1,215	846
Other working capital accounts	(26,831)	(16,993)	31,064
Decommissioning trust contributions	(8,790)	(7,493)	(4,815)
Change in other regulatory assets	(6,385)	1,801	1,101
Provision for estimated losses and reserves	3,240	(1,996)	26,780
Other	(17,685)	(182)	(24,833)
Net cash flow provided by operating activities	351,671	384,657	367,621
Investing Activities:			
Construction expenditures	(103,187)	(120,244)	(140,669)
Allowance for equity funds used during construction	862	1,950	3,486
Nuclear fuel purchases	-	(44,707)	-
Proceeds from sale/leaseback of nuclear fuel	-	47,293	-
Net cash flow used in investing activities	(102,325)	(115,708)	(137,183)
Financing Activities:			
Proceeds from the issuance of:			
First mortgage bonds	113,994	-	-
Other long-term debt	-	16,577	19,946
Preferred securities of subsidiary trust	67,795	-	-
Retirement of:			
First mortgage bonds	(130,000)	(75,000)	(25,000)
Other long-term debt	(270)	(308)	(322)
Redemption of preferred stock	(67,824)	(11,256)	(15,038)
Changes in short-term borrowings - net	(45,393)	49,305	(24,887)
Dividends paid:			
Common stock	(179,200)	(221,500)	(167,100)
Preferred stock	(19,072)	(21,115)	(22,808)
Net cash flow used in financing activities	(259,970)	(263,297)	(235,209)
Net increase (decrease) in cash and cash equivalents	(10,624)	5,652	(4,771)
Cash and cash equivalents at beginning of period	34,370	28,718	33,489
Cash and cash equivalents at end of period	$23,746	$34,370	$28,718
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$118,007	$128,485	$128,000
Income taxes	$125,924	$96,066	$96,422
Noncash investing and financing activities:			
Capital lease obligations incurred	-	-	$9,677
Acquisition of nuclear fuel	$32,685	-	-
Change in unrealized appreciation (depreciation) of decommissioning trust assets	$301	$2,304	($1,129)

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
ASSETS

	December 31,	
	1996	1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$1,804	$3,952
Temporary cash investments - at cost, which approximates market	21,942	30,418
Total cash and cash equivalents	23,746	34,370
Accounts receivable:		
Customer (less allowance for doubtful accounts of $1.4 million in 1996 and 1995)	73,823	72,328
Associated companies	11,606	8,033
Other	7,053	8,979
Accrued unbilled revenues	63,879	62,132
Deferred fuel costs	18,347	10,200
Accumulated deferred income taxes	1,465	-
Materials and supplies - at average cost	78,449	79,799
Rate deferrals	5,749	25,609
Deferred nuclear refueling outage costs	5,300	21,344
Prepaid income tax	24,651	-
Prepayments and other	10,234	9,118
Total	324,302	331,912
Other Property and Investments:		
Nonutility property	20,060	20,060
Decommissioning trust fund	50,481	38,560
Investment in subsidiary companies - at equity	14,230	14,230
Other - at cost (less accumulated depreciation)	2,465	1,113
Total	87,236	73,963
Utility Plant:		
Electric	4,997,456	4,886,898
Property under capital leases	232,582	231,121
Construction work in progress	56,180	87,567
Nuclear fuel under capital lease	38,157	72,864
Nuclear fuel	34,191	1,506
Total	5,358,566	5,279,956
Less - accumulated depreciation and amortization	1,881,847	1,742,306
Utility plant - net	3,476,719	3,537,650
Deferred Debits and Other Assets:		
Regulatory assets:		
SFAS 109 regulatory asset - net	295,836	301,520
Unamortized loss on reacquired debt	37,552	39,474
Other regulatory assets	30,320	23,935
Other	27,313	23,069
Total	391,021	387,998
TOTAL	$4,279,278	$4,331,523

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$34,275	$35,260
Notes payable:		
Associated companies	31,066	61,459
Other	-	15,000
Accounts payable:		
Associated companies	73,389	37,494
Other	89,550	69,922
Customer deposits	59,070	56,924
Taxes accrued	7,390	18,612
Accumulated deferred income taxes	-	3,366
Interest accrued	49,249	44,202
Dividends declared	3,489	5,149
Obligations under capital leases	28,000	28,000
Other	4,940	17,397
Total	380,418	392,785
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	831,093	807,278
Accumulated deferred investment tax credits	139,899	145,561
Obligations under capital leases	10,156	43,362
Deferred interest - Waterford 3 lease obligation	16,809	23,947
Other	114,665	116,696
Total	1,112,622	1,136,844
Long-term debt	1,373,233	1,385,171
Preferred stock with sinking fund	92,500	100,009
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	70,000	-
Shareholder's Equity:		
Preferred stock without sinking fund	100,500	160,500
Common stock, $0.01 par value, authorized 250,000,000 shares; issued and outstanding 165,173,180 shares in 1996 and 1995	1,088,900	1,088,900
Capital stock expense and other	(2,659)	(4,836)
Retained earnings	63,764	72,150
Total	1,250,505	1,316,714
Commitments and Contingencies (Note 2, 9, and 10)		
TOTAL	$4,279,278	$4,331,523

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$72,150	$113,420	$89,849
Add:			
Net income	190,762	201,537	213,839
Total	262,912	314,957	303,688
Deduct:			
Dividends declared:			
Preferred stock	17,412	20,775	22,359
Common stock	179,200	221,500	167,100
Capital stock expenses	2,536	532	809
Total	199,148	242,807	190,268
Retained Earnings, December 31 (Note 8)	$63,764	$72,150	$113,420

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
			(In Thousands)		
Operating revenues	$1,828,867	$1,674,875	$1,710,415	$1,731,541	$1,553,745
Net income	$ 190,762	$ 201,537	$ 213,839	$ 188,808	$ 182,989
Total assets	$4,279,278	$4,331,523	$4,435,439	$4,463,998	$4,109,148
Long-term obligations (1)	$1,545,889	$1,528,542	$1,530,558	$1,611,436	$1,622,909

(1) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, preferred securities of subsidiary trust, and noncurrent capital lease obligations.

	1996	1995	1994	1993	1992
			(In Thousands)		
Electric Operating Revenues:					
Residential	$609,308	$583,373	$577,084	$572,738	$518,255
Commercial	374,515	353,582	358,672	345,254	320,688
Industrial	727,505	641,196	659,061	652,574	578,741
Governmental	33,621	31,616	31,679	29,723	27,780
Total retail	1,744,949	1,609,767	1,626,496	1,600,289	1,445,464
Sales for resale					
Associated companies	5,065	1,178	352	4,849	5,454
Non-associated companies	58,685	48,987	36,928	46,414	33,178
Other	20,168	14,943	46,639	79,989	69,649
Total	$1,828,867	$1,674,875	$1,710,415	$1,731,541	$1,553,745
Billed Electric Energy Sales (Millions of kWh):					
Residential	7,893	7,855	7,449	7,368	6,996
Commercial	4,846	4,786	4,631	4,435	4,307
Industrial	17,647	16,971	16,561	15,914	15,013
Governmental	457	439	423	398	385
Total retail	30,843	30,051	29,064	28,115	26,701
Sales for resale					
Associated companies	143	44	10	112	204
Non-associated companies	982	1,293	776	1,213	1,101
Total	31,968	31,388	29,850	29,440	28,006

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Entergy Mississippi, Inc.

We have audited the accompanying balance sheets of Entergy Mississippi, Inc. (formerly Mississippi Power & Light Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

ENTERGY MISSISSIPPI, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased in 1996 primarily due to reduced other operation and maintenance expenses, partially offset by an increase in income tax expense.

Net income increased in 1995 primarily due to increased revenues and a decrease in other operation and maintenance expenses partially offset by an increase in income tax expense.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues and Sales**," "**Expenses**," and "**Other**" below.

Revenues and Sales

See "SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON," following the financial statements, for information on operating revenues by source and kWh sales.

The changes in electric operating revenues for the twelve months ended December 31, 1996 and 1995, are as follows:

Description	Increase/ (Decrease) 1996	1995
	(In Millions)	
Change in base revenues	($2.2)	($6.1)
Grand Gulf Rate Rider	7.1	(0.6)
Fuel cost recovery	33.6	12.8
Sales volume/weather	8.5	14.9
Other revenue (including unbilled)	(2.1)	5.6
Sales for resale	23.7	3.4
Total	$68.6	$30.0

Electric operating revenues increased in 1996 primarily due to increases in fuel adjustment revenues, the Grand Gulf 1 rate rider, sales for resale, and retail energy sales. Fuel adjustment revenues increased in response to higher fuel costs. In connection with an annual MPSC review, in October 1995, Entergy Mississippi's Grand Gulf 1 rate rider was adjusted upward as a result of its undercollection of Grand Gulf 1 costs. The fuel adjustment clause and the Grand Gulf 1 rate rider do not affect net income. Sales for resale, specifically sales to associated companies, increased primarily due to changes in the generation requirements and availability among the domestic utility companies. The increase in retail sales volume is primarily due to increased customer usage.

Electric operating revenues increased in 1995 primarily due to an increase in retail and wholesale energy sales and higher fuel adjustment revenues, partially offset by rate reductions. Retail energy sales increased primarily due to the impact of weather and increased customer usage. Fuel adjustment revenues increased in response to higher fuel costs and do not impact net income.

ENTERGY MISSISSIPPI, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

Expenses

Operating expenses increased in 1996 due to an increase in fuel, and purchased power expenses, partially offset by a decrease in other operation and maintenance expenses. Fuel and purchased power expenses increased as a result of higher fuel costs and an increase in energy sales. Other operation and maintenance expenses decreased as a result of lower payroll, contract work, and materials and supplies expenses. Payroll expenses decreased due to restructuring costs recorded in 1995 and the resulting decrease in employees. Contract work and materials and supplies expenses decreased because of the turbine repairs at some of Entergy Mississippi's generating plants in 1995.

Operating expenses decreased in 1995 due primarily to a decrease in other operation and maintenance expenses. Other operation and maintenance expense decreased in 1995 due to 1994 Merger-related costs allocated to Entergy Mississippi and payroll expenses. No significant Merger-related costs were allocated to Entergy Mississippi during 1995. Payroll expenses decreased as a result of the restructuring program announced and accrued for during 1994. In addition, maintenance expenses decreased at various power plants.

Other

Income tax expense increased in 1996 as a result of higher pretax income. Income tax expense increased in 1995 due primarily to the 1994 write-off of unamortized deferred investment tax credits and higher pretax income in 1995.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Revenues	$958,430	$889,843	$859,845
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	207,116	163,198	164,428
Purchased power	272,812	240,519	235,019
Other operation and maintenance	122,628	144,183	156,954
Depreciation, amortization, and decommissioning	40,313	38,197	36,592
Taxes other than income taxes	43,389	46,019	43,963
Amortization of rate deferrals	107,576	107,339	110,481
Total	793,834	739,455	747,437
Operating Income	164,596	150,388	112,408
Other Income (Deductions):			
Allowance for equity funds used during construction	1,143	950	1,660
Miscellaneous - net	1,662	3,036	(1,117)
Total	2,805	3,986	543
Interest Charges:			
Interest on long-term debt	44,137	46,998	47,835
Other interest - net	3,870	4,638	4,929
Allowance for borrowed funds used during construction	(923)	(806)	(1,067)
Total	47,084	50,830	51,697
Income Before Income Taxes	120,317	103,544	61,254
Income Taxes	41,106	34,877	12,475
Net Income	79,211	68,667	48,779
Preferred Stock Dividend Requirements and Other	5,010	7,515	7,624
Earnings Applicable to Common Stock	$74,201	$61,152	$41,155

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Activities:			
Net income	$79,211	$68,667	$48,779
Noncash items included in net income:			
Change in rate deferrals	130,602	114,304	109,105
Depreciation and amortization	40,313	38,197	36,592
Deferred income taxes and investment tax credits	(32,887)	(36,774)	(34,409)
Allowance for equity funds used during construction	(1,143)	(950)	(1,660)
Changes in working capital:			
Receivables	(4,123)	(5,277)	33,154
Fuel inventory	20	(1,901)	3,872
Accounts payable	88	15,553	(8,783)
Taxes accrued	(2,157)	7,818	(3,431)
Interest accrued	(925)	1,457	(2,794)
Other working capital accounts	4,074	(21,108)	13,480
Change in other regulatory assets	(28,573)	1,075	(7,219)
Other	(2,534)	3,882	8,428
Net cash flow provided by operating activities	181,966	184,943	195,114
Investing Activities:			
Construction expenditures	(85,018)	(79,146)	(121,386)
Allowance for equity funds used during construction	1,143	950	1,660
Net cash flow used in investing activities	(83,875)	(78,196)	(119,726)
Financing Activities:			
Proceeds from the issuance of:			
General and refunding mortgage bonds	-	79,480	24,534
Other long-term debt	-	-	15,652
Retirement of:			
General and refunding mortgage bonds	(26,000)	(45,000)	(30,000)
First mortgage bonds	(35,000)	(20,000)	(18,000)
Other long-term debt	(15)	(965)	(16,045)
Redemption of preferred stock	(9,876)	(15,000)	(15,000)
Changes in short-term borrowings - net	50,253	(30,000)	18,432
Dividends paid:			
Common stock	(79,900)	(61,700)	(45,600)
Preferred stock	(5,000)	(6,215)	(7,762)
Net cash flow used in financing activities	(105,538)	(99,400)	(73,789)
Net increase (decrease) in cash and cash equivalents	(7,447)	7,347	1,599
Cash and cash equivalents at beginning of period	16,945	9,598	7,999
Cash and cash equivalents at end of period	$9,498	$16,945	$9,598
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$46,769	$48,617	$52,737
Income taxes	$73,687	$67,746	$39,000

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$2,384	$2,574
Temporary cash investments - at cost, which approximates market:		
Associated companies	-	3,248
Other	-	11,123
Special deposits	7,114	-
Total cash and cash equivalents	9,498	16,945
Accounts receivable:		
Customer (less allowance for doubtful accounts of $1.4 million in 1996 and $1.6 million in 1995)	44,809	46,214
Associated companies	4,382	1,134
Other	2,014	1,967
Accrued unbilled revenues	49,383	47,150
Fuel inventory - at average cost	6,661	6,681
Materials and supplies - at average cost	17,567	19,233
Rate deferrals	142,504	130,622
Prepayments and other	7,434	11,536
Total	284,252	281,482
Other Property and Investments:		
Investment in subsidiary companies - at equity	5,531	5,531
Other - at cost (less accumulated depreciation)	7,923	5,615
Total	13,454	11,146
Utility Plant:		
Electric	1,633,484	1,559,955
Construction work in progress	47,373	55,443
Total	1,680,857	1,615,398
Less - accumulated depreciation and amortization	635,754	613,712
Utility plant - net	1,045,103	1,001,686
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	104,588	247,072
SFAS 109 regulatory asset - net	11,813	6,445
Unamortized loss on reacquired debt	9,254	10,105
Other regulatory assets	46,309	17,736
Other	6,693	6,311
Total	178,657	287,669
TOTAL	$1,521,466	$1,581,983

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31,	
	1996	1995
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$96,015	$61,015
Notes payable - associated companies	50,253	-
Accounts payable:		
Associated companies	32,878	24,391
Other	23,701	32,100
Customer deposits	26,258	24,339
Taxes accrued	26,482	28,639
Accumulated deferred income taxes	58,634	54,090
Interest accrued	20,909	21,834
Other	3,065	6,875
Total	338,195	253,283
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	249,522	278,581
Accumulated deferred investment tax credits	25,422	27,978
Other	19,445	22,515
Total	294,389	329,074
Long-term debt	399,054	494,404
Preferred stock with sinking fund	7,000	16,770
Shareholder's Equity:		
Preferred stock without sinking fund	57,881	57,881
Common stock, no par value, authorized 15,000,000 shares; issued and outstanding 8,666,357 shares in 1996 and 1995	199,326	199,326
Capital stock expense and other	(143)	(218)
Retained earnings	225,764	231,463
Total	482,828	488,452
Commitments and Contingencies (Note 2 and 9)		
TOTAL	$1,521,466	$1,581,983

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$231,463	$232,011	$236,337
Add:			
Net income	79,211	68,667	48,779
Total	310,674	300,678	285,116
Deduct:			
Dividends declared:			
Preferred stock	4,803	5,971	7,404
Common stock	79,900	61,700	45,600
Preferred stock expenses	207	1,544	101
Total	84,910	69,215	53,105
Retained Earnings, December 31 (Note 8)	$225,764	$231,463	$232,011

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
			(In Thousands)		
Operating revenues	$ 958,430	$ 889,843	$ 859,845	$ 883,818	$ 799,483
Net Income	$ 79,211	$ 68,667	$ 48,779	$ 69,037	$ 65,036
Total assets	$1,521,466	$1,581,983	$1,637,828	$1,681,992	$1,665,480
Long-term obligations (1)	$ 406,421	$ 511,613	$ 507,555	$ 563,612	$ 576,787

(1) Includes long-term debt (excluding currently maturing debt), and preferred stock with sinking fund, and noncurrent capital lease obligations.

	1996	1995	1994	1993	1992
			(In Thousands)		
Electric Operating Revenues:					
Residential	$358,264	$336,194	$332,567	$341,620	$309,614
Commercial	281,626	262,786	257,154	251,285	236,191
Industrial	185,351	178,466	184,637	182,060	169,977
Governmental	29,093	27,410	27,495	28,530	26,377
Total retail	854,334	804,856	801,853	803,495	742,159
Sales for resale					
Associated companies	58,749	35,928	37,747	34,640	17,988
Non-associated companies	22,814	21,906	16,728	21,100	19,995
Other	22,533	27,153	3,517	24,583	19,341
Total	$958,430	$889,843	$859,845	$883,818	$799,483
Billed Electric Energy Sales (Millions of kWh):					
Residential	4,355	4,233	4,014	3,983	3,644
Commercial	3,508	3,368	3,151	2,928	2,804
Industrial	3,063	3,044	2,985	2,787	2,631
Governmental	346	336	330	336	318
Total retail	11,272	10,981	10,480	10,034	9,397
Sales for resale					
Associated companies	1,368	959	1,079	758	253
Non-associated companies	521	692	512	670	937
Total	13,161	12,632	12,071	11,462	10,587

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Entergy New Orleans, Inc.

We have audited the accompanying balance sheets of Entergy New Orleans, Inc. (formerly New Orleans Public Service Inc.) as of December 31, 1996 and 1995, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

ENTERGY NEW ORLEANS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased in 1996 primarily due to the rate refund recorded in December 1996, based on the Council's review of Entergy New Orleans' 1996 earnings. The decrease in net income was partially offset by reduced other operating and maintenance expenses.

Net income increased in 1995 principally due to 1994 refunds associated with the 1994 NOPSI Settlement and a decrease in other operation and maintenance expense, partially offset by a permanent rate reduction that took place January 1, 1995.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues and Sales**", "**Expenses**", and "**Other**" below.

Revenues and Sales

See "**SELECTED FINANCIAL DATA-FIVE-YEAR COMPARISON,**" following the financial statements, for information on electric operating revenues by source and kWh sales.

The changes in electric operating revenues for the twelve months ended December 31, 1996 and 1995 are as follows:

Description	Increase/ (Decrease) 1996	1995
	(In Millions)	
Change in base revenues	($8.5)	$7.8
Fuel cost recovery	28.5	(0.3)
Sales volume/weather	(4.8)	12.5
Other revenue (including unbilled)	(1.4)	6.1
Sales for resale	(0.5)	3.5
Total	$13.3	$29.6

In 1996, electric operating revenues increased primarily due to higher fuel adjustment revenues, caused by elevated fuel prices, which do not affect net income. The increase was offset by a rate refund recorded in 1996, as discussed in "**Net Income**" above, and lower industrial sales attributable to a significant reduction in electricity usage by a large customer. Electric operating revenues increased in 1995 as a result of refunds in 1994 associated with the 1994 NOPSI Settlement and an increase in energy sales. The increase in energy sales in 1995 was primarily due to weather effects on retail sales and an increase in sales for resale.

Gas operating revenues in 1996 increased primarily due to higher gas prices. This increase was offset by the rate refund recorded in 1996, as discussed in "**Net Income**" above. Gas operating revenues decreased in 1995 primarily due to the rate reduction agreed to in the NOPSI Settlement effective January 1, 1995, and a lower unit purchase price for gas purchased for resale.

ENTERGY NEW ORLEANS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Expenses

In 1996, operating expenses increased due to higher fuel expenses, including purchased power, and gas purchased for resale. This increase was offset by reduced amortization of previous rate deferrals, the recording of rate deferrals, and lower other operation and maintenance expenses. Fuel expenses, including gas purchased for resale, increased as a result of significantly higher unit prices. Purchased power increased due to changes in generation availability and requirements among the domestic utility companies. Rate deferrals increased due to the deferral of a portion of the System Energy rate increase being billed to Entergy New Orleans, as discussed in Note 2. Other operation and maintenance expenses decreased primarily due to lower payroll expenses due to restructuring and reduced regulatory commission expenses.

Operating expenses increased in 1995 due primarily to increased amortization of rate deferrals, partially offset by a decrease in fuel and other operation and maintenance expenses. Fuel expenses decreased in 1995 primarily due to a decrease in fuel prices. Other operation and maintenance expenses decreased primarily due to a decrease in maintenance activity and lower payroll expenses. In 1995, the increase in the amortization of rate deferrals is primarily a result of the collection of larger amounts of previously deferred costs under the 1991 NOPSI Settlement, which allowed Entergy New Orleans to record an additional $90 million of previously incurred Grand Gulf 1-related costs.

Other

Income taxes decreased in 1996 due to lower pretax income. Income taxes increased in 1995 as a result of lower pretax income in 1994 due to the 1994 NOPSI Settlement and the write-off of the unamortized balances of deferred investment tax credits pursuant to the FERC Settlement in 1994.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Revenues:			
Electric	$403,254	$390,002	$360,430
Natural gas	101,023	80,276	87,357
Total	504,277	470,278	447,787
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	129,059	102,314	113,735
Purchased power	176,450	145,920	145,935
Other operation and maintenance	71,421	76,510	80,656
Depreciation, amortization, and decommissioning	20,007	19,420	19,275
Taxes other than income taxes	27,388	27,805	27,814
Rate deferrals	(4,866)	(4,392)	-
Amortization of rate deferrals	27,240	31,971	27,009
Total	446,699	399,548	414,424
Operating Income	57,578	70,730	33,363
Other Income:			
Allowance for equity funds used during construction	321	158	331
Miscellaneous - net	1,146	1,639	2,141
Total	1,467	1,797	2,472
Interest Charges:			
Interest on long-term debt	15,268	15,948	17,092
Other interest - net	1,036	1,853	1,179
Allowance for borrowed funds used during construction	(252)	(127)	(247)
Total	16,052	17,674	18,024
Income Before Income Taxes	42,993	54,853	17,811
Income Taxes	16,217	20,467	4,600
Net Income	26,776	34,386	13,211
Preferred Stock Dividend Requirements and Other	965	1,411	1,581
Earnings Applicable to Common Stock	$25,811	$32,975	$11,630

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
	(In Thousands)		
Operating Activities:			
Net income	$26,776	$34,386	$13,211
Noncash items included in net income:			
Change in rate deferrals	35,917	31,564	24,106
Depreciation and amortization	20,007	19,420	19,275
Deferred income taxes and investment tax credits	(12,274)	(1,998)	(18,006)
Allowance for equity funds used during construction	(321)	(158)	(331)
Changes in working capital:			
Receivables	832	(5,468)	15,362
Accounts payable	(5,638)	12,566	(19,132)
Taxes accrued	(4,350)	3,225	(2,832)
Interest accrued	214	(131)	(230)
Income tax refund	-	20,172	(20,172)
Other working capital accounts	(5,216)	(4,803)	18,454
Other	(11,941)	(9,500)	8,851
Net cash flow provided by operating activities	44,006	99,275	38,556
Investing Activities:			
Construction expenditures	(27,956)	(27,836)	(22,777)
Allowance for equity funds used during construction	321	158	331
Net cash flow used in investing activities	(27,635)	(27,678)	(22,446)
Financing Activities:			
Proceeds from the issuance of general and refunding mortgage bonds	39,608	29,805	-
Retirement of:			
First mortgage bonds	(23,250)	-	-
General and refunding mortgage bonds	(30,000)	(24,200)	(15,000)
Redemption of preferred stock	-	(3,525)	(1,500)
Dividends paid:			
Common stock	(34,000)	(30,600)	(33,300)
Preferred stock	(965)	(1,362)	(1,596)
Net cash flow used in financing activities	(48,607)	(29,882)	(51,396)
Net increase (decrease) in cash and cash equivalents	(32,236)	41,715	(35,286)
Cash and cash equivalents at beginning of period	49,746	8,031	43,317
Cash and cash equivalents at end of period	$17,510	$49,746	$8,031
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$15,357	$17,187	$17,707
Income taxes (refund) - net	$31,870	($941)	$45,984

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
ASSETS

	December 31,	
	1996	1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$1,015	$1,693
Temporary cash investments - at cost, which approximates market:		
Associated companies	7,435	10,860
Other	9,060	37,193
Total cash and cash equivalents	17,510	49,746
Accounts receivable:		
Customer (less allowance for doubtful accounts of $0.7 million in 1996 and $0.5 million in 1995)	27,430	29,168
Associated companies	714	551
Other	1,764	843
Accrued unbilled revenues	17,064	17,242
Deferred electric fuel and resale gas costs	7,290	2,647
Materials and supplies - at average cost	9,904	8,950
Rate deferrals	37,692	35,191
Prepayments and other	7,157	4,529
Total	126,525	148,867
Other Property and Investments:		
Investment in subsidiary companies - at equity	3,259	3,259
Utility Plant:		
Electric	503,061	483,581
Natural gas	122,700	121,083
Construction work in progress	18,247	17,525
Total	644,008	622,189
Less - accumulated depreciation and amortization	347,790	335,021
Utility plant - net	296,218	287,168
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	99,498	137,916
SFAS 109 regulatory asset - net	6,051	6,813
Unamortized loss on reacquired debt	1,647	1,932
Other regulatory assets	15,908	9,204
Other	890	1,047
Total	123,994	156,912
TOTAL	$549,996	$596,206

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31,	
	1996	**1995**
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$12,000	$38,250
Accounts payable:		
Associated companies	18,757	13,851
Other	14,130	24,674
Customer deposits	18,974	18,214
Taxes accrued	1,204	5,554
Accumulated deferred income taxes	5,584	9,174
Interest accrued	5,325	5,111
Provision for rate refund	19,465	11,870
Other	1,521	6,867
Total	96,960	133,565
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	72,895	81,654
Accumulated deferred investment tax credits	7,984	8,618
Accumulated provision for property insurance	15,666	15,666
Other	24,713	29,654
Total	121,258	135,592
Long-term debt	168,888	155,958
Shareholders' Equity:		
Preferred stock without sinking fund	19,780	19,780
Common Shareholder's Equity:		
Common stock, $0.01 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 1996 and 1995	33,744	33,744
Paid-in capital	36,294	36,306
Retained earnings subsequent to the elimination of the accumulated deficit on November 30, 1988	73,072	81,261
Total	162,890	171,091
Commitments and Contingencies (Note 2 and 9)		
TOTAL	$549,996	$596,206

See Notes to Financial Statements.

ENTERGY NEW ORLEANS
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$81,261	$78,886	$100,556
Add:			
Net income	26,776	34,386	13,211
Total	108,037	113,272	113,767
Deduct:			
Dividends declared:			
Preferred stock	965	1,231	1,536
Common stock	34,000	30,600	33,300
Capital stock expenses	-	180	45
Total	34,965	32,011	34,881
Retained Earnings, December 31 (Note 8)	$73,072	$81,261	$78,886

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
			(In Thousands)		
Operating revenues	$ 504,277	$ 470,278	$ 447,787	$ 514,822	$ 464,879
Net Income	$ 26,776	$ 34,386	$ 13,211	$ 36,761	$ 26,424
Total assets	$ 549,996	$ 596,206	$ 592,894	$ 647,605	$ 621,691
Long-term obligations (1)	$ 168,888	$ 155,958	$ 167,610	$ 193,262	$ 165,917

(1) Includes long-term debt (excluding currently maturing debt).

	1996	1995	1994	1993	1992
			(In Thousands)		
Electric Operating Revenues:					
Residential	$151,577	$141,353	$142,013	$151,423	$137,668
Commercial	149,649	144,374	162,410	167,788	160,229
Industrial	24,663	22,842	25,422	26,205	23,860
Governmental	58,561	52,880	58,726	61,548	56,023
Total retail	384,450	361,449	388,571	406,964	377,780
Sales for resale					
Associated companies	2,649	3,217	2,061	2,487	3,086
Non-associated companies	9,882	9,864	7,512	9,291	7,234
Other (1)	6,273	15,472	(37,714)	5,088	3,836
Total	$403,254	$390,002	$360,430	$423,830	$391,936
Billed Electric Energy					
Sales (Millions of kWh):					
Residential	1,998	2,049	1,896	1,914	1,806
Commercial	2,073	2,079	2,031	1,989	1,977
Industrial	481	537	518	499	457
Governmental	974	983	951	924	888
Total retail	5,526	5,648	5,396	5,326	5,128
Sales for resale					
Associated companies	66	149	92	89	155
Non-associated companies	212	297	202	262	250
Total	5,804	6,094	5,690	5,677	5,533

(1) 1994 includes the effects of the 1994 NOPSI Settlement.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholder of
System Energy Resources, Inc.

We have audited the accompanying balance sheets of System Energy Resources, Inc. as of December 31, 1996 and 1995, and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1996 the Company changed its method of accounting for incremental nuclear plant outage maintenance costs.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income increased slightly in 1996 primarily due to lower interest charges attributed to the refinancing of higher-cost debt.

Net income increased in 1995 primarily due to the effect of the FERC Settlement which reduced 1994 net income by $80.2 million (see Note 2). This was partially offset by revenues being adversely impacted by a lower return on System Energy's decreasing investment in Grand Gulf 1.

Significant factors affecting the results of operations and causing variances between the years 1996 and 1995, and between the years 1995 and 1994, are discussed under "**Revenues,**" "**Expenses,**" and "**Other**" below.

Revenues

Operating revenues recover operating expenses, depreciation, and capital costs attributable to Grand Gulf 1. Capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf 1 and adding to such amount System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf 1.

Operating revenues increased in 1996 due to an increase in other operation and maintenance expenses, and increased depreciation, amortization, and decommissioning expenses offset by a decrease in nuclear refueling outage expenses as discussed in "**Expenses**" below.

Operating revenues increased in 1995 due primarily to the effect of the FERC Settlement on 1994 revenues as discussed in "**Net Income**" above and the recovery of increased expenses in connection with a Grand Gulf 1 refueling outage offset by a lower return on System Energy's decreasing investment in Grand Gulf 1. Revenues attributable to the return on investment are expected to continue to decline each year as a result of the depreciation of System Energy's investment in Grand Gulf 1.

Expenses

Operating expenses increased in 1996 due primarily to increases in other operation and maintenance expenses, and depreciation, amortization, and decommissioning expenses. Other operation and maintenance expenses increased primarily because of higher waste disposal costs and medical benefit charges for the year. The increase in decommissioning costs and depreciation rates is reflected in the 1995 System Energy FERC rate increase filing, subject to refund (see Note 2). These increases were partially offset by a decrease in nuclear refueling outage expenses. The decrease in nuclear outage expenses was primarily due to the effect of deferring the nuclear refueling outage expenses in the fourth quarter of 1996 rather than recognizing those expenses as incurred (see Note 1). Grand Gulf 1 was on-line for 322 days in 1996 as compared with 285 days in 1995. The increase in the on-line days was primarily due to the unit's shorter eighth refueling outage that lasted from October 19, 1996 to November 30, 1996 (41 days), compared to a 68-day outage in 1995, and to a lesser extent, unplanned outages in 1996 totaling 3 days, compared to 12 days for 1995.

SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Operating expenses increased in 1995 due to higher nuclear refueling outage expenses and higher depreciation, amortization, and decommissioning costs, partially offset by lower fuel expenses as a result of the refueling outage. Grand Gulf 1 was on-line for 285 days in 1995 as compared with 345 days in 1994. The difference in the on-line days was primarily due to the unit's seventh refueling outage that lasted from April 15, 1995, to June 21, 1995 (68 days), and, to a lesser extent, unplanned outages in 1995 totaling 12 days, compared to 20 days in 1994. Depreciation, amortization, and decommissioning costs increased due to a $4 million increase in amortization (as a result of the reclassification of $81 million of Grand Gulf 1 costs and the accelerated amortization of the reclassified costs over a ten-year period in accordance with the 1994 FERC Settlement) and $1 million in decommissioning.

Other

Interest expenses decreased in both 1996 and in 1995 due primarily to the retirement and refinancing of higher-cost long-term debt. In 1995, the decrease in interest expense was partially offset by interest associated with the FERC Settlements refunds (See Note 2). Income taxes increased in both 1996 and 1995 due to higher pretax income.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Revenues	$623,620	$605,639	$474,963
Operating Expenses:			
Operation and maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	43,761	40,262	48,107
Nuclear refueling outage expenses	1,239	24,935	-
Other operation and maintenance	105,453	98,441	96,504
Depreciation, amortization, and decommissioning	128,474	100,747	93,861
Taxes other than income taxes	27,654	27,549	26,637
Total	306,581	291,934	265,109
Operating Income	317,039	313,705	209,854
Other Income:			
Allowance for equity funds used during construction	1,122	1,878	1,090
Miscellaneous - net	5,234	2,492	6,402
Total	6,356	4,370	7,492
Interest Charges:			
Interest on long-term debt	135,376	143,020	169,248
Other interest - net	8,344	8,491	7,257
Allowance for borrowed funds used during construction	(1,114)	(1,968)	(1,403)
Total	142,606	149,543	175,102
Income Before Income Taxes	180,789	168,532	42,244
Income Taxes	82,121	75,493	36,837
Net Income	$98,668	$93,039	$5,407

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
	(In Thousands)		
Operating Activities:			
Net income	$98,668	$93,039	$5,407
Noncash items included in net income:			
Depreciation, amortization, and decommissioning	128,474	100,747	93,861
Deferred income taxes and investment tax credits	48,975	(45,337)	(30,640)
Allowance for equity funds used during construction	(1,122)	(1,878)	(1,090)
Changes in working capital:			
Receivables	3,436	(66,433)	48,411
Accounts payable	560	(18,955)	35,469
Taxes accrued	(4,825)	37,266	14,430
Interest accrued	(2,548)	(4,053)	(8,133)
Other working capital accounts	(13,430)	(21,874)	14,024
Recoverable income taxes	-	-	92,689
Decommissioning trust contributions	(18,531)	(5,414)	(5,157)
FERC Settlement - refund obligation	(4,009)	(3,540)	60,388
Provision for estimated losses and reserves	46,919	3,167	(2,371)
Other	4,290	29,725	19,699
Net cash flow provided by operating activities	286,857	96,460	336,987
Investing Activities:			
Construction expenditures	(29,469)	(21,747)	(20,766)
Allowance for equity funds used during construction	1,122	1,878	1,090
Nuclear fuel purchases	(44,704)	(51,455)	(26,414)
Proceeds from sale/leaseback of nuclear fuel	43,971	52,188	-
Net cash flow used in investing activities	(29,080)	(19,136)	(46,090)
Financing Activities:			
Proceeds from the issuance of:			
First mortgage bonds	233,656	-	59,410
Other long-term debt	133,933	73,343	-
Retirement of:			
First mortgage bonds	(325,101)	(105,000)	(260,000)
Other long-term debt	(92,700)	(45,320)	-
Premium and expenses paid on refinancing sale/leaseback bonds	-	-	(48,436)
Changes in short-term borrowings - net	(2,990)	2,990	-
Common stock dividends paid	(112,500)	(92,800)	(148,300)
Net cash flow used in financing activities	(165,702)	(166,787)	(397,326)
Net increase (decrease) in cash and cash equivalents	92,075	(89,463)	(106,429)
Cash and cash equivalents at beginning of period	240	89,703	196,132
Cash and cash equivalents at end of period	$92,315	$240	$89,703
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest - net of amount capitalized	$138,483	$147,492	$176,503
Income taxes (refund)	$36,397	$87,016	($39,586)
Noncash investing and financing activities:			
Change in unrealized appreciation (depreciation) of decommissioning trust assets	($70)	$3,061	($1,515)

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Assets:		
Cash and cash equivalents:		
Cash	$26	$240
Temporary cash investments - at cost, which approximates market:		
Associated companies	41,600	-
Other	50,689	-
Total cash and cash equivalents	92,315	240
Accounts receivable:		
Associated companies	71,337	72,458
Other	2,522	4,837
Materials and supplies - at average cost	66,302	67,661
Deferred nuclear refueling outage costs	24,005	-
Prepayments and other	4,929	16,050
Total	261,410	161,246
Other Property and Investments:		
Decommissioning trust fund	62,223	40,927
Utility Plant:		
Electric	2,994,445	2,977,303
Electric plant under leases	447,409	444,305
Construction work in progress	41,362	35,946
Nuclear fuel under capital lease	83,558	71,374
Total	3,566,774	3,528,928
Less - accumulated depreciation and amortization	974,472	861,752
Utility plant - net	2,592,302	2,667,176
Deferred Debits and Other Assets:		
Regulatory assets:		
SFAS 109 regulatory asset - net	264,758	291,181
Unamortized loss on reacquired debt	57,785	52,702
Other regulatory assets	207,214	203,731
Other	15,601	14,049
Total	545,358	561,663
TOTAL	$3,461,293	$3,431,012

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 1996	December 31, 1995
	(In Thousands)	
Current Liabilities:		
Currently maturing long-term debt	$10,000	$250,000
Notes payable - associated companies	-	2,990
Accounts payable:		
Associated companies	18,245	17,458
Other	18,836	19,063
Taxes accrued	67,823	72,648
Interest accrued	34,195	36,743
Obligations under capital leases	28,000	28,000
Other	2,306	4,211
Total	179,405	431,113
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	624,020	602,182
Accumulated deferred investment tax credits	103,647	107,119
Obligations under capital leases	55,558	44,107
FERC Settlement - refund obligation	52,839	56,848
Other	165,517	94,449
Total	1,001,581	904,705
Long-term debt	1,418,869	1,219,917
Common Shareholder's Equity:		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 1996 and 1995	789,350	789,350
Paid-in capital	-	7
Retained earnings	72,088	85,920
Total	861,438	875,277
Commitments and Contingencies (Note 2, 9, and 10)		
TOTAL	$3,461,293	$3,431,012

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$85,920	$85,681	$228,574
Add:			
Net income	98,668	93,039	5,407
Total	184,588	178,720	233,981
Deduct:			
Dividends declared	112,500	92,800	148,300
Retained Earnings, December 31 (Note 8)	$72,088	$85,920	$85,681

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.

SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	1996	1995	1994	1993	1992
			(In Thousands)		
Operating revenues	$ 623,620	$ 605,639	$ 474,963	$ 650,768	$ 723,410
Net income	$ 98,668	$ 93,039	$ 5,407	$ 93,927	$ 130,141
Total assets	$3,461,293	$3,431,012	$3,613,359	$3,891,066	$3,672,441
Long-term obligations (1)	$1,474,427	$1,264,024	$1,456,993	$1,536,593	$1,768,299
Electric energy sales (Millions of kWh)	8,302	7,212	8,653	7,113	7,354

(1) Includes long-term debt (excluding current maturities) and noncurrent capital lease obligations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct subsidiaries: Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy Services, Entergy Operations, Entergy Power, Entergy Enterprises, Entergy Power Operations Corporation, Entergy S.A., Entergy Power Marketing Corporation, Entergy Power Development Corporation, Entergy Technology Holding Company, Entergy Power Edesur Holding LTD, Entergy Transener S.A., and Entergy Power Development International Corporation. A number of these subsidiaries have additional subsidiaries. CitiPower is a subsidiary of Entergy Power Development International Corporation.

All significant intercompany transactions have been eliminated. Entergy Corporation's utility subsidiaries maintain accounts in accordance with FERC and other regulatory guidelines. Certain previously reported amounts have been reclassified to conform to current classifications with no effect on net income or shareholders' equity.

Use of Estimates in the Preparation of Financial Statements

The preparation of Entergy Corporation and its subsidiaries' financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of December 31, 1996 and 1995, and the reported amounts of revenues and expenses during fiscal years 1996, 1995, and 1994. 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 in 1996 financial statements.

Revenues and Fuel Costs

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electricity (primarily to retail customers) in the states of Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electricity primarily to retail customers in the States of Texas and Louisiana; distributes gas at retail in the City of Baton Rouge, Louisiana, and vicinity; and also sells steam to a large refinery complex in Baton Rouge. Entergy New Orleans sells both electricity and gas to retail customers in the City of New Orleans (except for Algiers, where Entergy Louisiana is the electricity supplier).

System Energy's operating revenues recover operating expenses, depreciation, and capital costs attributable to Grand Gulf 1 from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. Capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf 1, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf 1. See Note 2 for a discussion of System Energy's proposed rate increase.

A portion of Entergy Arkansas' and Entergy Louisiana's purchase of power from Grand Gulf has not been included in the determination of the cost of service to retail customers by the APSC and LPSC, respectively, as described in Note 2.

The domestic utility companies accrue estimated revenues for energy delivered since the latest billings.

The domestic utility companies' rate schedules (except Entergy Gulf States' Texas retail rate schedules) include fuel adjustment clauses that allow either current recovery or deferrals of fuel costs until such costs are reflected in the related revenues. Entergy Gulf States' Texas retail rate schedules include a fixed fuel factor approved by the PUCT, which remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing.

Utility Plant

Utility plant is stated at original cost. The original cost of utility plant retired or removed, plus the applicable removal costs, less salvage, is charged to accumulated depreciation. Maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the utility plant is subject to liens of the subsidiaries' mortgage bond indentures.

Utility plant includes the portions of Grand Gulf 1 and Waterford 3 that were sold and currently are leased back. For financial reporting purposes, these sale and leaseback transactions are reflected as financing transactions.

Net electric utility plant in service, by company and functional category, as of December 31, 1996 (excluding owned and leased nuclear fuel, the accumulated provision for decommissioning, and the plant acquisition adjustment related to the Merger), is shown below:

	Production					
	Nuclear	Other	Transmission	Distribution	Other	Total
			(In Millions)			
Entergy Arkansas	$ 987	$ 390	$ 454	$ 909	$ 121	$ 2,861
Entergy Gulf States	2,357	678	449	764	224	4,472
Entergy Louisiana	2,048	239	331	717	62	3,397
Entergy Mississippi	-	221	289	427	61	998
Entergy New Orleans	-	17	18	161	18	214
System Energy	2,438	-	16	-	14	2,468
Entergy	7,830	1,632	1,703	3,440	611	15,216

Depreciation is computed on the straight-line basis at rates based on the estimated service lives and costs of removal of the various classes of property. Depreciation rates on average depreciable property are shown below:

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
1996	3.0%	3.2%	2.7%	3.0%	2.4%	3.1%	3.3%
1995	2.9%	3.3%	2.7%	3.0%	2.4%	3.1%	2.9%
1994	3.0%	3.4%	2.7%	3.0%	2.4%	3.1%	3.0%

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC increases both utility plant and earnings, it is only realized in cash through depreciation provisions included in rates.

Jointly-Owned Generating Stations

Certain Entergy Corporation subsidiaries own undivided interests in several jointly-owned electric generating facilities and record the investments and expenses associated with these generating stations to the extent of their respective ownership interests. As of December 31, 1996, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations		Fuel Type	Total Megawatt Capability	Ownership	Investment	Accumulated Depreciation
					(In Thousands)	
Entergy Arkansas						
Independence	Unit 1	Coal	836	31.50%	$ 117,515	$ 43,646
	Common Facilities	Coal		15.75%	29,568	9,921
White Bluff	Units 1 and 2	Coal	1,660	57.00%	396,403	166,809
Entergy Gulf States						
River Bend	Unit 1	Nuclear	936	70.00%	3,103,974	746,440
Roy S. Nelson	Unit 6	Coal	550	70.00%	400,221	166,820
Big Cajun 2	Unit 3	Coal	540	42.00%	222,957	86,699
Entergy Mississippi - Independence	Units 1 and 2	Coal	1,678	25.00%	224,814	79,934
System Energy - Grand Gulf	Unit 1	Nuclear	1,179	90.00%(1)	3,429,562	974,472
Entergy Power - Independence	Unit 2	Coal	842	21.50%	121,666	40,585

(1) Includes an 11.5% leasehold interest - See Note 10

Income Taxes

Entergy Corporation and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. SEC regulations require that no Entergy Corporation subsidiary pay more taxes than it would have paid if a separate income tax return had been filed. In accordance with SFAS 109, "Accounting for Income Taxes", deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities, and for certain 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 on the date of enactment.

Investment tax credits are deferred and amortized based upon the average useful life of the related property in accordance with rate treatment.

Acquisition Adjustment

Entergy Corporation, upon completion of the Merger in December 1993, recorded an acquisition adjustment in utility plant in the amount of $380 million, representing the excess of the purchase price over the historical cost of the Entergy Gulf States net assets acquired. During 1994, Entergy recorded an additional $124 million of acquisition adjustment related to the resolution of certain preacquisition contingencies and appropriate allocation of purchase price.

The acquisition adjustment is being amortized on a straight-line basis over a 31-year period beginning January 1, 1994, which approximates the remaining average book life of the plant acquired as a result of the Merger. As of December 31, 1996, the unamortized balance of the acquisition adjustment was $455 million.

Entergy's future net cash flows are expected to be sufficient to recover the amortization of both the Merger acquisition adjustment and the cost of the CitiPower license discussed in Note 13.

Reacquired Debt

The premiums and costs associated with reacquired debt are being amortized over the life of the related new issuances, in accordance with ratemaking treatment.

Cash and Cash Equivalents

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

Stock Options - SFAS 123

The FASB issued SFAS 123, "Accounting for Stock-Based Compensation," in October 1995, to be effective for 1996 financial statements. The provisions of this statement require either (a) adoption for financial reporting purposes; or (b) disclosure of the impact the provisions would have had on financial statements had they been adopted. Entergy has elected the disclosure option. See Note 5 for the disclosures required by SFAS 123.

Continued Application of SFAS 71

The domestic utility companies and System Energy currently account for the effects of regulation pursuant to SFAS 71, "Accounting for the Effects of Certain Types of Regulation." This statement applies to the financial statements of a rate-regulated enterprise that meets three criteria. The enterprise must have rates that (i) are approved by the regulator; (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. If an enterprise meets these criteria, it may capitalize 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. The amount capitalized is a "regulatory asset." SFAS 71 requires that rate-regulated enterprises assess the probability of recovering their regulatory assets at each balance sheet date. 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.

SFAS 101, "Accounting for the Discontinuation of Application of FASB Statement No. 71", specifies how an enterprise that ceases to meet the criteria for application of SFAS 71 for all or part of its operations should report that event in its financial statements. In general, SFAS 101 requires that the enterprise report the discontinuation of SFAS 71 by eliminating from its balance sheet all regulatory assets and liabilities related to the applicable segment. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs and therefore no longer qualifies for SFAS 71 accounting, it is possible that a SFAS 121 impairment (see further discussion below) may exist which could require further write-offs of plant assets.

As of December 31, 1996, the majority of the domestic utility companies' and System Energy's operations continue to meet each of the criteria required for the use of SFAS 71 and the companies have recorded significant regulatory assets.

As described in Note 2, during 1996, FERC issued Orders No. 888 and 889 which require utilities to provide open access to their transmission system to promote a more competitive market for wholesale power sales. As also described in Note 2, Entergy Arkansas, Entergy Gulf States, and Entergy Mississippi have filed transition to competition proposals with their regulators which provide, among other things, for accelerated recovery of certain capitalized costs to provide for an orderly transition to a competitive retail power market. In response to these filings, certain regulatory commissions have begun general proceedings to consider retail competition in their jurisdictions.

As the plans have only recently been filed with the regulators, and those regulators have generally deferred action on the plans in lieu of their general proceedings on competition, Entergy cannot, at this time, predict the ultimate outcome of these proceedings. Accordingly, the domestic utility companies and System Energy anticipate that they will continue to meet the criteria for the application of SFAS 71 for the foreseeable future.

Deregulated Operations

Entergy Gulf States discontinued regulatory accounting principles for its wholesale jurisdiction and its steam department during 1989 and for the Louisiana retail deregulated portion of River Bend in 1991. The results of these deregulated operations (before interest charges) for the years ended December 31, 1996, 1995, and 1994 are as follows:

	1996	1995	1994
		(In Thousands)	
Operating Revenues	$174,751	$141,171	$138,822
Operating Expenses:			
Fuel, operating, and maintenance	119,784	115,799	116,386
Depreciation	31,455	31,129	27,890
Total Operating Expenses	151,239	146,928	144,276
Income taxes	9,598	(6,979)	(249)
Net Income (Loss) From Deregulated Utility Operations	$13,914	$1,222	($5,205)

SFAS 121

In March 1995, the FASB issued SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121), which became effective January 1, 1996. This statement describes circumstances that may result in assets (including goodwill such as the Merger acquisition adjustment, discussed above) being impaired. The statement also provides criteria for recognition and measurement of asset impairment. Note 2 describes regulatory assets of $169 million (net of tax) related to Texas retail deferred River Bend operating and carrying costs which were written off upon the adoption of SFAS 121 in the first quarter of 1996.

Assets which are regulated under traditional cost-of-service ratemaking, and thereby subject to SFAS 71 accounting, are generally not subject to impairment pursuant to SFAS 121, as this form of regulation assures that all allowed costs are subject to recovery. However, certain deregulated assets and other operations of the domestic utility companies totaling approximately $1.6 billion (pre-tax) could be affected by SFAS 121 in the future. Those assets include Entergy Arkansas' and Entergy Louisiana's retained shares of Grand Gulf 1, Entergy Gulf States' Louisiana deregulated asset plan, the Texas jurisdiction abeyed portion of the River Bend plant, and wholesale jurisdiction and steam department operations. Additionally, all of Entergy's investment in other nonregulated businesses is subject to possible impairment pursuant to SFAS 121.

Entergy periodically reviews these assets and operations whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the net cash flows expected to result from such operations and assets. Projected net cash flows depend on 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 over the remaining life of the assets. Based on current estimates of future cash flows as prescribed under SFAS 121, management anticipates that future revenues from such assets and operations of Entergy will fully recover all related costs.

<u>Change in Accounting for Nuclear Refueling Outage Costs</u> (Entergy Corporation, Entergy Arkansas, and System Energy)

In December 1995, at the recommendation of FERC, Entergy Arkansas changed its method of accounting for nuclear refueling outage costs. The change, effective January 1, 1995, results in Entergy Arkansas deferring incremental maintenance costs incurred during an outage and amortizing those costs over the operating period immediately following the nuclear refueling outage, which is the period that the charges are billed to customers. Previously, estimated costs of refueling outages were accrued over the period (generally 18 months) preceding each scheduled outage. The effect of the change for the year ended December 31, 1995, was to decrease net income by $5.1 million (net of income taxes of $3.3 million) or $.02 per share. The cumulative effect of the change was to increase net income $35.4 million (net of income taxes of $22.9 million) or $.15 per share. The pro forma effects of the change in accounting for nuclear refueling outages in 1994, assuming the new method was applied retroactively to that year, would have been to decrease net income $3.2 million (net of income taxes of $2.1 million), or $.01 per share.

System Energy filed a rate increase request with FERC in May 1995 (see Note 2), which, among other things, proposed a change in the accounting recognition of nuclear refueling outage costs from that of expensing those costs as incurred to the deferral and amortization method described above with respect to Entergy Arkansas. As described in Note 2, the FERC ALJ issued an initial decision in this proceeding in July 1996, agreeing to the change in recognition of outage costs proposed by System Energy. Accordingly, System Energy deferred the refueling outage costs incurred in the fourth quarter of 1996. As of December 31, 1996, System Energy's current assets included $24.0 million in deferred nuclear refueling outage costs which will be amortized over the next fuel cycle (approximately 18 months). Amortization of these costs in the fourth quarter of 1996 amounted to $1.2 million.

This change will have no impact on the net income of either Entergy or System Energy since System Energy will recover the refueling outage costs from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and these companies will, in turn, recover these costs from their ratepayers.

<u>Financial Instruments</u>

Derivative instruments have been used by Entergy on a limited basis. Entergy has a policy that financial derivatives are to be used only to mitigate business risks and not for speculative purposes. See Notes 7 and 9 for additional information concerning Entergy's derivative instruments outstanding as of December 31, 1996.

<u>Fair Value Disclosures</u>

The estimated fair value of financial instruments was determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. 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. In addition, gains or losses realized on financial instruments may be reflected in future rates and not accrue to the benefit of stockholders.

Entergy considers the carrying amounts of 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. In addition, Entergy does not expect that performance of its obligations will be required in connection with certain off-balance sheet commitments and guarantees considered financial instruments. Due to this factor, and because of the related-party nature of these commitments and guarantees, determination of fair value is not considered practicable. See Notes 5, 7, and 9 for additional disclosure concerning fair value methodologies.

NOTE 2. RATE AND REGULATORY MATTERS

<u>Merger-Related Rate Agreements</u> (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

In November 1993, Entergy Corporation, Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans entered into separate settlement agreements whereby the APSC, MPSC, and Council agreed to withdraw from the SEC proceeding related to the Merger. In return, Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans agreed, among other things, that their retail ratepayers would be protected from (i) increases in the cost of capital resulting from risks associated with the Merger, (ii) recovery of any portion of the acquisition premium or transactional costs associated with the Merger, (iii) certain direct allocations of costs associated with Entergy Gulf States' River Bend nuclear unit, and (iv) any losses of Entergy Gulf States resulting from resolution of litigation in connection with its ownership of River Bend. Entergy Arkansas and Entergy Mississippi agreed not to request any general retail rate increase that would take effect before November 1998, except for, among other things, increases associated with the recovery of certain Grand Gulf 1-related costs, recovery of certain taxes, and catastrophic events, and in the case of Entergy Arkansas, excess capacity costs and costs related to the adoption of SFAS 106 that were previously deferred. Entergy Mississippi agreed that retail base rates under the formula rate plan would not be increased above November 1, 1993 levels for a period of five years beginning November 9, 1993.

In 1993, the LPSC and the PUCT approved separate regulatory proposals for Entergy Gulf States that include the following elements: (i) a five-year Rate Cap on Entergy Gulf States' retail electric base rates in the respective states, except for force majeure (defined to include, among other things, war, natural catastrophes, and high inflation); (ii) a provision for passing through to retail customers the jurisdictional portion of the fuel savings created by the Merger; and (iii) a mechanism for tracking nonfuel operation and maintenance savings created by the Merger. The LPSC regulatory plan provides that such nonfuel savings will be shared 60% by shareholders and 40% by ratepayers during the eight years following the Merger. The LPSC plan requires annual regulatory filings by the end of each May through the year 2001. The PUCT regulatory plan provides that such savings will be shared equally by shareholders and ratepayers, except that the shareholders' portion will be reduced by $2.6 million per year on a total company basis in years four through eight. The PUCT plan also requires a series of regulatory filings to ensure that the ratepayers' share of such savings be reflected in rates on a timely basis, the first of which was made in November 1996, as discussed below in <u>Filings with the PUCT and Texas Cities</u>. Subsequent filings are required in November 1998 and in November 2001. In addition, the plan requires Entergy Corporation to hold Entergy Gulf States' Texas retail customers harmless from the effects of the removal by FERC of a 40% cap on the amount of fuel savings Entergy Gulf States may be required to transfer to other domestic utility companies under the FERC tracking mechanism (see below). On January 14, 1994, Entergy Corporation filed a petition for review before the D.C. Circuit seeking review of FERC's deletion of the 40% cap provision in the fuel cost protection mechanism. The matter is currently being held in abeyance.

FERC approved Entergy Gulf States' inclusion in the System Agreement. Commitments were adopted to provide reasonable assurance that the ratepayers of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans will not be allocated higher costs.

<u>River Bend</u> (Entergy Corporation and Entergy Gulf States)

In 1988, the PUCT granted Entergy Gulf States a permanent increase in annual revenues of $59.9 million resulting from the inclusion in rate base of approximately $1.6 billion of company-wide River Bend plant investment and approximately $182 million of related Texas retail jurisdiction deferred River Bend costs (Allowed Deferrals). At the same time, the PUCT disallowed as imprudent $63.5 million of company-wide River Bend plant costs and placed in abeyance, with no finding as to prudence, approximately $1.4 billion of company-wide River Bend plant investment and approximately $157 million of Texas retail jurisdiction deferred River Bend operating and carrying costs (Abeyed Deferrals).

The PUCT's order has been the subject of several appellate proceedings, culminating in an appeal to the Texas Supreme Court (Supreme Court). On January 31, 1997, the Supreme Court issued an opinion reversing the PUCT's order and remanding the case to the PUCT for further proceedings. The Supreme Court found that the PUCT had prejudiced Gulf States' rights by attempting to defer a ruling on the abeyed plant costs and incorrectly determined the amount of federal income tax expense that should have been allowed in rates. The Supreme Court ruled that the PUCT could choose either to conduct hearings and take further evidence or to decide the case on the original evidence. On February 18, 1997, the Texas Office of Public Utility Counsel filed a motion for rehearing of the Supreme Court's decision, arguing that the Supreme Court's remand should have instructed the PUCT as to how the case should be dealt with on remand. Entergy Gulf States filed a brief in opposition to the motion for rehearing on February 25, 1997. Entergy Gulf States believes that it is unlikely that the Supreme Court will grant the motion for rehearing. No procedural schedule has yet been issued by the PUCT concerning the case on remand.

As of December 31, 1996, the River Bend plant costs disallowed for retail ratemaking purposes in Texas and the River Bend plant costs held in abeyance totaled (net of taxes and depreciation) approximately $12 million and $266 million, respectively. The Allowed Deferrals were approximately $77 million, net of taxes and amortization, as of December 31, 1996. Entergy Gulf States estimates it has collected approximately $204 million of revenues as of December 31, 1996, as a result of the originally ordered rate treatment by the PUCT of these deferred costs. If recovery of the Allowed Deferrals is not upheld, future refunds could be required and future revenues based upon the Allowed Deferrals could also be lost. However, management believes that it is probable that the Allowed Deferrals will continue to be recovered in rates.

As a result of the application of SFAS 121, Entergy Gulf States wrote off Abeyed Deferrals of $169 million, net of tax, effective January 1, 1996. In light of the continuing proceedings before the PUCT and the courts (including the January 31, 1997 decision of the Texas Supreme Court), Entergy Gulf States has made no write-offs or reserves for the River Bend plant-related costs. At this time, management and legal counsel are unable to predict the amount of the abeyed and previously disallowed River Bend plant costs that may ultimately be allowed in Entergy Gulf States' Texas retail rates.

In prior proceedings involving other utilities, the PUCT has held that the original cost of nuclear power plants will be recoverable in electric rates to the extent those costs were prudently incurred. Entergy Gulf States has previously filed with the PUCT a cost reconciliation study prepared by Sandlin Associates, management consultants with expertise in the cost analysis of nuclear power plants, which supports the reasonableness of the River Bend costs held in abeyance by the PUCT. This reconciliation study determined that approximately 82% of the River Bend cost increase above the amount included by the PUCT in rate base was a result of changes in federal nuclear safety requirements, and provided other support for the remainder of the abeyed amounts. In particular, there have been four other rate proceedings in Texas involving nuclear power plants. Disallowed investment in the plants ranged from 0% to 15%. Each case was unique, and the disallowances in each were made for different reasons. Appeals of two of these PUCT decisions are currently pending. Based upon the PUCT's prior decisions, management believes that River Bend construction costs were prudently incurred and that it is reasonably possible that it will recover through rates, or otherwise through means such as a deregulated asset plan, all or substantially all of the abeyed River Bend plant costs. In the event of an adverse ruling in this case, a net of tax write-off, as of December 31, 1996, of up to $278 million could be required.

Retail Rate Proceedings

Filings with the APSC (Entergy Corporation and Entergy Arkansas)

In October 1996, Entergy Arkansas filed a proposal with the APSC designed to achieve an orderly transition to retail electric competition in Arkansas. The proposal includes a rate decrease totaling $123 million over a three year period beginning in mid-1997 and provides for a universal service charge for customers that remain connected to Entergy Arkansas' electric facilities but choose to purchase their electricity from another source. Although these proposals allow for the complete recovery of the remaining plant investment associated with ANO 1, ANO 2, and Entergy Arkansas' portion of Grand Gulf 1 (excluding the portion retained - see below) as of December 31, 1996, over a seven year period, the NRC operating licenses for these plants permit continued operation until the years 2014, 2018, and 2022, respectively.

Filings with the PUCT and Texas Cities (Entergy Corporation and Entergy Gulf States)

In March 1994, the Texas Office of Public Utility Counsel and certain cities served by Entergy Gulf States instituted an investigation of the reasonableness of Entergy Gulf States' rates. On March 20, 1995, the PUCT ordered a retroactive rate reduction, which was amended, reducing the $52.9 million annual base rate reduction to an annual level of $36.5 million. The PUCT's action was based, in part, upon a Texas Supreme Court decision not to require a utility to use the prospective tax benefits generated by disallowed expenses to reduce rates. The May 26, 1995 amended order no longer required Entergy Gulf States to pass such prospective tax benefits on to its customers. The rate refund ordered by the PUCT in its March 20, 1995 order, retroactive to March 31, 1994, was approximately $61.8 million (including interest) and was refunded to customers in September, October, and November 1995. Entergy Gulf States and other parties have appealed the PUCT order, but no assurance can be given as to the timing or outcome of the appeal.

In December 1995, Entergy Gulf States filed a petition with the PUCT for reconciliation of fuel and purchased power expenses for the period January 1, 1994, through June 30, 1995. Entergy Gulf States believes that there was an under-recovered fuel balance, including interest, of $22.4 million as of June 1995. Hearings were concluded in October 1996, and on December 18, 1996, the ALJ issued his recommendation which included recovery of approximately $20 million of the under-recovered fuel balance. A final decision by the PUCT is expected in March 1997.

In accordance with the Merger agreement, Entergy Gulf States filed a rate proceeding with the PUCT in November 1996. In April 1996, certain cities served by Entergy Gulf States (Cities) instituted investigations of the reasonableness of Entergy Gulf States' rates. In May 1996, the Cities agreed to forego their investigation based on the assurance that any rate decrease ordered in the November 1996 filing will be retroactive to June 1, 1996, and will accrue interest until refunded. The agreement further provides that no base rate increase will be retroactive. Included in the November 1996 filing was a proposal to achieve an orderly transition to retail electric competition in Texas, similar to the filing described below that Entergy Gulf States made with the LPSC. This filing with the PUCT will be litigated in four phases as follows: (i) fuel factor/fuel reconciliation phase, of which Entergy Gulf States believes there was an under-recovered fuel balance of $41.4 million, including interest, for the period July 1, 1995 through June 30, 1996; (ii) revenue requirement phase; (iii) cost allocation/rate design phase; and (iv) competitive issues phase. Hearings on these matters are scheduled to begin in April 1997. No assurance can be given as to the outcome of these hearings.

Filings with the LPSC

(Entergy Corporation and Entergy Gulf States)

Annual Earnings Reviews

In May 1994, Entergy Gulf States filed a required earnings analysis with the LPSC for the test year preceding the Merger (1993). On December 14, 1994, the LPSC ordered a $12.7 million annual rate reduction for Entergy Gulf States, effective January 1995. Entergy Gulf States received a preliminary injunction from the District Court regarding $8.3 million of the reduction relating to the earnings effect of a 1994 change in accounting for unbilled revenues. On January 1, 1995, Entergy Gulf States reduced rates by $4.4 million. Entergy Gulf States filed an appeal of the entire $12.7 million rate reduction with the District Court, which denied the appeal in July 1995. Entergy Gulf States appealed the order to the Louisiana Supreme Court. The preliminary injunction relating to $8.3 million of the reduction remained in effect during the appeal. On July 2, 1996, the Louisiana Supreme Court ruled on the appeal. The Court found that the LPSC ruled incorrectly on the treatment of the initial balance of unbilled revenues and the revenue annualization adjustment. As a result, Entergy Gulf States will not be required to refund the $8.3 million. The case was remanded to the LPSC for further proceedings related to the revenue annualization adjustment, but as a result of a subsequent rate adjustment pursuant to the third required post-Merger earnings analysis discussed below, the remand was moot.

On May 31, 1995, Entergy Gulf States filed its second required post-Merger earnings analysis with the LPSC. Hearings on this review were held in December 1995. On October 4, 1996, the LPSC issued an order requiring a $33.3 million annual base rate reduction and a $9.6 million refund. One component of the rate reduction removes from base rates approximately $13.4 million annually of costs that will be recovered in the future through the fuel adjustment clause. On October 23, 1996, Entergy Gulf States appealed and obtained an injunction to stay this order, except insofar as the order requires the $13.4 million reduction, which Entergy Gulf States implemented in November 1996. In addition, the LPSC order provides for the recovery of $6.8 million annually related to certain gas transportation and storage facilities costs. Pursuant to the October 1996 LPSC Settlement, this amount was brought forward to $8.1 million (see "LPSC Fuel Cost Review" below). This amount will be applied as an offset against whatever refund, if any, may be required by a final judgment in Entergy Gulf States' appeal of the second post-Merger earnings review order.

On May 31, 1996, Entergy Gulf States filed its third required post-Merger earnings analysis with the LPSC. Based on this earnings filing, on June 1, 1996, Entergy Gulf States implemented a $5.3 million annual rate reduction. Hearings on this filing concluded in February 1997. An additional rate reduction may be required upon the issuance by the LPSC of a final rate order.

LPSC Fuel Cost Review

In November 1993, the LPSC ordered a review of Entergy Gulf States' fuel costs for the period October 1988 through September 1991 (Phase 1) based on the number of outages at River Bend and the findings in the June 1993 PUCT fuel reconciliation case. In July 1994, the LPSC ruled in the Phase 1 fuel review case and ordered Entergy Gulf States to refund approximately $27.5 million to its customers. Under the order, a refund of $13.1 million was made through a billing credit on August 1994 bills. In August 1994, Entergy Gulf States appealed the remaining $14.4 million of the LPSC-ordered refund to the District Court and obtained an injunction with respect to that portion of the refund. On April 15, 1996, the appropriate state District Court affirmed the LPSC decision. Entergy Gulf States has appealed this decision to the Louisiana Supreme Court. In October 1996, Entergy Gulf States reached a settlement with the LPSC on one of the issues presented in this appeal, resulting in a refund to ratepayers of $5.7 million plus interest. See "October 1996 LPSC Settlement" below. In February 1997, the Louisiana Supreme Court rendered a decision on the remaining $8.7 million, affirming the LPSC's order insofar as it requires a refund of $8.2 million plus interest, which Entergy Gulf States will record in 1997, and reversing the LPSC's order insofar as it would have required an additional $0.5 million refund.

In September 1996, the LPSC completed the second phase of its review of Entergy Gulf States' fuel costs, which covered the period October 1991 through December 1994 (Phase II). On October 7, 1996, the LPSC issued an order requiring a $34.2 million refund. The ordered refund includes a disallowance of $14.3 million of capital costs (including interest) related to certain gas transportation and storage facilities, which were recovered through the fuel clause, and which have been refunded pursuant to the October 1996 LPSC Settlement. Entergy Gulf States will be permitted to recover these costs in the future through base rates. On October 23, 1996, Entergy Gulf States appealed and received an injunction to stay this order, except insofar as the order requires the $14.3 million refund. See "October 1996 LPSC Settlement" below.

October 1996 LPSC Settlement

In October 1996, Entergy Gulf States and the LPSC reached an agreement whereby Entergy Gulf States agreed to (i) refund certain capital costs related to gas transportation and storage facilities that were at issue in the Phase I and Phase II fuel cost reviews and (ii) refund similar costs recovered subsequent to the Phase II fuel cost review. This resulted in a total refund to customers of approximately $32.1 million, including interest. In the future, Entergy Gulf States will be permitted to recover through base rates the capital costs related to such gas transportation and storage facilities. As a part of the settlement, which covered post-Phase II costs of such facilities in addition to the costs addressed by the LPSC's order for the second post-Merger earnings analysis, Entergy Gulf States will be permitted to recover through base rates $1.3 million annually in addition to the $6.8 million annual recovery provided in the order, for a total annual base rate recovery of $8.1 million. The settlement provides that this amount will be applied as an offset against whatever refund, if any, may be required by a final judgment in Entergy Gulf States' appeal of the second post-Merger earnings review order.

(Entergy Corporation, Entergy Gulf States, and Entergy Louisiana)

In October 1996, Entergy Gulf States and Entergy Louisiana filed proposals with the LPSC designed to achieve an orderly transition to retail electric competition in Louisiana, while protecting certain classes of ratepayers from possibly unfairly bearing the burden of cost shifting. The proposals do not increase rates for any customer class. However, these proposals do provide for a universal service charge for customers that remain connected to Entergy Gulf States' or Entergy Louisiana's electric facilities but choose to purchase their electricity from another source. In addition, the proposals include a base rate freeze, which would be put into effect for seven years in the Louisiana areas serviced by Entergy Gulf States and Entergy Louisiana. Although these proposals allow for the complete recovery of the remaining plant investment associated with River Bend, Waterford 3, and Entergy Louisiana's portion of Grand Gulf 1 (excluding the portion retained - see below) as of December 31, 1996, over a seven year period, the NRC operating licenses for these plants permit continued operation until the years 2025, 2024, and 2022, respectively.

In February 1997, the LPSC identified certain issues embodied in the Entergy Gulf States and Entergy Louisiana proposals that will be included in those companies' annual rate filings expected to be made on May 31, 1997 and April 15, 1997, respectively, and other issues that now will be included in an ongoing generic regulatory proceeding examining electric industry restructuring.

(Entergy Corporation and Entergy Louisiana)

On June 2, 1995, as a result of a review of the earnings of Entergy Louisiana, a $49.4 million reduction in base rates was ordered. In the same order, the LPSC adopted for Entergy Louisiana a performance-based formula rate plan. The formula rate plan provides a financial incentive to reduce costs while maintaining high levels of customer satisfaction and system reliability. The plan allows Entergy Louisiana the opportunity to earn a higher rate of return if it improves performance over time. Conversely, if performance declines, the rate of return Entergy Louisiana could earn is lowered. On June 9, 1995, Entergy Louisiana appealed the rate reduction and sought injunctive relief from implementation of $14.7 million of the reduction. The $14.7 million portion of the rate reduction represents revenue imputed to Entergy Louisiana as a result of the LPSC's conclusion that the rates charged to three industrial customers were unreasonably low. Subsequently, a request for a $14.7 million rate increase was filed by Entergy Louisiana. On July 13, 1995, Entergy Louisiana was granted a preliminary injunction by the District Court enjoining $14.7 million of the rate reduction pending a final decision on appeal. In an order issued on January 31, 1996, the LPSC approved a settlement reducing the $14.7 million portion of the rate reduction to $12.35 million. Refunds issued pursuant to this settlement had the effect of implementing the rate reduction effective April 27, 1995, and were made in the months of January and February 1996. The refunds and related interest resulting from the settlement amounted to $8.9 million. The District Court case discussed above was dismissed as part of the settlement.

On April 15, 1996, Entergy Louisiana made its first annual performance-based formula rate plan filing based on the 1995 test year. On June 19, 1996, the LPSC approved a $12 million annual reduction in base rates effective July 1, 1996. This reduction was based upon the 1995 test year results under the formula rate plan and reflected the expiration of the Waterford 3 phase-in plan discussed below, which was partially offset by the recovery of the property taxes on Waterford 3 and the related deferral discussed below. Subsequently, additional issues were resolved by means of a settlement conference, increasing the base rate reduction from $12 million to $16.5 million. Hearings have been conducted to review Entergy Louisiana's allowed return on equity and to address certain other disputed issues. This may result in an additional rate reduction which would be prospective only. The LPSC's ruling is expected in the second quarter of 1997.

The property tax exemption for Waterford 3 ended in December 1995 and Entergy Louisiana was required to pay $19.3 million in property taxes to St. Charles Parish for the 1996 tax year. In a March 1996 LPSC order, Entergy Louisiana was permitted to defer the rate recovery of these taxes for the period January 1996 through June 1996. The order allowed for the recovery of the property tax beginning in July 1996, and also for the recovery, from July 1996 through June 1997, of the related deferral. In addition, Entergy Louisiana's phase-in plan for Waterford 3 will expire in June 1997. Entergy Louisiana is recovering deferred costs annually of approximately $28.4 million.

Filings with the MPSC (Entergy Corporation and Entergy Mississippi)

On March 15, 1996, Entergy Mississippi filed its annual earnings review with the MPSC under its formula rate plan for the 1995 test year. On April 18, 1996, the MPSC issued an order approving and adopting a joint stipulation and placing the prospective rate reduction of $5.9 million into effect on May 1, 1996.

Entergy Mississippi has initiated discussions with the MPSC regarding an orderly transition to a more competitive market for electricity. In August 1996, Entergy Mississippi filed a proposal with the MPSC for a rate rider to assure recovery of all Grand Gulf costs incurred to serve customers. The rider would maintain current rates for electric service provided by Entergy Mississippi and would apply to customers within Entergy Mississippi's service area who obtain electricity in the future from a source other than Entergy Mississippi. Entergy Mississippi designed this rider to assure that commitments made under the current system of regulation are honored and that cost burdens are not unfairly transferred from departing customers to those who remain on the Entergy Mississippi system. On August 22, 1996, the MPSC remanded this proposal and established a generic docket to consider competition for retail electric service.

Filings with the Council (Entergy Corporation and Entergy New Orleans)

Pursuant to the 1991 NOPSI Settlement, Entergy New Orleans is required to make earnings filings with the Council for the 1995 and 1996 rate years. A review of Entergy New Orleans' earnings for the test year ending September 30, 1995, required Entergy New Orleans to credit customers $6.2 million over a 12-month period which began in March 1996.

On October 31, 1996, Entergy New Orleans filed with the Council an analysis of its earnings for the test year ended September 30, 1996. Based upon this earnings review, the Council ordered a refund of $18.4 million which is being credited to customers over a 12 month period which began in February 1997.

On December 19, 1996, the Council ordered an increase in Entergy New Orleans' franchise fee from 2.5% to 5% of gross revenues. The increase in the 1997 franchise fee is estimated to be $12 million. The franchise fee is collected by Entergy New Orleans as a separate line item on customer bills and is not a component of base rates.

In January 1997, Entergy New Orleans unilaterally proposed to the Council to reduce rates by annual amounts of $15 million. This offer was accepted by the Council and, effective February 1, 1997, Entergy New Orleans implemented this base rate reduction.

The Council issued a resolution in February 1997 indicating that it will conduct an investigation of the justness and reasonableness of Entergy New Orleans' allowed rate of return, base rates, and adjustment clauses. The Council contemplates a bifurcated review and has established hearing dates in April 1997 on the issue of rate of return. The Council also directed Entergy New Orleans to make a cost of service and revenue requirement filing on May 1, 1997. A procedural schedule has not been set with respect to these other issues.

Pursuant to a settlement reached in February 1997 with the Council as to Entergy New Orleans' deferred integrated resource planning expenses, the Council has conditionally allowed Entergy New Orleans to begin recovering $5 million, subject to a hearing to determine the prudence of such expenses. Entergy New Orleans has agreed not to seek recovery of the remaining $6.8 million of expenses incurred.

Deregulated Asset Plan (Entergy Corporation and Entergy Gulf States)

A deregulated asset plan representing an unregulated portion (approximately 25%) of River Bend (plant costs, generation, revenues, and expenses) was established pursuant to a January 1992 LPSC order. The plan allows Entergy Gulf States to sell such generation to Louisiana retail customers at 4.6 cents per kWh or off-system at higher prices, with certain provisions for sharing such incremental revenue above 4.6 cents per kWh between ratepayers and shareholders.

River Bend Cost Deferrals (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States deferred approximately $369 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges, pursuant to a 1986 PUCT accounting order. Approximately $182 million of these costs are being amortized over a 20-year period, and the remaining $187 million was written off in the first quarter of 1996 in accordance with SFAS 121, as discussed above. As of December 31, 1996, the unamortized balance of the remaining costs was $117 million. Entergy Gulf States deferred approximately $400.4 million of similar costs pursuant to a 1986 LPSC accounting order, of which approximately $40 million was unamortized as of December 31, 1996, and is being amortized over a 10-year period ending in February 1998.

In accordance with a phase-in plan approved by the LPSC, Entergy Gulf States deferred $294 million of its River Bend costs related to the period February 1988 through February 1991. Entergy Gulf States has amortized $225 million through December 31, 1996. The remainder of $69 million will be recovered in 1997 and early 1998.

Grand Gulf 1 and Waterford 3 Deferrals

(Entergy Corporation and Entergy Arkansas)

Under the settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas agreed to retain a portion of its Grand Gulf l-related costs, recover a portion of such costs currently, and defer a portion of such costs for future recovery. In 1996 and subsequent years, Entergy Arkansas retains 22% of its 36%

interest in Grand Gulf 1 costs and recovers the remaining 78%. The deferrals ceased in 1990, and Entergy Arkansas is recovering a portion of the previously deferred costs each year through 1998. As of December 31, 1996, the balance of deferred costs was $228 million. Entergy Arkansas is permitted to recover on a current basis the incremental costs of financing the unrecovered deferrals. In the event Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided energy cost, which is currently less than Entergy Arkansas' cost of energy from its retained share.

(Entergy Corporation and Entergy Louisiana)

In a series of LPSC orders, court decisions, and agreements from late 1985 to mid-1988, Entergy Louisiana was granted rate relief with respect to costs associated with Waterford 3 and Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. With respect to Waterford 3, Entergy Louisiana was granted an increase aggregating $170.9 million over the period 1985-1988, and agreed to permanently absorb, and not recover from retail ratepayers, $284 million of its investment in the unit and to defer $266 million of its costs related to the years 1985-1988 to be recovered from April 1988 through June 1997.

With respect to Grand Gulf 1, in November 1988, Entergy Louisiana agreed to retain and not recover from retail ratepayers, 18% of its 14% share (approximately 2.52%) of the costs of Grand Gulf 1 capacity and energy. Entergy Louisiana is allowed to recover through the fuel adjustment clause 4.6 cents per kWh for the energy related to its retained portion of these costs. Alternatively, Entergy Louisiana may sell such energy to nonaffiliated parties at prices above the fuel adjustment clause recovery amount, subject to the LPSC's approval.

(Entergy Corporation and Entergy Mississippi)

Entergy Mississippi entered into a plan with the MPSC that provides, among other things, for the recovery by Entergy Mississippi, in equal annual installments over ten years beginning October 1, 1988, of all Grand Gulf 1-related costs deferred through September 30, 1988, pursuant to a final order by the MPSC. Additionally, the plan provides that Entergy Mississippi defer, in decreasing amounts, a portion of its Grand Gulf 1-related costs over four years beginning October 1, 1988. These deferrals are being recovered by Entergy Mississippi over a six-year period beginning in October 1992 and ending in September 1998. As of December 31, 1996, the uncollected balance of Entergy Mississippi's deferred costs was approximately $247 million. The plan also allows for the current recovery of carrying charges on all deferred amounts.

(Entergy Corporation and Entergy New Orleans)

Under Entergy New Orleans' various rate settlements with the Council in 1986, 1988, and 1991, Entergy New Orleans agreed to absorb and not recover from ratepayers a total of $96.2 million of its Grand Gulf 1 costs. Entergy New Orleans was permitted to implement annual rate increases in decreasing amounts each year through 1995, and to defer certain costs and related carrying charges for recovery on a schedule extending from 1991 through 2001. As of December 31, 1996, the uncollected balance of Entergy New Orleans' deferred costs was $136 million.

<u>February 1994 Ice Storm/Rate Rider</u> **(Entergy Corporation and Entergy Mississippi)**

A February 1994 ice storm left more than 80,000 Entergy Mississippi customers without electric power across the service area. Damage to transmission and distribution lines, equipment, poles, and facilities totaled approximately $77.2 million, with $64.6 million of these amounts capitalized as plant-related costs. The remaining balances were recorded as a deferred debit.

Subsequent to a request by Entergy Mississippi for rate recovery, the MPSC approved a stipulation in September 1994 with respect to the recovery of ice storm costs recorded through April 30, 1994. Under the stipulation, Entergy Mississippi implemented an ice storm rate rider, which increased rates approximately $8 million for a period of five years beginning on September 29, 1994. At the end of the five-year period, the revenue requirement associated with the undepreciated ice storm capitalized costs will be included in Entergy Mississippi's base rates to the extent that this revenue requirement does not result in Entergy Mississippi's rate of return on rate base being above the benchmark rate of return under Entergy Mississippi's formula rate plan. The MPSC approved a second stipulation in September 1995 which allows for a $2.5 million rate increase for a period of four years beginning September 28, 1995, to recover costs related to the ice storm that were recorded after April 30, 1994. The stipulation also allows for undepreciated ice storm capital costs recorded after April 30, 1994, to be treated as described above.

Proposed Rate Increase

(System Energy)

System Energy filed an application with FERC on May 12, 1995, for a $65.5 million rate increase. The request seeks changes to System Energy's rate schedule, including increases in the revenue requirement associated with decommissioning costs, the depreciation rate, and the rate of return on common equity. The request also includes a proposed change in the accounting recognition of nuclear refueling outage costs from that of expensing those costs as incurred to the deferral and amortization method described in Note 1 with respect to Entergy Arkansas. On December 12, 1995, System Energy implemented a $65.5 million rate increase, subject to refund. Management has decided to record a reserve for a portion of the rate increase. Hearings on System Energy's request began in January 1996 and were completed in February 1996. On July 11, 1996, the ALJ issued an initial decision in this proceeding that agreed with certain of System Energy's proposals, including the change in accounting for nuclear refueling outage costs, while rejecting a proposed increase in return on common equity and recommending a slight decrease. The ALJ also rejected the proposed change in the decommissioning cost methodology. The decision of the ALJ is preliminary and may be modified in the final decision from FERC which is expected in the first quarter of 1997. Management is unable to predict the final outcome of the rate increase request or the amount of any refunds in excess of reserves that may be required.

(Entergy Mississippi)

Entergy Mississippi's allocation of the proposed System Energy wholesale rate increase is $21.6 million. In July 1995, Entergy Mississippi filed a schedule with the MPSC that will defer the ultimate amount of the System Energy rate increase. The deferral plan, which was approved by the MPSC, began in December 1995, the effective date of the System Energy rate increase, and will end after the issuance of a final order by FERC. The deferred rate increase is to be amortized over 48 months beginning October 1998.

(Entergy New Orleans)

Entergy New Orleans' allocation of the proposed System Energy wholesale rate increase is $9.6 million. In February 1996, Entergy New Orleans filed a plan with the City to defer 50% of the amount of the System Energy rate increase. The deferral began in February 1996 and will end after the issuance of a final order by FERC.

FERC Settlement (Entergy Corporation and System Energy)

In November 1994, FERC approved an agreement settling a long-standing dispute involving income tax allocation procedures of System Energy. In accordance with the agreement, System Energy refunded approximately $61.7 million to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, each of which in turn has made refunds or credits to its customers (except for those portions attributable to Entergy Arkansas' and Entergy Louisiana's retained share of Grand Gulf 1 costs). Additionally, System Energy will refund a total of approximately $62 million, plus interest, to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans over the period through June 2004. The settlement also required the write-off of certain related unamortized balances of deferred investment tax credits by Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. The settlement reduced Entergy Corporation's consolidated net income for the year ended December 31, 1994, by approximately $68.2 million, offset by the write-off of the unamortized balances of related deferred investment tax credits of approximately $69.4 million ($2.9 million for Entergy Corporation; $27.3 million for Entergy Arkansas; $31.5 million for Entergy Louisiana; $6 million for Entergy Mississippi; and $1.7 million for Entergy New Orleans). System Energy also reclassified from utility plant to other deferred debits approximately $81 million of other Grand Gulf 1 costs. Although such costs are excluded from rate base, System Energy is recovering them over a 10-year period. Interest on the $62 million refund and the loss of the return on the $81 million of other Grand Gulf 1 costs will reduce Entergy's and System Energy's net income by approximately $10 million annually over the next 8 years.

NOTE 3. INCOME TAXES

Entergy Corporation's and its subsidiaries' income tax expenses for 1996, 1995, and 1994 consist of the following (in thousands):

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Current:							
Federal	$ 272,036	$ 108,583	$ 510	$ 78,629	$ 64,358	$ 23,860	$ 19,637
State	72,204	21,888	201	21,122	9,635	4,631	13,508
Total	344,240	130,471	711	99,751	73,993	28,491	33,145
Deferred -- net	100,572	(41,261)	106,715	24,656	(29,390)	(11,587)	52,447
Investment tax credit adjustments -- net	(23,653)	(4,766)	(5,335)	(5,847)	(3,497)	(687)	(3,471)
Recorded income tax expense	$ 421,159	$ 84,444	$ 102,091	$ 118,560	$ 41,106	$ 16,217	$ 82,121

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Current:							
Federal	$ 306,910	$ 87,937	$ 13	$ 93,670	$ 62,436	$ 19,071	$ 108,920
State	60,278	18,027	-	20,994	9,215	3,394	11,910
Total	367,188	105,964	13	114,664	71,651	22,465	120,830
Deferred -- net	13,333	(5,363)	67,703	8,148	(35,224)	(1,364)	(41,871)
Investment tax credit adjustments -- net	(21,478)	(5,658)	(4,472)	(5,698)	(1,550)	(634)	(3,466)
Recorded income tax expense	$ 359,043	$ 94,943	$ 63,244	$ 117,114	$ 34,877	$ 20,467	$ 75,493
Charged to cumulative effect	$ 22,861	$ 22,861	$ -	$ -	$ -	$ -	$ -

1994	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Current:							
Federal	$ 227,046	$ 64,238	$ 71	$ 68,891	$ 39,505	$ 19,557	$ 54,295
State	50,300	19,062	14	10,369	7,379	3,049	13,182
Total	277,346	83,300	85	79,260	46,884	22,606	67,477
Deferred -- net	(54,429)	(17,939)	(57,911)	21,580	(26,763)	(15,674)	(27,375)
Investment tax credit adjustments -- net	(24,739)	(8,814)	(4,260)	(6,048)	(1,673)	(681)	(3,265)
Investment tax credit amortization - FERC Settlement	(66,454)	(27,327)	-	(31,504)	(5,973)	(1,651)	-
Recorded income tax expense	$ 131,724	$ 29,220	$ (62,086)	$ 63,288	$ 12,475	$ 4,600	$ 36,837

Entergy Corporation's and its subsidiaries' total income taxes differ from the amounts computed by applying the statutory federal income tax rate to income before taxes. The reasons for the differences for the years 1996, 1995, and 1994 are (amounts in thousands):

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	$ 319,103	$ 84,785	$ 34,371	$ 108,262	$ 42,111	$ 15,048	$ 63,626
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	54,801	10,796	19,389	11,535	4,188	1,449	7,444
Depreciation	15,829	(2,102)	(6,305)	6,722	1,604	402	15,508
Rate deferrals - net	1,973	1,115	5,537	(1,829)	(3,430)	580	-
Amortization of investment tax credits	(20,349)	(4,608)	(4,380)	(5,664)	(1,582)	(635)	(3,480)
Flow-through/permanent differences	1,059	(845)	2,792	(449)	(275)	(164)	-
SFAS 121 write-off	48,265	-	48,265	-	-	-	-
Other -- net	478	(4,697)	2,422	(17)	(1,510)	(463)	(977)
Total income taxes	$ 421,159	$ 84,444	$ 102,091	$ 118,560	$ 41,106	$ 16,217	$ 82,121
Effective Income Tax Rate	46.2%	34.4%	105.5%	37.6%	34.2%	37.7%	45.4%

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	$ 334,944	$ 93,458	$ 65,157	$ 111,528	$ 36,240	$ 19,198	$ 58,986
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	42,599	11,551	8,375	11,532	3,344	1,971	7,036
Depreciation	1,670	(1,510)	(13,073)	2,693	739	(661)	13,482
Rate deferrals - net	1,699	975	6,240	(2,626)	(3,465)	575	-
Amortization of investment tax credits	(20,549)	(5,658)	(4,475)	(5,711)	(1,548)	(634)	(3,480)
Other -- net	(1,320)	(3,873)	1,020	(302)	(433)	18	(531)
Total income taxes	$ 359,043	$ 94,943	$ 63,244	$ 117,114	$ 34,877	$ 20,467	$ 75,493
Effective Income Tax Rate	37.5%	35.5%	34.0%	36.7%	33.7%	37.3%	44.8%

1994	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Computed at statutory rate (35%)	$ 194,448	$ 60,017	$ (50,694)	$ 96,994	$ 21,438	$ 6,234	$ 14,785
Increases (reductions) in tax resulting from:							
State income taxes net of federal income tax effect	13,766	7,821	(6,571)	5,147	2,465	456	7,565
Depreciation	9,995	(921)	(8,188)	3,219	1,930	(586)	14,541
Rate deferrals - net	1,435	729	6,551	(2,749)	(3,810)	714	-
Amortization of investment tax credits	(27,337)	(10,220)	(4,472)	(6,305)	(1,674)	(681)	(3,476)
Amortization of investment tax credits - FERC Settlement	(66,454)	(27,327)	-	(31,504)	(5,973)	(1,651)	-
Adjustment of prior year taxes	9,425	(208)	(2,460)	-	(1,954)	(423)	2,947
Other -- net	(3,554)	(671)	3,748	(1,514)	53	537	475
Total income taxes	$ 131,724	$ 29,220	$ (62,086)	$ 63,288	$ 12,475	$ 4,600	$ 36,837
Effective Income Tax Rate	23.7%	17.1%	42.9%	22.9%	20.4%	25.9%	87.2%

Significant components of Entergy Corporation's and its subsidiaries' net deferred tax liabilities as of December 31, 1996 and 1995, are as follows (in thousands):

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Deferred Tax Liabilities:							
Net regulatory assets/(liabilities)	$ (1,406,921)	$ (287,217)	$ (434,380)	$ (349,667)	$ (21,537)	$ (9,717)	$ (304,403)
Plant-related basis differences	(2,986,993)	(476,364)	(1,016,616)	(716,974)	(185,038)	(50,435)	(512,519)
Rate deferrals	(322,530)	(84,826)	(68,282)	(2,839)	(113,669)	(52,914)	-
Other	(143,792)	(59,592)	(9,243)	(31,433)	(7,604)	(6,193)	(24,917)
Total	$ (4,860,236)	$ (907,999)	$ (1,528,521)	$ (1,100,913)	$ (327,848)	$ (119,259)	$ (841,839)
Deferred Tax Assets:							
Accumulated deferred investment tax credit	210,879	42,450	61,563	53,831	9,724	3,666	39,645
Investment tax credit carryforwards	138,779	-	138,779	-	-	-	-
NOL carryforwards	24,990	-	24,990	-	-	-	-
Alternative minimum tax credit	40,658	-	40,658	-	-	-	-
Sale and leaseback	233,823	-	-	108,390	-	-	125,433
Removal cost	102,268	-	27,391	61,716	2,454	10,707	-
Unbilled revenues	37,692	-	17,824	14,965	(343)	5,246	-
Pension-related items	30,869	-	11,291	8,838	2,008	5,987	2,745
Rate refund	25,409	-	-	-	-	7,077	18,332
FERC Settlement	19,079	-	-	-	-	-	19,079
Other	147,020	9,049	61,804	23,545	5,849	8,097	12,585
Total	$ 1,011,466	$ 51,499	$ 384,300	$ 271,285	$ 19,692	$ 40,780	$ 217,819
Net deferred tax liability	$ (3,848,770)	$ (856,500)	$ (1,144,221)	$ (829,628)	$ (308,156)	$ (78,479)	$ (624,020)

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Deferred Tax Liabilities:							
Net regulatory assets/(liabilities)	$ (1,494,000)	$ (264,166)	$ (512,281)	$ (357,528)	$ (17,147)	$ (10,723)	$ (332,154)
Plant-related basis differences	(3,071,519)	(480,465)	(1,060,241)	(722,680)	(181,792)	(50,820)	(538,215)
Rate deferrals	(467,691)	(131,261)	(104,695)	(12,652)	(157,168)	(61,915)	-
Other	(117,510)	(69,475)	(1,814)	(35,272)	(9,339)	(3,134)	(10,365)
Total	$ (5,150,720)	$ (945,367)	$ (1,679,031)	$ (1,128,132)	$ (365,446)	$ (126,592)	$ (880,734)
Deferred Tax Assets:							
Accumulated deferred investment tax credit	214,505	44,260	58,653	56,008	10,702	3,910	40,973
Investment tax credit carryforwards	167,713	-	167,713	-	-	-	-
Valuation allowance	(44,597)	-	(44,597)	-	-	-	-
NOL carryforwards	151,141	-	151,141	-	-	-	-
Alternative minimum tax credit	130,760	-	39,709	27,409	-	-	63,642
Sale and leaseback	225,620	-	-	105,788	-	-	119,832
Removal cost	97,184	-	25,701	59,148	2,316	10,019	-
Unbilled revenues	42,923	-	22,384	16,850	-	3,689	-
Pension-related items	21,003	-	14,472	-	2,342	4,189	-
Operating provisions	6,795	-	-	-	-	6,795	-
Provision - FASB 5 contingencies	7,250	7,250	-	-	-	-	-
FERC Settlement	19,978	-	-	-	-	459	19,519
Other	259,954	21,394	110,176	52,285	17,415	6,703	34,586
Total	$ 1,300,229	$ 72,904	$ 545,352	$ 317,488	$ 32,775	$ 35,764	$ 278,552
Net deferred tax liability	$ (3,850,491)	$ (872,463)	$ (1,133,679)	$ (810,644)	$ (332,671)	$ (90,828)	$ (602,182)

As of December 31, 1996, Entergy has investment tax credit (ITC) carryforwards of $138.8 million, federal net operating loss (NOL) carryforwards of $50.8 million, and state NOL carryforwards of $105.2 million, all related to Entergy Gulf States operations. The ITC carryforwards include the 35% reduction required by the Tax Reform Act of 1986 and may be applied solely against federal income tax liability of Entergy Gulf States and, if not utilized, will expire between 1997 and 2002. At December 31, 1995, the projected amount of ITC carryforwards which would expire unutilized was estimated to be $44.6 million, which was based upon projections of estimated taxable income of Entergy Gulf States and, accordingly, a valuation reserve was recorded for this amount. At December 31, 1996, management estimated that none of the remaining ITC carryforwards would expire unutilized, and the valuation reserve was eliminated. The alternative minimum tax (AMT) credit carryforwards as of December 31, 1996 were $40.7 million, all related to Entergy Gulf States operations. This AMT credit can be carried forward indefinitely and may be applied solely against the federal income tax liability of Entergy Gulf States.

In accordance with the System Energy FERC Settlement, the domestic utility companies wrote off $66.6 million of unamortized deferred investment tax credits in 1994, including $27.3 million at Entergy Arkansas, $31.5 million at Entergy Louisiana, $6.0 million at Entergy Mississippi, and $1.7 million at Entergy New Orleans.

In August 1994, Entergy received an IRS report covering the federal income tax audit of Entergy Corporation and subsidiaries for the years 1988-90. The report asserted an $80 million tax deficiency for the 1990 tax return related primarily to the utilization of accelerated investment tax credits associated with the Waterford 3 and Grand Gulf nuclear plants. Changes to the initial report, made in the IRS Appeal process, have reduced the assessment related to the issue by $22 million to $58 million. Entergy Corporation and the Appeals Officer agreed to pursue a "Technical Advice" ruling from the IRS National Office to address the remainder of the issue. Entergy Corporation believes there is no material tax deficiency and is confident that a satisfactory resolution of the matter will be achieved.

NOTE 4. LINES OF CREDIT AND RELATED SHORT-TERM BORROWINGS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

In November 1996, SEC authorization was received by Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy increasing short-term borrowing limits to \$235 million, \$340 million, \$225 million, \$103 million, \$35 million, and \$140 million, respectively (for a total of \$1.078 billion). These authorizations are effective through November 30, 2001. Of these companies, Entergy Louisiana and Entergy Mississippi had borrowings outstanding as of December 31, 1996. Entergy Louisiana and Entergy Mississippi had \$31.1 million and \$50.3 million, respectively, of borrowings outstanding under the money pool, an intra-system borrowing arrangement designed to reduce the domestic utility companies' dependence on external short-term borrowings. Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi had undrawn lines of credit as of December 31, 1996, of \$25 million, \$64.2 million, and \$30 million, respectively.

In July 1995, Entergy Corporation received SEC authorization for a \$300 million bank credit facility. Thereafter, a three-year credit agreement was signed with a group of banks in October 1995 to provide up to \$300 million of loans to Entergy Corporation. \$230 million was drawn on this facility for the acquisition of CitiPower in January 1996 and was subsequently repaid throughout the course of the year. See Note 13 for a discussion of the acquisition. As of December 31, 1996, no amounts were outstanding against the facility. In January 1997, Entergy Corporation filed an amendment with the SEC to increase the authorization from \$300 million to \$500 million.

On September 13, 1996, Entergy Corporation and ETHC obtained a three-year \$100 million bank line of credit that may be increased up to \$300 million and can be drawn by either Entergy Corporation or ETHC (with a guarantee from Entergy Corporation). The proceeds are to be used exclusively for exempt telecommunication investments. As of December 31, 1996, \$20 million borrowed by Entergy Corporation was outstanding under this facility.

Other Entergy companies have SEC authorization to borrow through the money pool, from Entergy Corporation, and from commercial banks in the aggregate principal amounts up to \$265 million, of which \$88.4 million was outstanding as of December 31, 1996. Some of these borrowings are restricted as to use, and are secured by certain assets.

In total, Entergy had short-term commitments in the amount of \$607.6 million as of December 31, 1996, of which \$575.2 million was unused. The weighted-average interest rate on the outstanding borrowings as of December 31, 1996, and December 31, 1995, was 6.10% and 6.35%, respectively. Commitment fees on the lines of credit for Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi are 0.125% of the undrawn amounts. The commitment fees for Entergy Corporation's \$300 million credit facility and ETHC's \$100 million credit facility are currently 0.17%, but can fluctuate depending on the senior debt ratings of the domestic utility companies. See Note 7 for a discussion of commitments for long-term financing arrangements.

NOTE 5. PREFERRED, PREFERENCE, AND COMMON STOCK (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

The number of shares, authorized and outstanding, and dollar value of preferred and preference stock for Entergy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans as of December 31, 1996, and 1995 were:

	Shares Authorized and Outstanding		Total Dollar Value		Call Price Per Share as of December 31,
	1996	1995	1996	1995	1996
			(Dollars in Thousands)		
Entergy Arkansas Preferred Stock					
Without sinking fund:					
Cumulative, $100 par value:					
4.32% Series	70,000	70,000	$7,000	$7,000	$103.647
4.72% Series	93,500	93,500	9,350	9,350	$107.000
4.56% Series	75,000	75,000	7,500	7,500	$102.830
4.56% 1965 Series	75,000	75,000	7,500	7,500	$102.500
6.08% Series	100,000	100,000	10,000	10,000	$102.830
7.32% Series	100,000	100,000	10,000	10,000	$103.170
7.80% Series	150,000	150,000	15,000	15,000	$103.250
7.40% Series	200,000	200,000	20,000	20,000	$102.800
7.88% Series	150,000	150,000	15,000	15,000	$103.000
Cumulative, $25 par value:					
8.84% Series	-	400,000	-	10,000	
Cumulative, $0.01 par value:					
$2.40 Series (a)	-	2,000,000	-	50,000	-
$1.96 Series (a)(b)	600,000	600,000	15,000	15,000	-
Total without sinking fund	1,613,500	4,013,500	$116,350	$176,350	
With sinking fund:					
Cumulative, $100 par value:					
8.52% Series	300,000	350,000	$30,000	$35,000	$104.260
Cumulative, $25 par value:					
9.92% Series	401,085	561,085	10,027	14,027	$26.320
Total with sinking fund	701,085	911,085	$40,027	$49,027	
Fair Value of Preferred Stock with sinking fund (d)			$41,835	$51,476	

	Shares Authorized and Outstanding		Total Dollar Value		Call Price Per Share as of December 31,
	1996	1995	1996	1995	1996
<u>Entergy Gulf States Preferred and Preference Stock</u>			(Dollars in Thousands)		
Preference Stock					
Cumulative, without par value					
7% Series (a) (b)	6,000,000	6,000,000	$150,000	$150,000	-
Preferred Stock					
Authorized 6,000,000, $100 par value, cumulative					
Without sinking fund:					
4.40% Series	51,173	51,173	$5,117	$5,117	$108.00
4.50% Series	5,830	5,830	583	583	$105.00
4.40% - 1949 Series	1,655	1,655	166	166	$103.00
4.20% Series	9,745	9,745	975	975	$102.82
4.44% Series	14,804	14,804	1,480	1,480	$103.75
5.00% Series	10,993	10,993	1,099	1,099	$104.25
5.08% Series	26,845	26,845	2,685	2,685	$104.63
4.52% Series	10,564	10,564	1,056	1,056	$103.57
6.08% Series	32,829	32,829	3,283	3,283	$103.34
7.56% Series	350,000	350,000	35,000	35,000	$101.80
8.52% Series	500,000	500,000	50,000	50,000	$102.43
9.96% Series	350,000	350,000	35,000	35,000	$102.64
Total without sinking fund	1,364,438	1,364,438	$136,444	$136,444	
With sinking fund:					
8.80% Series	184,595	204,495	$18,459	$20,450	$100.00
9.75% Series	-	19,543	-	1,954	$100.00
8.64% Series	140,000	168,000	14,000	16,800	$101.00
Adjustable Rate - A, 7.39% (c)	180,000	192,000	18,000	19,200	$100.00
Adjustable Rate - B, 7.44% (c)	270,000	292,500	27,000	29,250	$100.00
Total with sinking fund	774,595	876,538	$77,459	$87,654	
Fair Value of Preference Stock and Preferred Stock with sinking fund (d)			$214,475	$219,191	

	Shares Authorized and Outstanding		Total Dollar Value		Call Price Per Share as of December 31,
	1996	1995	1996	1995	1996
			(Dollars in Thousands)		
Entergy Louisiana Preferred Stock					
Without sinking fund:					
Cumulative, $100 par value:					
4.96% Series	60,000	60,000	$6,000	$6,000	$104.25
4.16% Series	70,000	70,000	7,000	7,000	$104.21
4.44% Series	70,000	70,000	7,000	7,000	$104.06
5.16% Series	75,000	75,000	7,500	7,500	$104.18
5.40% Series	80,000	80,000	8,000	8,000	$103.00
6.44% Series	80,000	80,000	8,000	8,000	$102.92
7.84% Series	100,000	100,000	10,000	10,000	$103.78
7.36% Series	100,000	100,000	10,000	10,000	$103.36
8.56% Series	-	100,000	-	10,000	-
Cumulative, $25 par value:					
8.00% Series (b)	1,480,000	1,480,000	37,000	37,000	-
9.68% Series	-	2,000,000	-	50,000	-
Total without sinking fund	2,115,000	4,215,000	$100,500	$160,500	
With sinking fund:					
Cumulative, $100 par value:					
7.00% Series (b)	500,000	500,000	$50,000	$50,000	-
8.00% Series (b)	350,000	350,000	35,000	35,000	-
Cumulative, $25 par value:					
12.64% Series	300,000	600,370	7,500	15,009	$26.58
Total with sinking fund	1,150,000	1,450,370	$92,500	$100,009	
Fair Value of Preferred Stock with sinking fund (d)			$93,825	$103,135	
Entergy Mississippi Preferred Stock					
Without sinking fund:					
Cumulative, $100 par value:					
4.36% Series	59,920	59,920	$5,992	$5,992	$103.86
4.56% Series	43,888	43,888	4,389	4,389	$107.00
4.92% Series	100,000	100,000	10,000	10,000	$102.88
7.44% Series	100,000	100,000	10,000	10,000	$102.81
8.36% Series (b)	200,000	200,000	20,000	20,000	-
9.16% Series	75,000	75,000	7,500	7,500	$104.06
Total without sinking fund	578,808	578,808	$57,881	$57,881	
With sinking fund:					
Cumulative, $100 par value:					
9.76% Series	70,000	140,000	$7,000	$14,000	$100.00
12.00% Series	-	27,700	-	2,770	-
Total with sinking fund	70,000	167,700	$7,000	$16,770	
Fair Value of Preferred Stock with sinking fund (d)			$7,000	$16,936	

	Shares Authorized and Outstanding		Total Dollar Value		Call Price Per Share as of December 31,
	1996	1995	1996	1995	1996
Entergy New Orleans Preferred Stock			(Dollars in Thousands)		
Without sinking fund:					
Cumulative, $100 par value:					
4.75% Series	77,798	77,798	$7,780	$7,780	$105.00
4.36% Series	60,000	60,000	6,000	6,000	$104.58
5.56% Series	60,000	60,000	6,000	6,000	$102.59
Total without sinking fund	197,798	197,798	$19,780	$19,780	
Entergy					
Subsidiaries' Preference Stock (a)	6,000,000	6,000,000	$150,000	$150,000	
Subsidiaries' Preferred Stock:					
Without sinking fund	5,869,544	10,369,544	$430,955	$550,955	
With sinking fund	2,695,680	3,405,693	$216,986	$253,460	
Fair Value of Preference Stock and Preferred Stock with sinking fund (d)			$357,135	$390,738	

(a) The total dollar value represents the involuntary liquidation value of $25 per share.
(b) These series are not redeemable as of December 31, 1996.
(c) Represents weighted-average annualized rates for 1996.
(d) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. See Note 1 for additional disclosure of fair value of financial instruments.

Changes in the preferred stock, with and without sinking fund, preference stock, and common stock of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans during the last three years were:

	Number of Shares		
	1996	1995	1994
Preferred stock retirements			
Entergy Arkansas			
$100 par value	(50,000)	(25,000)	(45,000)
$25 par value	(560,000)	(280,000)	(280,000)
$0.01 par value	(2,000,000)	-	-
Entergy Gulf States			
$100 par value	(101,943)	(72,834)	(60,667)
Entergy Louisiana			
$100 par value	(100,000)	-	-
$25 par value	(2,300,370)	(450,211)	(601,537)
Entergy Mississippi			
$100 par value	(97,700)	(150,000)	(150,000)
Entergy New Orleans			
$100 par value	-	(34,495)	(15,000)

Cash sinking fund requirements and mandatory redemptions for the next five years for preferred and preference stock, outstanding as of December 31, 1996, are:

	Entergy	Entergy Arkansas	Entergy Gulf States (In Thousands)	Entergy Louisiana	Entergy Mississippi
1997	$21,216	$4,500	$5,966	$3,750	$7,000
1998	14,225	4,500	5,966	3,759	-
1999	60,466	4,500	5,966	50,000	-
2000	160,466	4,500	155,966	-	-
2001	45,466	4,500	5,966	35,000	-

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy Mississippi have the annual noncumulative option to redeem, at par, additional amounts of certain series of their outstanding preferred stock.

Entergy Corporation repurchased and retired (returned to authorized but unissued status) 1,230,000 shares of common stock at a cost of $30.7 million in 1994. There were no stock repurchases in 1995 or 1996.

Entergy Corporation from time to time reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), the Equity Ownership Plan of Entergy Corporation and Subsidiaries (Equity Plan), and certain other stock benefit plans. Entergy Corporation repurchased in the market 2,805,000 shares of its common stock in 1994 at a cost of $88.8 million. The Directors' Plan awards nonemployee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation common stock. Shares awarded under the Directors' Plan were 6,750, 9,251, and 18,757 during 1996, 1995, and 1994, respectively.

During 1996, Entergy Corporation issued 755,200 shares of its previously repurchased common stock, reducing the amount held as treasury stock by $22.2 million. Entergy Corporation issued these shares to meet the requirements of its various stock plans. In addition, Entergy Corporation received proceeds of $118 million from the issuance of 4,438,972 shares of common stock under its new dividend reinvestment and stock purchase plan during 1996.

The Equity Plan grants stock options, equity awards, and incentive awards to key employees of the domestic utility companies. The costs of awards are charged to income over the period of the grant or restricted period, as appropriate. Amounts charged to compensation expense in 1996 were immaterial. Stock options, which comprise 50% of the shares targeted for distribution under the Equity Plan, are granted at exercise prices not less than market value on the date of grant. The options are generally exercisable no less than six months nor more than 10 years after the date of grant.

Entergy sponsors the Employee Stock Ownership Plan of Entergy Corporation and Subsidiaries (ESOP) and the Savings Plan of Entergy Corporation and Subsidiaries (Savings Plan). Both plans are defined contribution plans covering eligible employees of Entergy and its subsidiaries who have completed certain service requirements. Entergy's subsidiaries' contributions to the ESOP and the Savings Plan, and any income thereon, are invested in shares of Entergy Corporation common stock. The allowed contributions to the ESOP are accrued based on the expected utilization of additional investment tax credits in the applicable Federal income tax return of Entergy and its subsidiaries, and on expected voluntary participant contributions. Entergy's subsidiaries contributed $22.8 million to the ESOP for the year ended December 31, 1995. There were no contributions in the years ended December 31, 1996 and 1994.

The Savings Plan provides that the employing Entergy subsidiary may make matching contributions to the plan in an amount equal to 50 percent of the participant's basic contribution. In 1996, 1995, and 1994, Entergy's subsidiaries contributed $13.2 million, $13.2 million, and $11.7 million, respectively, to the Entergy Savings Plan.

Entergy Gulf States sponsors the Gulf States Utilities Company Employee Stock Ownership Plan (GSU ESOP) and the Gulf States Utilities Company Employees' Thrift Plan (GSU Thrift Plan), which are both defined contribution plans. The GSU ESOP is available to all Entergy Gulf States employees, pre-Merger Entergy Gulf States employees and post-Merger employees of Entergy Operations, whose primary work location is River Bend, upon completion of certain eligibility requirements. All contributions to the plan are invested in shares of Entergy Corporation common stock. Entergy Gulf States makes contributions to the GSU ESOP based on expected utilization of additional investment tax credits in the Entergy Gulf States Federal tax return and on expected participants' contributions. No additional contributions were made to the GSU ESOP during 1996, 1995, and 1994. The GSU Thrift Plan is available to certain Entergy Operations employees whose primary work location is River Bend. Entergy Gulf States makes matching contributions to the GSU Thrift Plan equal to 50 percent of a participant's basic contribution which may be invested, at the participant's discretion, in shares of Entergy Corporation common stock. Entergy Gulf States' contributions to the GSU Thrift Plan for the years ended December 31, 1996, 1995, and 1994 were $.3 million, $1.1 million, and $3.9 million, respectively.

Entergy applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock options. Accordingly, no compensation cost is required to be recognized for the stock options described above until such options are exercised because the exercise prices are not less than market value on the date of grant. The impact on Entergy's net income and earnings per share would have been immaterial had compensation cost for the stock options been determined based on the fair value at the grant dates for awards under the option plans consistent with the method prescribed by SFAS 123.

In applying the disclosure provisions of SFAS 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with expected stock price volatility of 18%, 24%, and 19% in 1996, 1995, and 1994, respectively, and additional assumptions for each of those years as follows: risk-free interest rates of 6%, expected lives of 10 years, and dividends of $1.80 per share.

Nonstatutory stock option transactions are summarized as follows:

	1996		1995		1994	
	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning-of-year balance	457,909	$25.98	170,409	$34.86	102,909	$33.46
Options granted	82,500	29.38	315,000	21.39	67,500	37.00
Options exercised	(7,500)	23.38	(12,500)	23.38	-	-
Options expiring unused	(5,000)	35.88	(15,000)	32.75	-	-
End-of-year balance	527,909	$26.45	457,909	$25.98	170,409	$34.86
Options exercisable at year-end	277,909		207,909		170,409	
Weighted-average fair value of options granted	$ 2.67		$ 5.48		$ 2.45	

The following table summarizes information about stock options outstanding as of December 31, 1996:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	As of 12/31/96	Weighted-Avg Remaining Contractual Life-Yrs.	Weighted-Avg. Exercise Price	As of 12/31/96	Weighted-Avg. Exercise Price
\$20 - \$30	404,302	8.2	\$23.51	154,302	\$27.77
\$30 - \$40	123,607	6.6	\$36.09	123,607	\$36.09
\$20 - \$40	527,909	7.8	\$26.45	277,909	\$31.47

To meet the requirements of the Employee Stock Investment Plan (ESIP), Entergy Corporation is authorized to issue or acquire, through March 31, 1997, up to 2,000,000 shares of its common stock to be held as treasury shares. Under the ESIP, employees may be granted the opportunity to purchase (for up to 10% of their regular annual salary, but not more than \$25,000) common stock at 85% of the market value on the first or last business day of the plan year, whichever is lower. Through this program, employees purchased 247,122 and 329,863 shares for the 1995 and 1994 plan years, respectively. The 1996 plan year runs from April 1, 1996, to March 31, 1997. In February 1997, Entergy received authority from the SEC to extend the ESIP for an additional period of three years ending on March 31, 2000. Under the extended plan, Entergy Corporation may issue either treasury shares or previously authorized but unissued shares.

NOTE 6. COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

(Entergy Arkansas)

Entergy Arkansas Capital I (Trust) was established as a financing subsidiary of Entergy Arkansas for the purpose of issuing common and preferred securities. On August 14, 1996, the Trust issued $60 million in aggregate liquidation preference amount of 8.5% Cumulative Quarterly Income Preferred Securities (Preferred Securities) in a public offering and $1.9 million of common securities to Entergy Arkansas. The Trust used the proceeds from the sale of the Preferred Securities and the common securities to purchase from Entergy Arkansas 8.5% junior subordinated deferrable interest debentures in the amount of $61.9 million (Debentures). The Debentures held by the Trust are its only asset and the Trust will use interest payments received on the Debentures to make cash distributions on the Preferred Securities.

The Preferred Securities of the Trust, as well as the Debentures, mature on September 30, 2045. The Preferred Securities are redeemable, however, at the option of Entergy Arkansas beginning in 2001 at 100% of their principal amount, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the Debentures. Entergy Arkansas has, pursuant to certain agreements taken together, fully and unconditionally guaranteed payment of distributions on the Preferred Securities. Entergy Arkansas is the owner of all of the common securities of the Trust, which constitute 3% of the Trust's total capital.

(Entergy Louisiana)

Entergy Louisiana Capital I (Trust) was established as a financing subsidiary of Entergy Louisiana for the purpose of issuing common and preferred securities. On July 16, 1996, the Trust issued $70 million in aggregate liquidation preference amount of 9% Cumulative Quarterly Income Preferred Securities (Preferred Securities) in a public offering and $2.2 million of common securities to Entergy Louisiana. The Trust used the proceeds from the sale of the Preferred Securities and the common securities to purchase from Entergy Louisiana 9% junior subordinated deferrable interest debentures in the amount of $72.2 million (Debentures). The Debentures held by the Trust are its only asset and the Trust will use interest payments received on the Debentures to make cash distributions on the Preferred Securities.

The Preferred Securities of the Trust, as well as the Debentures, mature on September 30, 2045. The Preferred Securities are redeemable, however, at the option of Entergy Louisiana beginning in 2001 at 100% of their principal amount, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the Debentures. Entergy Louisiana has, pursuant to certain agreements taken together, fully and unconditionally guaranteed payment of distributions on the Preferred Securities. Entergy Louisiana is the owner of all of the common securities of the Trust, which constitute 3% of the Trust's total capital.

(Entergy Gulf States)

Entergy Gulf States Capital I (Trust) was established as a financing subsidiary of Entergy Gulf States for the purpose of issuing common and preferred securities. On January 28, 1997, the Trust issued $85 million in aggregate liquidation preference amount of 8.75% Cumulative Quarterly Income Preferred Securities (Preferred Securities) in a public offering and $2.6 million of common securities to Entergy Gulf States. The Trust used the proceeds from the sale of the Preferred Securities and the common securities to purchase from Entergy Gulf States 8.75% junior subordinated deferrable interest debentures in the amount of $87.6 million (Debentures). The Debentures held by the Trust are its only asset and the Trust will use interest payments received on the Debentures to make cash distributions on the Preferred Securities.

The Preferred Securities of the Trust, as well as the Debentures, mature on March 31, 2046. The Preferred Securities are redeemable, however, at the option of Entergy Gulf States beginning in 2002 at 100% of their principal amount, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the Debentures. Entergy Gulf States has, pursuant to certain agreements taken together, fully and unconditionally guaranteed payment of distributions on the Preferred Securities. Entergy Gulf States is the owner of all of the common securities of the Trust, which constitute 3% of the Trust's total capital.

NOTE 7. LONG - TERM DEBT (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The long-term debt of Entergy Corporation's subsidiaries, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, as of December 31, 1996, was:

Maturities		Interest Rates								
From	To	From	To	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
							(In Thousands)			
First Mortgage Bonds										
1997	1999	5.375%	11.375%	$687,000	$45,000	$321,000	$69,000		$12,000	$240,000
2000	2004	6.000%	8.250%	1,355,270	180,000	608,750	361,520			205,000
2005	2009	6.650%	7.500%	325,000	215,000	110,000				
2010	2019	9.750%		75,000	75,000					
2020	2026	7.000%	10.000%	1,031,648	376,648	450,000	205,000			
G&R Bonds										
1997	1999	6.950%	11.2%	96,000				96,000		
2000	2023	6.625%	8.800%	525,000				355,000	170,000	
Governmental Obligations (a)										
1997	2008	5.900%	10.000%	108,267	49,655	45,875	11,837	900		
2009	2026	5.950%	9.875%	1,551,235	240,700	435,735	412,170	46,030		416,600
Debentures										
1997	2000	7.380%	9.720%	175,000		100,000				75,000
Long-Term DOE Obligation (Note 9)				117,270	117,270					
Waterford 3 Lease Obligation 8.76% (Note 10)				353,600			353,600			
Grand Gulf Lease Obligation 7.02% (Note 10)				496,480						496,480
Line of Credit, variable rate, due 1998				65,000						
CitiPower Credit Line, avg. rate 8.31% due 2000				921,553						
Other Long-Term Debt				83,411		9,938				
Unamortized Premium and Discount - Net				(30,310)	(11,420)	(5,087)	(5,619)	(2,861)	(1,112)	(4,211)
Total Long-Term Debt				7,936,424	1,287,853	2,076,211	1,407,508	495,069	180,888	1,428,869
Less Amount Due Within One Year				345,620	32,465	160,865	34,275	96,015	12,000	10,000
Long-Term Debt Excluding Amount Due Within One Year				$7,590,804	$1,255,388	$1,915,346	$1,373,233	$399,054	$168,888	$1,418,869
Fair Value of Long-Term Debt (b)				$7,087,027	$1,160,377	$2,142,389	$1,104,891	$503,461	$175,566	$982,423

The long-term debt of Entergy Corporation's subsidiaries, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, as of December 31, 1995, was:

Maturities		Interest Rates								
From	To	From	To	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
							(In Thousands)			
First Mortgage Bonds										
1996	1999	5%	10.5%	$1,064,410	$75,160	$445,000	$104,000	$35,000	$35,250	$370,000
2000	2004	6%	9.75%	1,282,320	180,800	670,000	361,520			70,000
2005	2009	6.25%	11.375%	355,319	215,000	120,000				20,319
2010	2014	11.375%		50,000						50,000
2015	2019	9.75%	11.375%	95,000	75,000					20,000
2020	2024	7%	10.375%	1,008,818	373,818	450,000	185,000			
G&R Bonds										
1996	1999	6.95%	11.2%	152,000				122,000	30,000	
2000	2023	6.625%	8.8%	485,000				355,000	130,000	
Governmental Obligations (a)										
1996	1998	5.9%	10%	110,868	51,495	46,300	12,158	915		
2009	2023	5.95%	12.50%	1,551,235	240,700	435,735	412,170	46,030		416,600
Debentures										
1996	1998	9.72%		150,000		150,000				
2000		7.38%		30,000						30,000
Long-Term DOE Obligation (Note 9)				111,536	111,536					
Waterford 3 Lease Obligation 8.76% (Note 10)				353,600			353,600			
Grand Gulf Lease Obligation 7.02% (Note 10)				500,000						500,000
Line of Credit, variable rate, due 1998				65,000						
Other Long-Term Debt				9,156		9,156				
Unamortized Premium and Discount - Net				(38,488)	(13,606)	(5,295)	(8,017)	(3,526)	(1,042)	(7,002)
Total Long-Term Debt				7,335,774	1,309,903	2,320,896	1,420,431	555,419	194,208	1,469,917
Less Amount Due Within One Year				558,650	28,700	145,425	35,260	61,015	38,250	250,000
Long-Term Debt Excluding Amount Due Within One Year				$6,777,124	$1,281,203	$2,175,471	$1,385,171	$494,404	$155,958	$1,219,917
Fair Value of Long-Term Debt (b)				$6,666,420	$1,213,511	$2,416,932	$1,136,246	$594,365	$198,785	$1,041,581

(a) Consists of pollution control bonds, certain series of which are secured by non-interest bearing first mortgage bonds.

(b) The fair value excludes lease obligations, long-term DOE obligations, and other long-term debt and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. See Note 1 for additional information on disclosure of fair value of financial instruments.

The annual long-term debt maturities (excluding lease obligations) and annual cash sinking fund requirements for debt outstanding as of December 31, 1996, for the next five years follow:

	Entergy(a)	Entergy Arkansas(b)	Entergy Gulf States(c)	Entergy Louisiana(d)	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
1997	$345,620	$32,465	$160,865	$34,275	$96,015	$12,000	$10,000
1998	311,720	15,510	190,890	35,300	20	-	70,000
1999	233,198	1,025	71,915	238	20	-	160,000
2000	1,098,988	1,245	945	100,225	20	-	75,000
2001	279,210	1,535	123,725	18,925	25	-	135,000

(a) Not included are other sinking fund requirements of approximately $17.5 million annually which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(b) Not included are other sinking fund requirements of approximately $0.62 million annually which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(c) Not included are other sinking fund requirements of approximately $12.8 million annually which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

(d) Not included are other sinking fund requirements of approximately $4.15 million annually which may be satisfied by cash or by certification of property additions at the rate of 167% of such requirements.

Entergy Gulf States has two outstanding series of pollution control bonds collateralized by irrevocable letters of credit, which are scheduled to expire before the scheduled maturity of the bonds. The letter of credit collateralizing the $28.4 million variable rate series, due December 1, 2015, expires in September 1999 and the letter of credit collateralizing the $20 million variable rate series, due April 1, 2016, expires in February 1999.

An Entergy subsidiary signed an agreement with several banks on January 5, 1996, to obtain a revolving credit facility in the aggregate amount of 1.2 billion Australian dollars (870 million US dollars) for the acquisition of CitiPower. The facility was partially drawn down on the same date, bears interest at an average annual rate of 8.046%, and is non-recourse to Entergy. This facility is collateralized by all of CitiPower's assets. Borrowings have maturities of 30 to 180 days, and are continuously renewable for 30 to 180 day periods at the subsidiary's option until the facility matures on June 30, 2000, unless certain events occur which would cause the maturity date to be extended to a date no later than December 31, 2000. The subsidiary intends to renew obligations incurred under the agreement for a period extending beyond one year from the balance-sheet date. As part of the CitiPower acquisition, Entergy Corporation provided credit support, in the form of a bank letter of credit and other agreements, totaling approximately $70 million, which was subsequently released in January 1997.

The subsidiary entered into several interest rate swaps to reduce the impact of interest rate changes on its debt related to the CitiPower acquisition. The interest rate swap agreements which hedge this debt involve the exchange of fixed and floating rate interest payments periodically over the life of the agreements without the exchange of the underlying principal amounts. Market risks arise from the movements in interest rates. If the counterparties to an interest rate swap agreement were to default on contractual payments, the subsidiary could be exposed to increased costs related to replacing the original agreement. However, the subsidiary does not anticipate nonperformance by any counterparty to any interest rate swap in effect at December 31, 1996. At December 31, 1996, this subsidiary was a party to a notional amount of $900 million Australian dollars of interest rate swaps with maturity dates ranging from February 1999 to December 2000.

Entergy Power UK plc, an Entergy subsidiary, executed a credit facility with several banks on December 17, 1996, to obtain credit facilities in the aggregate amount of approximately 1.25 billion British Pounds (2.1 billion US dollars). Proceeds of this facility, which is in three tranches, have been used, together with $392 million of cash provided by Entergy, to fund the acquisition of London Electricity plc and are available to replace London Electricity plc's currently outstanding short-term credit lines and to provide working capital for London Electricity plc. No borrowings were outstanding under this credit facility at December 31, 1996. The credit facility is non-recourse to Entergy and is collateralized by the assets of Entergy Power UK plc, consisting of all shares of London Electricity plc owned by it. The maturity dates of the various tranches of the credit facility range from December 17, 1998 to December 17, 2001. The interest rate on these facilities is the London Interbank Offered Rate plus up to 1.50% depending on the capitalization ratio of Entergy Power UK plc and its subsidiaries.

Under Entergy Mississippi's G&R Mortgage, G&R Bonds are issuable based upon 70% of bondable property additions, based upon 50% of accumulated deferred Grand Gulf 1 related costs, based upon the retirement of certain bonds previously outstanding, or based upon the deposit of cash with the trustee. Entergy Mississippi's G&R Mortgage prohibits the issuance of additional first mortgage bonds (including for refunding purposes) under Entergy Mississippi's first mortgage indenture, except such first mortgage bonds as may hereafter be issued from time to time at Entergy Mississippi's option to the corporate trustee under the G&R Mortgage to provide additional security for Entergy Mississippi's G&R Bonds.

Under Entergy New Orleans' G&R Mortgage, G&R Bonds are issuable based upon 70% of bondable property additions or based upon 50% of accumulated deferred Grand Gulf 1-related costs. The G&R Mortgage precludes the issuance of any additional bonds based upon property additions if the total amount of outstanding Rate Recovery Mortgage Bonds issued on the basis of the uncollected balance of deferred Grand Gulf 1-related costs exceeds 66 2/3% of the balance of such deferred costs. As of December 31, 1996, Entergy New Orleans had no outstanding Rate Recovery Mortgage Bonds.

NOTE 8. DIVIDEND RESTRICTIONS - (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements related to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. Additionally, PUHCA prohibits Entergy Corporation's subsidiaries from making loans or advances to Entergy Corporation. Detailed below are the restricted retained earnings unavailable for distribution to Entergy Corporation by subsidiary.

	Restricted Earnings (in millions)
Entergy Arkansas	$ 291.3
Entergy Gulf States	-
Entergy Louisiana	-
Entergy Mississippi	135.7
Entergy New Orleans	4.0
System Energy	6.7

During 1996, cash dividends paid to Entergy Corporation by its subsidiaries totaled $554.2 million. In February 1997, Entergy Corporation received common stock dividend payments from its subsidiaries totaling $66.9 million.

NOTE 9. COMMITMENTS AND CONTINGENCIES

<u>Cajun - River Bend</u> (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States and Cajun, respectively, own 70% and 30% undivided interests in River Bend (operated by Entergy Gulf States), and 42% and 58% undivided interests in Big Cajun 2, Unit 3 (operated by Cajun). These relationships have spawned a number of long-standing disputes and claims between the parties. An agreement setting forth terms for the resolution of all such disputes has been reached by Entergy Gulf States, the Cajun bankruptcy trustee, and the RUS, and approved by the United States District Court for the Middle District of Louisiana (District Court) on August 26, 1996 (Cajun Settlement). On September 6, 1996, the Committee of Unsecured Creditors in the Cajun bankruptcy proceeding filed a Notice of Appeal to the United States Court of Appeals for the Fifth Circuit (Fifth Circuit), objecting that the order approving the Cajun Settlement was separate from the approval of a plan of reorganization and, therefore, improper. The Cajun Settlement is subject to this appeal and approvals by the appropriate regulatory agencies. Entergy Gulf States expects to make filings with FERC and the SEC seeking approval for the transfer of certain Cajun transmission assets to Entergy Gulf States. Management believes that it is probable that the Cajun Settlement will ultimately be approved and consummated.

The Cajun Settlement resolves Cajun's civil action against Entergy Gulf States, in which Cajun sought to rescind or terminate the Joint Ownership Participation and Operating Agreement (Operating Agreement) entered into on August 28, 1979, relating to River Bend. In that suit, Cajun also sought to recover its alleged $1.6 billion investment in the unit plus attorneys' fees, interest, and costs. A trial on the portion of the suit by Cajun to rescind the Operating Agreement was completed in March 1995. On October 24, 1995, the District Court issued a memorandum opinion rejecting Cajun's fraud claims and denying rescission. An appeal to the Fifth Circuit by the Cajun bankruptcy trustee was stayed pending the Court's trial of the breach of contract phase of the case. The Cajun Settlement resolves both the issues on appeal and the breach of contract claims, which have not been tried.

In 1992, two member cooperatives of Cajun brought an additional independent action to declare the Operating Agreement null and void, based upon Entergy Gulf States' failure to get prior LPSC approval which was alleged to be necessary. Prior to its bankruptcy proceedings, Cajun intervened as a plaintiff in this action. Entergy Gulf States believes the suits are without merit and believes Cajun's claim is mooted by the Cajun Settlement.

The Cajun Settlement, agreed to in principle on April 26, 1996, by Entergy Gulf States, the Cajun bankruptcy trustee, and the RUS, Cajun's largest creditor, was approved by the District Court on August 26, 1996. The terms include, but are not limited to, the following: (i) Cajun's interest in River Bend will be turned over to the RUS, which will have the option to retain the interest, sell it to a third party, or transfer it to Entergy Gulf States at no cost; (ii) Cajun will set aside a total of $125 million for its share of the decommissioning costs of River Bend; (iii) Cajun will transfer certain transmission assets to Entergy Gulf States; (iv) Cajun will settle transmission disputes and be released from claims for payment under transmission arrangements with Entergy Gulf States as discussed under "**<u>Cajun - Transmission Service</u>**" below; (v) all funds paid by Entergy Gulf States into the registry of the District Court will be returned to Entergy Gulf States; (vi) Cajun will be released from its unpaid past, present, and future liability for River Bend costs and expenses; and (vii) all litigation between Cajun and Entergy Gulf States will be dismissed. Based on the District Court's approval of the Cajun Settlement, the litigation accrual established in 1994 for possible losses associated with the Cajun-River Bend litigation was reversed in September 1996.

Cajun has not paid its full share of capital costs, operating and maintenance expenses, and other costs for repairs and improvements to River Bend since 1992. In view of Cajun's failure to fund its share of River Bend-related operating, maintenance, and capital costs, Entergy Gulf States has (i) credited Entergy Gulf States' share of expenses for Big Cajun 2, Unit 3 against amounts due from Cajun to Entergy Gulf States, and (ii) sought to market Cajun's share of power from River Bend and apply proceeds to the amounts due from Cajun to Entergy Gulf States. As a result, on November 2, 1994, Cajun discontinued supplying Entergy Gulf States with its share of power from Big Cajun 2, Unit 3. Entergy Gulf States requested an order from the District Court requiring Cajun to supply Entergy Gulf States with this energy and allowing Entergy Gulf States to credit amounts due to Cajun for Big

Cajun 2, Unit 3 energy against amounts Cajun owed to Entergy Gulf States for River Bend. In December 1994, by means of a preliminary injunction, the District Court ordered Cajun to supply Entergy Gulf States with its share of energy from Big Cajun 2, Unit 3 and ordered Entergy Gulf States to make payments for its share of Big Cajun 2, Unit 3 expenses to the registry of the District Court. In October 1995, the Fifth Circuit affirmed the District Court's preliminary injunction. As of December 31, 1996, $70.4 million had been paid by Entergy Gulf States into the registry of the District Court. Cajun's unpaid portion of River Bend operating and maintenance expenses (including nuclear fuel) and capital costs for 1996 was approximately $55 million. The cumulative cost to Entergy Gulf States resulting from Cajun's failure to pay its full share of River Bend-related costs, reduced by the proceeds from the sale by Entergy Gulf States of Cajun's share of River Bend power and payments into the registry of the District Court for Entergy Gulf States' portion of expenses for Big Cajun 2, Unit 3, was $4.9 million as of December 31, 1996. Cajun's unpaid portion of the River Bend-related costs is reflected in long-term receivables with an offsetting reserve in other deferred credits. As discussed above, the Cajun Settlement will conclude all disputes regarding the non-payment by Cajun of operating and maintenance expenses. Cajun continues to pay its share of decommissioning costs for River Bend.

On December 21, 1994, Cajun filed a petition in the United States Bankruptcy Court for the Middle District of Louisiana seeking relief under Chapter 11 of the Bankruptcy Code. In its bankruptcy proceedings, Cajun filed a motion on January 10, 1995, to reject the Operating Agreement as a burdensome executory contract. Entergy Gulf States responded on January 10, 1995, with a memorandum opposing Cajun's motion. As discussed above, this matter will be ended as a result of the Cajun Settlement. Proponents of all of the plans of reorganization submitted to the Bankruptcy Court have incorporated the Cajun Settlement as an integral condition to the effectiveness of their plan. The timing and completion of the reorganization plan depends on Bankruptcy Court approval and any required regulatory approvals. The Bankruptcy Court has approved proposals by three groups seeking to acquire the non-nuclear assets of Cajun and has signed an order that establishes rules for how Cajun's creditors will vote on the three plans. On December 16, 1996, the Bankruptcy Court began hearings on the balloting and the plan that will be adopted.

<u>**Cajun - Transmission Service**</u> (Entergy Corporation and Entergy Gulf States)

Entergy Gulf States and Cajun are parties to FERC proceedings relating to transmission service charge disputes. In April 1992, FERC issued a final order in these disputes. In May 1992, Entergy Gulf States and Cajun filed motions for rehearings on certain portions of the order, which are still pending at FERC. In June 1992, Entergy Gulf States filed a petition for review in the United States Court of Appeals for the District of Columbia Circuit regarding certain of the other issues decided by FERC. In August 1993, the Court of Appeals rendered an opinion reversing FERC's order regarding the portion of such disputes relating to the calculations of certain credits and equalization charges under Entergy Gulf States' service schedules with Cajun. The opinion remanded the issues to FERC for further proceedings consistent with its opinion. In February 1995, FERC eliminated an issue from the remand that Entergy Gulf States believes the Court of Appeals directed FERC to reconsider. In orders issued on August 3, 1995, and October 2, 1995, FERC affirmed an April 1995 ruling by an ALJ in the remanded portion of Entergy Gulf States' and Cajun's ongoing transmission service charge disputes before FERC. Both Entergy Gulf States and Cajun have petitioned for appeal. The Court of Appeals has stayed the appellate proceeding pending implementation of the Cajun Settlement (see <u>**Cajun - River Bend**</u> above, for a further discussion of the Cajun Settlement).

Under Entergy Gulf States' interpretation of a 1992 FERC order, as modified by FERC's orders issued on August 3, 1995, and October 2, 1995, and as agreed to by the Cajun bankruptcy trustee, Cajun would owe Entergy Gulf States approximately $70.2 million as of December 31, 1996. Entergy Gulf States further estimates that if it were to prevail in its May 1992 motion for rehearing and on certain other issues decided adversely to Entergy Gulf States in the February 1995, August 1995, and October 1995 FERC orders, which Entergy Gulf States has appealed, Cajun would owe Entergy Gulf States approximately $157.3 million as of December 31, 1996. If Cajun were to prevail in its May 1992 motion for rehearing to FERC, and if Entergy Gulf States were not to prevail in its May 1992 motion for rehearing to FERC, and if Cajun were to prevail in appealing FERC's August and October 1995 orders, Entergy Gulf States estimates it would owe Cajun approximately $110.9 million as of December 31, 1996. The above amounts are exclusive of a $7.3 million payment by Cajun on December 31, 1990, which the parties agreed to apply to the disputed transmission service charges. Pending FERC's ruling on the May 1992 motions for rehearing, Entergy Gulf States has continued to bill Cajun utilizing the historical billing methodology and has recorded underpaid transmission charges, including interest, in the amount of $144 million as of December 31, 1996. This amount is reflected in long-term receivables with an offsetting reserve in other deferred credits. FERC has determined that the collection of the pre-petition debt of Cajun is an issue properly decided in the bankruptcy proceeding. Refer to "Cajun - River Bend" above for a discussion of the Cajun Settlement.

Capital Requirements and Financing (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Construction expenditures (excluding nuclear fuel) for the domestic utility companies and System Entergy for the years 1997, 1998, and 1999 are estimated to total, $510 million, $547 million, and $565 million, respectively. Entergy will also require $986 million during the period 1997-1999 to meet long-term debt and preferred stock maturities and cash sinking fund requirements. Entergy plans to meet the above requirements primarily with internally generated funds and cash on hand, supplemented by the issuance of debt and company-obligated mandatorily redeemable preferred securities and the use of outstanding credit facilities. Certain domestic utility companies and System Energy may also continue with the acquisition or refinancing of all or a portion of certain outstanding series of preferred stock and long-term debt. See Notes 5, 6, and 7 for further information.

Grand Gulf 1-Related Agreements

Capital Funds Agreement (Entergy Corporation and System Energy)

Entergy Corporation has agreed to supply System Energy with sufficient capital to (i) maintain System Energy's equity capital at an amount equal to a minimum of 35% of its total capitalization (excluding short-term debt), and (ii) permit the continued commercial operation of Grand Gulf 1 and pay in full all indebtedness for borrowed money of System Energy when due under any circumstances. In addition, under supplements to the Capital Funds Agreement assigning System Energy's rights as security for specific debt of System Energy, Entergy Corporation has agreed to make cash capital contributions to enable System Energy to make payments on such debt when due.

System Energy has entered into various agreements with Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans whereby they are obligated to purchase their respective entitlements of capacity and energy from System Energy's 90% ownership and leasehold interest in Grand Gulf 1, and to make payments that, together with other available funds, are adequate to cover System Energy's operating expenses. System Energy would have to secure funds from other sources, including Entergy Corporation's obligations under the Capital Funds Agreement, to cover any shortfalls from payments received from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under these agreements.

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

System Energy has agreed to sell all of its 90% owned and leased share of capacity and energy from Grand Gulf 1 to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33% and Entergy New Orleans-17%) as ordered by FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered so long as the unit remains in commercial operation. The agreement will remain in effect until terminated by the parties and approved by FERC, most likely upon Grand Gulf 1's retirement from service. Monthly obligations for payments, including the rate increase which was placed into effect in December 1995, subject to refund, under the agreement are approximately $21 million, $8 million, $19 million, and $10 million for Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, respectively.

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

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are individually obligated to make payments or subordinated advances to System Energy in accordance with stated percentages (Entergy Arkansas-17.1%, Entergy Louisiana-26.9%, Entergy Mississippi-31.3%, and Entergy New Orleans-24.7%) in amounts that when added to amounts received under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses as defined, including an amount sufficient to amortize Grand Gulf 2 over 27 years. (See Reallocation Agreement terms below.) System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Since commercial operation of Grand Gulf 1, payments under the Unit Power Sales Agreement have exceeded the amounts payable under the Availability Agreement. Accordingly, no payments have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments.

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

System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans entered into the Reallocation Agreement relating to the sale of capacity and energy from Grand Gulf and the related costs, in which Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans agreed to assume all of Entergy Arkansas' responsibilities and obligations with respect to Grand Gulf under the Availability Agreement. FERC's decision allocating a portion of Grand Gulf 1 capacity and energy to Entergy Arkansas supersedes the Reallocation Agreement as it relates to Grand Gulf 1. Responsibility for any Grand Gulf 2 amortization amounts has been individually allocated (Entergy Louisiana-26.23%, Entergy Mississippi-43.97%, and Entergy New Orleans-29.80%) under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect Entergy Arkansas' obligation to System Energy's lenders under the assignments referred to in the preceding paragraph. Entergy Arkansas would be liable for its share of such amounts if Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans were unable to meet their contractual obligations. No payments of any amortization amounts will be required as long as amounts paid to System Energy under the Unit Power Sales Agreement, including other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Reimbursement Agreement (System Energy)

In December 1988, System Energy entered into two entirely separate, but identical, arrangements for the sales and leasebacks of an approximate aggregate 11.5% ownership interest in Grand Gulf 1 (see Note 10). In connection with the equity funding of the sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable for the benefit of the equity investors by System Energy under the leases. The current letters of credit are effective until January 15, 2000.

Under the provisions of a bank letter of credit reimbursement agreement, System Energy has agreed to a number of covenants relating to the maintenance of certain capitalization and fixed charge coverage ratios. System Energy agreed, during the term of the reimbursement agreement, to maintain its equity at not less than 33% of its adjusted capitalization (defined in the reimbursement agreement to include certain amounts not included in capitalization for financial statement purposes). In addition, System Energy must maintain, with respect to each fiscal quarter during the term of the reimbursement agreement, a ratio of adjusted net income to interest expense (calculated, in each case, as specified in the reimbursement agreement) of at least 1.60 times earnings. As of December 31, 1996, System Energy's equity approximated 34.79% of its adjusted capitalization, and its fixed charge coverage ratio was 2.25.

Fuel Purchase Agreements

(Entergy Arkansas and Entergy Mississippi)

Entergy Arkansas has long-term contracts with mines in the State of Wyoming for the supply of low-sulfur coal for the White Bluff Steam Electric Generating Station and Independence (which is 25% owned by Entergy Mississippi). These contracts, which expire in 2002 and 2011, provide for approximately 85% of Entergy Arkansas' expected annual coal requirements. Additional requirements are satisfied by annual spot market purchases.

(Entergy Gulf States)

Entergy Gulf States has a contract for a supply of low-sulfur Wyoming coal for Nelson Unit 6, which should be sufficient to satisfy the fuel requirements at Nelson Unit 6 through 2010. Cajun has advised Entergy Gulf States that Cajun has contracts that should provide an adequate supply of coal until 1999 for the operation of Big Cajun 2, Unit 3.

Entergy Gulf States has long-term gas contracts, which will satisfy approximately 50% of its annual requirements. Such contracts generally require Entergy Gulf States to purchase in the range of 20% of expected total gas needs. Additional gas requirements are satisfied under less expensive short-term contracts. Entergy Gulf States has a transportation service agreement with a gas supplier that provides flexible natural gas service to the Sabine and Lewis Creek generating stations. This service is provided by the supplier's pipeline and salt dome gas storage facility, which has a present capacity of 12.7 billion cubic feet of natural gas.

(Entergy Louisiana)

In June 1992, Entergy Louisiana agreed to a renegotiated 20-year natural gas supply contract. Entergy Louisiana agreed to purchase natural gas in annual amounts equal to approximately one-third of its projected annual fuel requirements for certain generating units. Annual demand charges associated with this contract are estimated to be $8.6 million through 1997, and a total of $116.6 million for the years 1998 through 2012. Entergy Louisiana recovers the cost of fuel consumed during the generation of electricity through its fuel adjustment clause.

Sales Agreements/Power Purchases

(Entergy Gulf States)

In 1988, Entergy Gulf States entered into a joint venture with a primary term of 20 years with Conoco, Inc., Citgo Petroleum Corporation, and Vista Chemical Company (Industrial Participants) whereby Entergy Gulf States' Nelson Units 1 and 2 were sold to a partnership (NISCO) consisting of the Industrial Participants and Entergy Gulf States. The Industrial Participants supply the fuel for the units, while Entergy Gulf States operates the units at the discretion of the Industrial Participants and purchases the electricity produced by the units. Entergy Gulf States is continuing to sell electricity to the Industrial Participants. For the years ended December 31, 1996, 1995, and 1994, the purchases by Entergy Gulf States of electricity from the joint venture totaled $62.0 million, $58.5 million, and $59.4 million, respectively.

(Entergy Louisiana)

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility. During 1996, 1995, and 1994, Entergy Louisiana made payments under the contract of approximately \$56.3 million, \$55.7 million, and \$56.3 million, respectively. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$54 million in 1997, and a total of \$3.5 billion for the years 1998 through 2031. Entergy Louisiana recovers the costs of purchased energy through its fuel adjustment clause.

<u>System Fuels</u> **(Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans have interests in System Fuels of 35%, 33%, 19%, and 13%, respectively. The parent companies of System Fuels agreed to make loans to System Fuels to finance its fuel procurement, delivery, and storage activities. As of December 31, 1996, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans had, respectively, approximately \$11 million, \$14.2 million, \$5.5 million, and \$3.3 million in loans outstanding to System Fuels which mature in 2008.

In addition, System Fuels entered into a revolving credit agreement with a bank that provides \$45 million in borrowings to finance System Fuels' nuclear materials and services inventory. Should System Fuels default on its obligations under its credit agreement, Entergy Arkansas, Entergy Louisiana, and System Energy have agreed to purchase nuclear materials and services financed under the agreement.

<u>Nuclear Insurance</u> **(Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)**

The Price-Anderson Act limits public liability for a single nuclear incident to approximately \$8.92 billion. Protection for this liability is provided through a combination of private insurance (currently \$200 million each for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy) and an industry assessment program. Under the assessment program, the maximum payment requirement for each nuclear incident would be \$79.3 million per reactor, payable at a rate of \$10 million per licensed reactor per incident per year. Entergy has five licensed reactors. As a co-licensee of Grand Gulf 1 with System Energy, SMEPA would share 10% of this obligation. With respect to River Bend, any assessments pertaining to this program are allocated in accordance with the respective ownership interests of Entergy Gulf States and Cajun. In addition, each owner/licensee of Entergy's five nuclear units participates in a private insurance program which provides coverage for worker tort claims filed for bodily injury caused by radiation exposure. The program provides for a maximum assessment of approximately \$16 million for the five nuclear units in the event losses exceed accumulated reserve funds.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy are also members of certain insurance programs that provide coverage for property damage, including decontamination and premature decommissioning expense, to members' nuclear generating plants. As of December 31, 1996, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each was insured against such losses up to \$2.75 billion. In addition, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are members of an insurance program that covers certain replacement power and business interruption costs incurred due to prolonged nuclear unit outages. Under the property damage and replacement power/business interruption insurance programs, these Entergy subsidiaries could be subject to assessments if losses exceed the accumulated funds available to the insurers. As of December 31, 1996, the maximum amounts of such possible assessments were: Entergy Arkansas - \$31.1 million; Entergy Gulf States - \$11.5 million; Entergy Louisiana - \$24.8 million; Entergy Mississippi - \$0.7 million; Entergy New Orleans - \$0.4 million; and System Energy - \$21.3 million. Under its agreement with System Energy, SMEPA would share in System Energy's obligation. Cajun has no share of Entergy Gulf States' obligation.

The amount of property insurance maintained for each Entergy nuclear unit exceeds the NRC's minimum requirement for nuclear power plant licensees of $1.06 billion per site. NRC regulations provide that the proceeds of this insurance must be used, first, to place and maintain the reactor in a safe and stable condition 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.

<u>Spent Nuclear Fuel and Decommissioning Costs</u> **(Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy)**

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy provide for estimated future disposal costs for 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 will furnish disposal service at a cost of one mill per net kWh generated and sold after April 7, 1983, plus a onetime fee for generation prior to that date. Entergy Arkansas, the only Entergy company that generated electricity with nuclear fuel prior to that date, elected to pay the onetime fee plus accrued interest, no earlier than 1998, and has recorded a liability as of December 31, 1996, of approximately $117 million for generation subsequent to 1983. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy considers all costs incurred or to be incurred, except accrued interest, for the disposal of spent nuclear fuel to be proper components of nuclear fuel expense, and provisions to recover such costs have been or will be made in applications to regulatory authorities.

Delays have occurred in the DOE's program for the acceptance and disposal of spent nuclear fuel at a permanent repository. In a statement released February 17, 1993, the DOE asserted that it does not have a legal obligation to accept spent nuclear fuel without an operational repository for which it has not yet arranged. Entergy Operations and System Fuels joined in lawsuits against the DOE, seeking clarification of the DOE's responsibility to receive spent nuclear fuel beginning in 1998. The original suits, filed June 20, 1994, asked for a ruling stating that the Nuclear Waste Policy Act requires the DOE to begin taking title to the spent fuel and to start removing it from nuclear power plants in 1998, a mandate for the DOE's nuclear waste management program to begin accepting fuel in 1998 and court monitoring of the program, and the potential for escrow of payments to a nuclear waste fund instead of directly to the DOE. Argument in the case before a three-judge panel of the U.S. Court of Appeals was made on January 17, 1996. On July 23, 1996, the court reversed the DOE's interpretation of the 1998 obligation and unanimously ruled that the Nuclear Waste Policy Act creates an unconditional obligation to begin acceptance of spent fuel by 1998, but did not make a ruling on the remedies.

On December 17, 1996, the DOE notified contract holders that it anticipates it will not be able to begin such acceptance until after that date. Subsequently, on January 31, 1997, Entergy Operations and a coalition of 36 electric utilities and 46 state agencies filed lawsuits to suspend payments to the Nuclear Waste Fund. The lawsuits ask the court to (i) find that the December 17, 1996 DOE letter demonstrates breach of contract on the part of the DOE; (ii) order utilities to place the Nuclear Waste Fund payments in an escrow account and not provide the funds to the DOE until it fulfills its obligation, (iii) prevent the DOE from taking adverse action against utilities that withhold payments; and (iv) order the DOE to submit a plan to the court describing how the agency intends to fulfill its obligation on an ongoing basis.

In the meantime, all Entergy companies are responsible for their spent fuel storage. Current on-site spent fuel storage capacity at River Bend, Waterford 3, and Grand Gulf 1 is estimated to be sufficient until 2003, 2000, and 2004, respectively. Thereafter, the affected companies will provide additional storage. Current on-site spent fuel storage capacity at ANO is estimated to be sufficient until 2000. An ANO storage facility using dry casks began operation in 1996. This facility may be expanded further as required. The initial cost of providing the additional on-site spent fuel storage capability required at ANO, River Bend, Waterford 3, and Grand Gulf 1 is expected to be approximately $5 million to $10 million per unit. In addition, about $3 million to $5 million per unit will be required every two to three years subsequent to 2000 for ANO and every four to five years subsequent to 2003, 2000, and

2004 for River Bend, Waterford 3, and Grand Gulf 1, respectively, until the DOE's repository or storage facility begins accepting such units' spent fuel.

Total decommissioning costs at December 31, 1996, for the Entergy nuclear power plants, excluding co-owner shares, have been estimated as follows:

	Total Estimated Decommissioning Costs (In Millions)
ANO 1 and ANO 2 (based on a 1994 interim update to the 1992 cost study)	$ 806.3
River Bend (based on a 1996 cost study reflecting 1996 dollars)	293.3
Waterford 3 (based on a 1994 updated study in 1993 dollars)	320.1
Grand Gulf 1 (based on a 1994 cost study using 1993 dollars)	365.9
	$ 1,785.6

Entergy Arkansas and Entergy Louisiana are authorized to recover in rates amounts that, when added to estimated investment income, should be sufficient to meet the above estimated decommissioning costs for ANO and Waterford 3, respectively. In the Texas retail jurisdiction, Entergy Gulf States is recovering in rates River Bend decommissioning costs (based on the 1991 cost study that totaled $267.8 million) that, with adjustments, total $204.9 million. In the Louisiana retail jurisdiction, Entergy Gulf States is currently recovering in rates decommissioning costs (based on a 1985 cost study) which total $141 million. Entergy Gulf States included decommissioning costs (based on the 1991 study) in the LPSC rate review filed in May 1995. In October 1996, the LPSC approved Entergy Gulf States rates that include decommissioning costs based on the 1991 study. The October 1996 LPSC order has been appealed and the decommissioning costs based on the 1991 study have not yet been implemented. Entergy Gulf States included decommissioning costs, based on the 1996 study, in the LPSC rate review filed in May 1996 and in the PUCT rate review filed in November 1996. Those reviews are still ongoing. System Energy was previously recovering in rates amounts sufficient to fund $198 million (in 1989 dollars) of its Grand Gulf 1 decommissioning costs. System Energy included decommissioning costs (based on the 1994 study) in its rate increase filing with FERC. Rates requested in this proceeding were placed into effect in December 1995, subject to refund. FERC has not yet issued an order in the System Energy rate case. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy periodically review and update estimated decommissioning costs. Although Entergy is presently underrecovering for Grand Gulf and River Bend based on the above estimates, applications are periodically made to the appropriate regulatory authorities to reflect in rates any future change in projected decommissioning costs. The amounts recovered in rates are deposited in trust funds and reported at market value as quoted on nationally traded markets or as determined by widely used pricing services. These trust fund assets largely offset the accumulated decommissioning liability that is recorded as accumulated depreciation for Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana, and as other deferred credits for System Energy.

The cumulative liabilities and actual decommissioning expenses recorded in 1996 by Entergy were as follows:

	Cumulative Liabilities as of December 31, 1995	1996 Trust Earnings	1996 Decommissioning Expenses	Cumulative Liabilities as of December 31, 1996
		(In Millions)		
ANO 1 and ANO 2	$ 169.0	$ 11.5	$ 20.1	$ 200.6
River Bend	31.7	1.5	6.0	39.2
Waterford 3	37.4	2.8	8.8	49.0
Grand Gulf 1	39.4	2.3	19.0	60.7
	$ 277.5	$ 18.1	$ 53.9	$ 349.5

In 1995 and 1994, ANO's decommissioning expense was $17.7 million, and $12.2 million, respectively; River Bend's decommissioning expense was $8.1 million and $3.0 million, respectively; Waterford 3's decommissioning expense was $7.5 million and $4.8 million, respectively; and Grand Gulf 1's decommissioning expense was $5.4 million and $5.2 million, respectively. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. Management believes that actual decommissioning costs are likely to be higher than the estimated amounts presented above.

The SEC has questioned certain of the financial accounting practices of the electric utility industry regarding the recognition, measurement, and classification of decommissioning costs for nuclear plants in the financial statements of electric utilities. In response to these questions, the FASB has been reviewing the accounting for decommissioning and has expanded the scope of its review to include liabilities related to the closure and removal of all long-lived assets. An exposure draft of the proposed SFAS (which proposed a 1997 effective date) was issued in February 1996. The proposed SFAS would require measurement and recognition of the liability for closure and removal of long-lived assets (including decommissioning) based on the amount of discounted future cash flows related to closure and removal costs at the time the liability was initially incurred. Those future cash flows should be determined by estimating current costs for closure and removal and adjusting for inflation, efficiencies that may be gained from experience with similar activities, and consideration of reasonable future advances in technology.

The initial liability would be offset by an asset that should be presented with other plant costs on the financial statements because the cost of decommissioning/closing the plant would be recognized as part of the total cost of the plant asset. Changes in the decommissioning/closure cost liability resulting from changes in assumptions would be recognized with a corresponding adjustment to the plant asset, and depreciation revised prospectively. Additional increases to the liability would be recognized to reflect the increase in the discounted cash flows resulting from the passage of time. Such increases would be offset by a regulatory asset, to the extent such costs are deemed probable of future recovery.

After receiving comments on the exposure draft, the FASB has decided that the effective date for the proposed SFAS will be later than 1997, although a final effective date has not yet been announced. The FASB is expected to issue an additional document on this issue in the second quarter of 1997, although it has not yet been decided if that document will be in the form of a final accounting standard or a revised exposure draft. If current electric utility industry accounting practices with respect to nuclear decommissioning and other closure costs are changed, annual provisions for such costs could increase, the estimated cost for decommissioning/closure could be recorded as a liability rather than as accumulated depreciation, and trust fund income from decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense.

The EPAct has a provision that assesses domestic nuclear utilities with fees for the decontamination and decommissioning of the DOE's past uranium enrichment operations. The decontamination and decommissioning assessments are being used to set up a fund into which contributions from utilities and the federal government will be placed. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy's annual assessments, which will be adjusted annually for inflation, are approximately $3.6 million, $0.9 million, $1.4 million, and $1.5 million (in 1996 dollars), respectively, for approximately 15 years. At December 31, 1996, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy had recorded liabilities of $36.4 million, $6.3 million, $13.8 million, and $13.6 million, respectively, for decontamination and decommissioning fees in other current liabilities and other noncurrent liabilities, and these liabilities were offset in the consolidated financial statements by regulatory assets. FERC requires that utilities treat these assessments as costs of fuel as they are amortized and are recovered through rates in the same manner as other fuel costs.

<u>ANO Matters</u> (Entergy Corporation and Entergy Arkansas)

Cracks in certain steam generator tubes at ANO 2 were discovered and repaired during an outage in March 1992. Further inspections and repairs were conducted at subsequent refueling and mid-cycle outages, including the most recent forced outage in November 1996. ANO 2's output has been reduced by 23 MW due to steam generator fouling and tube plugging. The unit may be approaching the current limit for the number of steam generator tubes that can be plugged with the unit in operation. If the established limit is reached during a future outage, Entergy Operations could be required to insert sleeves in steam generator tubes that were previously plugged. On October 25, 1996, Entergy Corporation's Board of Directors authorized Entergy Operations to negotiate a contract, with appropriate cancellation provisions, for the fabrication and replacement of the steam generators at ANO 2. Entergy estimates the cost of fabrication and replacement of the steam generators to be approximately $150 million. A letter of intent for the fabrication has been signed by Entergy Operations, which includes a commitment for not more than $3.2 million, and a contract is expected to be entered into in 1997. If a formal contract to purchase the steam generators is not canceled, the steam generators will be installed during a planned refueling outage in 2000. Entergy Operations periodically meets with the NRC to discuss the results of inspections of the steam generator tubes, as well as the timing of future inspections.

<u>Environmental Issues</u>

(Entergy Arkansas)

In May 1995, Entergy Arkansas was named as a defendant in a suit by Reynolds Metals Company (Reynolds), seeking to recover a share of the costs associated with the clean-up of hazardous substances at a site south of Arkadelphia, Arkansas. Reynolds alleges that it has spent $11.2 million to clean-up the site, and that the site was contaminated in part with PCBs for which Entergy Arkansas bears some responsibility. Entergy Arkansas, voluntarily, at its expense, has already completed remediation at a nearby substation site and believes that it has no liability for contamination at the site that is subject to the Reynolds suit and is contesting the lawsuit. An August 1997 trial date has been tentatively scheduled. Regardless of the outcome, Entergy Arkansas does not believe this matter would have a materially adverse effect on its financial condition or results of operations.

(Entergy Gulf States)

Entergy Gulf States has been designated as a PRP for the clean-up of certain hazardous waste disposal sites. Entergy Gulf States is currently negotiating with the EPA and state authorities regarding the clean-up of these sites. Several class action and other suits have been filed in state and federal courts seeking relief from Entergy Gulf States and others for damages caused by the disposal of hazardous waste and for asbestos-related disease allegedly resulting from exposure on Entergy Gulf States premises. While the amounts at issue in the clean-up efforts and suits may be substantial, Entergy Gulf States believes that its results of operations and financial condition will not be materially adversely affected by the outcome of the suits. As of December 31, 1996, a remaining recorded liability of $21.4 million existed relating to the clean-up of seven sites at which Entergy Gulf States has been designated a PRP.

(**Entergy Louisiana**)

During 1993, the LDEQ issued new rules for solid waste regulation, including regulation of wastewater impoundments. Entergy Louisiana has determined that certain of its power plant wastewater impoundments were affected by these regulations and has chosen to upgrade or close them. As a result, a remaining recorded liability in the amount of $6.7 million existed at December 31, 1996, for wastewater upgrades and closures to be completed in 1997. Cumulative expenditures relating to the upgrades and closures of wastewater impoundments were $7.1 million as of December 31, 1996.

City Franchise Ordinances (Entergy New Orleans)

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to City franchise ordinances that state, among other things, the City has a continuing option to purchase Entergy New Orleans' electric and gas utility properties.

Employment Litigation

(Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans)

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits described below that have been filed by former employees asserting that they were wrongfully terminated and/or discriminated against due to age, race, and/or sex. Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are vigorously defending these suits and deny any liability to the plaintiffs. However, no assurance can be given as to the outcome of these cases.

(Entergy Corporation and Entergy Arkansas)

Entergy Corporation and Entergy Arkansas are defendants in five suits filed in federal court on behalf of approximately 62 plaintiffs who claim they were illegally terminated from their jobs due to discrimination on the basis of age or race. One of these suits seeks class certification. A trial date is scheduled in March 1997 for one suit comprised of approximately 29 plaintiffs, and a trial date is scheduled in May 1997 for another suit comprised of approximately 18 plaintiffs. Trial dates have not been set in the other suits.

(Entergy Corporation and Entergy Gulf States)

Entergy Corporation and Entergy Gulf States are defendants in a lawsuit involving approximately 176 plaintiffs filed in state court in Texas by former employees who claim that they lost their jobs as a result of the Merger. The plaintiffs in these cases have asserted various claims, including discrimination on the basis of age, race, and/or sex. The court has preliminarily ruled that each plaintiff's claim should be tried separately. The first case is scheduled for trial in June 1997.

(Entergy Corporation, Entergy Gulf States, and Entergy Louisiana)

Entergy Corporation, Entergy Gulf States and Entergy Louisiana are defendants in a suit filed in federal court in Louisiana by approximately 39 plaintiffs who claim, among other things, they were wrongfully discharged from their employment on the basis of their age. No trial date has been set for this case.

(Entergy Louisiana and Entergy New Orleans)

Entergy Louisiana and Entergy New Orleans are defendants in a suit filed in state court in Louisiana by 110 plaintiffs who seek to certify a class on behalf of all employees who allegedly were terminated or required to resign on the basis of age. The court has set a hearing for certification of the class for March 13, 1997; no trial date has been set. Entergy Louisiana and/or Entergy New Orleans also are defendants in approximately 27 other suits filed in federal or state court by plaintiffs who claim they were wrongfully discharged on the basis of age, race, or sex.

Financial Instruments

In accordance with the debt covenants included in the financing provisions of the CitiPower acquisition, CitiPower must hedge at least 80% of its energy purchases. CitiPower's current strategy is to hedge approximately 100% of its forecasted energy purchases through contracts entered into with certain generators. These contracts mature through the year 2000.

NOTE 10. LEASES

General

As of December 31, 1996, Entergy had capital leases and noncancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum lease payments as follows:

	Capital Leases		
Year	Entergy	Entergy Arkansas	Entergy Gulf States
		(In Thousands)	
1997	$ 27,312	$ 10,953	$ 12,475
1998	27,294	10,953	12,475
1999	27,268	10,953	12,475
2000	25,530	9,646	12,049
2001	23,400	9,646	11,623
Years thereafter	99,877	52,209	47,418
Minimum lease payments	230,681	104,360	108,515
Less: Amount representing interest	83,741	45,151	36,104
Present value of net minimum lease payments	$ 146,940	$ 59,209	$ 72,411

		Operating Leases		
Year	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana
			(In Thousands)	
1997	$ 56,232	$ 23,248	$ 8,040	$ 5,383
1998	55,358	20,999	11,867	4,778
1999	52,060	19,104	11,865	4,382
2000	47,125	17,136	11,354	3,925
2001	43,505	17,219	11,355	504
Years thereafter	211,238	29,495	67,816	2,210
Minimum lease payments	$ 465,518	$ 127,201	$ 122,297	$ 21,182

Rental expense for Entergy's leases (excluding nuclear fuel leases and the sale and leaseback transactions) amounted to approximately $59.7 million, $61.1 million, and $64.8 million in 1996, 1995, and 1994, respectively. These amounts include $26.0 million, $26.0 million, and $26.4 million, respectively, for Entergy Arkansas, $11.8 million, $13.0 million, and $15.3 million, respectively for Entergy Gulf States, and $13.7 million, $13.6 million, and $12.1 million, respectively, for Entergy Louisiana.

Nuclear Fuel Leases

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each has arrangements to lease nuclear fuel in an aggregate amount up to $385 million as of December 31, 1996. The lessors finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of notes. These agreements are subject to annual renewal with, in Entergy Louisiana's and Entergy Gulf States' case, the consent of the lenders. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have been extended and now have termination dates of December 1999, December 1999, January 2000, and February 2000, respectively. The debt securities issued pursuant to these fuel lease arrangements have varying maturities through January 31, 1999. It is expected that the credit agreements will be extended or alternative financing will be secured by each lessor upon the maturity of the current arrangements. If extensions or alternative financing cannot be arranged, the lessee in each case must purchase sufficient nuclear fuel to allow the lessor to retire such borrowings.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense charged to operations by the domestic utility companies in 1996, 1995, and 1994 was $158.5 million (including interest of $21.7 million), $153.5 million (including interest of $22.1 million), and $163.4 million (including interest of $27.3 million), respectively. Specifically, in 1996, 1995, and 1994 Entergy Arkansas' expense was $53.9 million, $46.8 million, and $56.2 million (including interest of $7.1 million, $6.7 million, and $7.5 million), respectively; Entergy Gulf States' expense was $27.1 million, $41.4 million, and $37.2 million (including interest of $4.2 million, $6.0 million, and $8.7 million), respectively; Entergy Louisiana's expense was $39.8 million, $30.8 million, and $32.2 million (including interest of $4.9 million, $3.7 million, and $4.3 million), respectively; System Energy's expense was $37.7 million, $34.5 million, and $37.8 million (including interest of $5.5 million, $5.7 million, and $6.8 million), respectively.

Sale and Leaseback Transactions

Waterford 3 Lease Obligations (Entergy Louisiana)

On September 28, 1989, Entergy Louisiana entered into three transactions for the sale (for an aggregate cash consideration of $353.6 million) and leaseback of three undivided portions of its 100% ownership interest in Waterford 3. The three undivided interests in Waterford 3 sold and leased back exclude certain transmission, pollution control, and other facilities that are part of Waterford 3. The interests sold and leased back are equivalent on an aggregate cost basis to approximately a 9.3% undivided interest in Waterford 3. Entergy Louisiana is leasing back the interests on a net lease basis over an approximate 28-year basic lease term. Entergy Louisiana has options to terminate the lease and to repurchase the interests in Waterford 3 at certain intervals during the basic lease term. Further, at the end of the basic lease term, Entergy Louisiana has an option to renew the lease or to repurchase the undivided interests in Waterford 3.

Interests were acquired from Entergy Louisiana with funds obtained from the issuance and sale by the purchasers of intermediate-term and long-term secured lease obligation bonds. The lease payments to be made by Entergy Louisiana will be sufficient to service such debt.

Entergy Louisiana did not exercise its option to repurchase the undivided interests in Waterford 3 in September 1994. As a result, Entergy Louisiana was required to provide collateral for the equity portion of certain amounts payable by Entergy Louisiana under the leases. Such collateral was in the form of a new series of non-interest-bearing first mortgage bonds in the aggregate principal amount of $208.2 million issued by Entergy Louisiana in September 1994.

Upon the occurrence of certain adverse events (including lease events of default, events of loss, deemed loss events or certain adverse "Financial Events" with respect to Entergy Louisiana), Entergy Louisiana may be obligated to pay amounts sufficient to permit the termination of the lease transactions and may be required to assume the outstanding indebtedness issued to finance the acquisition of the undivided interests in Waterford 3. "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure periods, to maintain (1) as of the end of any fiscal quarter, total equity capital (including preferred stock) at least equal to 30% of adjusted capitalization, or (2) in respect of the 12-month period ending on the last day of any fiscal quarter, a fixed charge coverage ratio of at least 1.50. As of December 31, 1996, Entergy Louisiana's total equity capital (including preferred stock) was 46.9% of adjusted capitalization and its fixed charge coverage ratio was 3.18.

As of December 31, 1996, Entergy Louisiana had future minimum lease payments (reflecting an overall implicit rate of 8.76%) in connection with the Waterford 3 sale and leaseback transactions, which are recorded as long-term debt, as follows (in thousands):

1997	$ 39,805
1998	41,447
1999	50,530
2000	47,510
2001	46,015
Years thereafter	582,689
Total	807,996
Less: Amount representing interest	454,396
Present value of net minimum lease payments	$ 353,600

Grand Gulf 1 Lease Obligations (System Energy)

On December 28, 1988, System Energy entered into two arrangements for the sale and leaseback of an aggregate 11.5% undivided ownership interest in Grand Gulf 1 for an aggregate cash consideration of $500 million. System Energy is leasing back the undivided interest on a net lease basis over a 26 1/2-year basic lease term. System Energy has options to terminate the leases and to repurchase the undivided interest in Grand Gulf 1 at certain intervals during the basic lease term. Further, at the end of the basic lease term, System Energy has an option to renew the leases or to repurchase the undivided interest in Grand Gulf 1. See Note 9 with respect to certain other terms of the transactions.

In accordance with SFAS 98, "Accounting for Leases," due to "continuing involvement" by System Energy, the sale and leaseback arrangements of the undivided portions of Grand Gulf 1, as described above, are required to be reflected for financial reporting purposes as financing transactions in System Energy's financial statements. The amounts charged to expense for financial reporting purposes include the interest portion of the lease obligations and depreciation of the plant. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as sales and leasebacks for rate-making purposes. The total of interest and depreciation expense exceeds the corresponding revenues realized during the early part of the lease term. Consistent with a recommendation contained in a FERC audit report, System Energy recorded as a deferred asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and is recording such difference as a deferred asset on an ongoing basis. The amount of this deferred asset was $93.2 million and $85.8 million as of December 31, 1996, and 1995, respectively.

As of December 31, 1996, System Energy had future minimum lease payments (reflecting an implicit rate of 7.02%), which are recorded as long-term debt as follows (in thousands):

1997	$ 42,753
1998	42,753
1999	42,753
2000	42,753
2001	46,803
Years thereafter	713,264
Total	931,079
Less: Amount representing interest	434,599
Present value of net minimum lease payments	$ 496,480

NOTE 11. POSTRETIREMENT BENEFITS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Pension Plans

Entergy has two postretirement benefit plans, "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees", covering substantially all of its employees. The pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by 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. Prior to January 1, 1995, all of Entergy's non-bargaining employees were generally included in a plan sponsored by the Entergy company where they were employed. However, Entergy New Orleans was a participating employer in a plan sponsored by Entergy Louisiana. Effective January 1, 1995, these employees became participants in a new plan with provisions substantially identical to their previous plan.

Total 1996, 1995, and 1994 pension cost of Entergy Corporation and its subsidiaries, including amounts capitalized, included the following components (in thousands):

1996

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	$31,584	$7,605	$5,852	$4,684	$2,157	$1,147	$2,658
Interest cost on projected benefit obligation	84,303	24,540	20,952	15,735	9,462	2,973	2,645
Actual return on plan assets	(163,520)	(41,183)	(47,416)	(41,219)	(17,767)	(1,826)	(4,146)
Net amortization and deferral	71,260	14,015	18,732	20,313	6,382	88	526
Net pension cost (income)	$23,627	$4,977	($1,880)	($487)	$234	$2,382	$1,683

1995

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	$29,282	$7,786	$6,686	$4,143	$2,152	$1,158	$2,260
Interest cost on projected benefit obligation	80,794	24,372	21,098	15,111	9,240	2,680	2,230
Actual return on plan assets	(261,864)	(71,807)	(82,624)	(53,348)	(30,443)	(1,614)	(8,827)
Net amortization and deferral	178,345	47,766	53,921	34,902	20,081	64	5,510
Net pension cost (income)	$26,557	$8,117	($919)	$808	$1,030	$2,288	$1,173

1994

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Service cost - benefits earned during the period	$35,712	$8,854	$9,497	$5,441	$2,484	$1,502	$2,619
Interest cost on projected benefit obligation	77,943	22,651	21,335	14,473	8,648	2,740	2,148
Actual return on plan assets	10,381	365	6,785	2,024	1,507	-	498
Net amortization and deferral	(96,893)	(24,474)	(39,405)	(19,981)	(11,843)	(970)	(3,535)
Other	17,963	-	17,963	-	-	-	-
Net pension cost	$45,106	$7,396	$16,175	$1,957	$796	$3,272	$1,730

The funded status of Entergy's various pension plans as of December 31, 1996, and 1995 was (in thousands):

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Actuarial present value of accumulated pension plan obligation:							
Vested	$1,027,307	$296,181	$287,201	$193,183	$117,142	$34,466	$25,195
Nonvested	4,775	1,345	748	697	154	29	655
Accumulated benefit obligation	1,032,082	297,526	287,949	193,880	117,296	34,495	25,850
Plan assets at fair value	1,359,614	374,849	397,749	282,470	150,616	22,017	43,943
Projected benefit obligation	1,196,925	338,307	315,781	217,711	129,578	41,511	38,401
Plan assets in excess of (less than) projected benefit obligation	162,689	36,542	81,968	64,759	21,038	(19,494)	5,542
Unrecognized prior service cost	36,131	14,882	11,964	5,911	4,894	1,965	1,100
Unrecognized transition asset	(39,504)	(11,679)	(9,550)	(14,037)	(6,252)	(767)	(5,291)
Unrecognized net loss (gain)	(180,525)	(55,536)	(132,832)	(61,130)	(23,769)	9,897	(4,502)
Accrued pension liability	($21,209)	($15,791)	($48,450)	($4,497)	($4,089)	($8,399)	($3,151)

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
Actuarial present value of accumulated pension plan obligation:							
Vested	$989,509	$298,358	$256,173	$192,697	$116,851	$44,324	$23,692
Nonvested	4,555	1,342	792	705	147	29	640
Accumulated benefit obligation	994,064	299,700	256,965	193,402	116,998	44,353	24,332
Plan assets at fair value	1,224,594	337,929	374,010	245,521	140,513	18,658	41,951
Projected benefit obligation	1,156,831	341,946	289,666	218,715	129,180	51,699	36,491
Plan assets in excess of (less than) projected benefit obligation	67,763	(4,017)	84,344	26,806	11,333	(33,041)	5,460
Unrecognized prior service cost	35,946	15,042	12,021	6,469	4,883	2,224	1,180
Unrecognized transition asset	(46,856)	(14,015)	(11,937)	(16,845)	(7,502)	(963)	(5,887)
Unrecognized net loss (gain)	(94,618)	(23,545)	(135,303)	(28,060)	(13,832)	22,751	(3,074)
Accrued pension liability	($37,765)	($26,535)	($50,875)	($11,630)	($5,118)	($9,029)	($2,321)

The significant actuarial assumptions used in computing the information above for 1996, 1995, and 1994 were as follows: weighted-average discount rate, 7.75% for 1996, 7.5% for 1995, and 8.5% for 1994, weighted-average rate of increase in future compensation levels, 4.6% for 1996 and 1995, and 5.1% for 1994; and expected long-term rate of return on plan assets, 9.0% for 1996, and 8.5% for 1995 and 1994. Transition assets of Entergy are being amortized over the greater of the remaining service period of active participants or 15 years.

In 1994, Entergy Gulf States recorded an $18.0 million charge related to early retirement programs in connection with the Merger, of which $15.2 million was expensed.

Other Postretirement Benefits

Entergy also provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for Entergy.

Effective January 1, 1993, Entergy adopted SFAS 106 which required a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. Entergy Arkansas and Entergy Louisiana continue to fund these benefits on a pay-as-you-go basis. Entergy Gulf States continues to fund a portion of these benefits regulated by the LPSC and FERC on a pay-as-you-go basis. During 1994, pursuant to regulatory directives, Entergy Mississippi and Entergy New Orleans began to fund their postretirement benefit obligations. In 1996, Entergy Gulf States and System Energy began to fund their postretirement benefit obligations pursuant to 1995 regulatory directives issued by the PUCT and FERC, respectively. System Energy is funding on behalf of Entergy Operations those postretirement benefits associated with Grand Gulf 1. The assets of the various postretirement benefit plans other than pensions include common stocks, fixed income securities, and a money market fund. At January 1, 1993, the actuarially determined accumulated postretirement benefit obligation (APBO) earned by retirees and active employees was estimated to be approximately $241.4 million and $128 million for Entergy (other than Entergy Gulf States) and for Entergy Gulf States, respectively. Such obligations are being amortized over a 20-year period beginning in 1993.

The domestic utility companies have sought approval, in their respective regulatory jurisdictions, to implement the appropriate accounting requirements related to SFAS 106 for ratemaking purposes. Entergy Arkansas has received an order permitting deferral, as a regulatory asset, of the difference between its annual cash expenditures for postretirement benefits other than pensions and the SFAS 106 accrual, for up to a five-year period commencing January 1, 1993. Entergy Mississippi is expensing its SFAS 106 costs, which are reflected in rates pursuant to an order from the MPSC in connection with Entergy Mississippi's formulary incentive rate plan (see Note 2). The LPSC ordered Entergy Gulf States and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions, but the LPSC retains the flexibility to examine individual companies' accounting for postretirement benefits to determine if special exceptions to this order are warranted. Entergy New Orleans is expensing its SFAS 106 costs. Pursuant to resolutions adopted in November 1993 by the Council related to the Merger, Entergy New Orleans' SFAS 106 expenses through October 31, 1996, were allowed by the Council for purposes of evaluating the appropriateness of Entergy New Orleans' rates. Pursuant to the PUCT's May 26, 1995, amended order, Entergy Gulf States is currently collecting its SFAS 106 costs in rates.

Total 1996, 1995, and 1994 postretirement benefit cost of Entergy Corporation and its subsidiaries, including amounts capitalized and deferred, included the following components (in thousands):

1996	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans
Service cost - benefits earned during the period	$14,351	$3,128	$3,476	$2,155	$1,081	$661
Interest cost on APBO	26,133	5,580	8,164	4,283	2,171	3,085
Actual return on plan assets	(1,654)	-	(388)	-	(479)	(681)
Net amortization and deferral	14,214	3,397	5,370	2,694	1,458	1,977
Net postretirement benefit cost	$53,044	$12,105	$16,622	$9,132	$4,231	$5,042

1995

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans
Service cost - benefits earned during the period	$10,797	$2,777	$1,864	$2,047	$909	$650
Interest cost on APBO	25,629	5,398	8,526	4,215	1,969	3,258
Actual return on plan assets	(759)	-	-	-	(245)	(514)
Net amortization and deferral	11,023	2,702	4,477	2,121	988	1,876
Net postretirement benefit cost	$46,690	$10,877	$14,867	$8,383	$3,621	$5,270

1994

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans
Service cost - benefits earned during the period	$11,863	$3,080	$2,169	$2,433	$876	$813
Interest cost on APBO	23,312	5,510	6,449	4,422	1,833	3,502
Net amortization and deferral	9,891	3,833	2,832	3,066	1,122	2,569
Net postretirement benefit cost	$45,066	$12,423	$11,450	$9,921	$3,831	$6,884

The funded status of Entergy's postretirement plans as of December 31, 1996, and 1995, was (in thousands):

1996

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans
Actuarial present value of accumulated postretirement benefit obligation:						
Retirees	$263,504	$56,945	$90,450	$44,083	$21,639	$36,613
Other fully eligible participants	28,507	5,599	5,728	4,063	2,753	1,694
Other active participants	73,188	15,505	16,623	11,553	5,837	3,630
Accumulated benefit obligation	365,199	78,049	112,801	59,699	30,229	41,937
Plan assets at fair value	37,970	-	15,528	-	7,517	12,647
Plan assets less than APBO	(327,229)	(78,049)	(97,273)	(59,699)	(22,712)	(29,290)
Unrecognized transition obligation	183,557	63,252	92,853	47,546	24,031	42,861
Unrecognized net loss (gain)/other	(5,032)	(13,414)	(13,859)	(7,726)	(3,221)	(11,704)
Accrued postretirement benefit asset (liability)	($148,704)	($28,211)	($18,279)	($19,879)	($1,902)	$1,867

1995	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans
Actuarial present value of accumulated postretirement benefit obligation:						
Retirees	$244,192	$46,633	$101,698	$36,262	$15,957	$33,652
Other fully eligible participants	48,393	9,161	17,334	7,614	4,619	3,215
Other active participants	71,464	16,745	15,980	13,288	5,692	4,306
Accumulated benefit obligation	364,049	72,539	135,012	57,164	26,268	41,173
Plan assets at fair value	15,494	-	-	-	5,151	10,343
Plan assets less than APBO	(348,555)	(72,539)	(135,012)	(57,164)	(21,117)	(30,830)
Unrecognized transition obligation	204,348	67,206	107,975	50,517	25,533	45,539
Unrecognized net loss (gain)/other	(1,639)	(16,757)	(617)	(8,556)	(6,179)	(13,835)
Accrued postretirement benefit asset (liability)	($145,846)	($22,090)	($27,654)	($15,203)	($1,763)	$874

The assumed health care cost trend rate used in measuring the APBO of Entergy was 7.6% for 1997, gradually decreasing each successive year until it reaches 5.0% in 2005. A one percentage-point increase in the assumed health care cost trend rate for each year would have increased the APBO of Entergy, as of December 31, 1996, by 11.5% (Entergy Arkansas-11.8%, Entergy Gulf States-10.4%, Entergy Louisiana-11.8%, Entergy Mississippi-12.2% and Entergy New Orleans-10.0%), and the sum of the service cost and interest cost by approximately 14.2% (Entergy Arkansas-15.0%, Entergy Gulf States-12.8%, Entergy Louisiana-14.4%, Entergy Mississippi-14.4% and Entergy New Orleans-12.8%). The assumed discount rate and rate of increase in future compensation used in determining the APBO were 7.75% for 1996, 7.5% for 1995, and 8.5% for 1994, and 4.6% for 1996 and 1995, and 5.1% for 1994, respectively. The expected long-term rate of return on plan assets was 9.0% for 1996, and 8.5% for 1995 and 1994.

NOTE 12. RESTRUCTURING COSTS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

In 1994, 1995, and 1996, Entergy implemented various restructuring programs to reduce the number of employees and consolidate offices and facilities. The programs were designed to reduce costs and improve operating efficiencies in order to enable Entergy to become a low-cost producer. The balances as of December 31, 1994, 1995, and 1996, for restructuring liabilities associated with these programs are shown below by company along with the actual termination benefits paid under the programs.

Company	Liability as of 12/31/94	Additional 1995 Charges	Payments Made in 1995	Liability as of 12/31/95	Additional 1996 Charges	Payments Made in 1996	Liability as of 12/31/96
Entergy Arkansas	$12.2	$16.2	($20.1)	$8.3	$0.3	($7.8)	$0.8
Entergy Gulf States	6.5	13.1	(14.2)	5.4	0.8	(5.4)	0.8
Entergy Louisiana	6.8	6.4	(11.0)	2.2	0.4	(2.6)	-
Entergy Mississippi	6.2	2.9	(6.6)	2.5	(1.7)	(0.8)	-
Entergy New Orleans	3.4	0.2	(3.0)	0.6	-	(0.6)	-
Other	-	9.6	(4.4)	5.2	1.6	(5.2)	1.6
Total	$35.1	$48.4	($59.3)	$24.2	$1.4	($22.4)	$3.2

The restructuring charges shown above primarily included employee severance costs related to the expected termination of approximately 2,774 employees in various groups. As of December 31, 1996, 2,723 employees had either been terminated or accepted voluntary separation packages under the restructuring plan.

In December 1996, Entergy recorded $21.3 million of restructuring charges (of which $18 million was recorded by Entergy Services) associated with the transition to competition.

Additionally, Entergy recorded $24.3 million in 1994 (of which $23.8 million was recorded by Entergy Gulf States) and $1.6 million in 1996 for remaining severance and augmented retirement benefits related to the Merger. Actual termination benefits paid under the program during 1995 and 1996 amounted to $21.6 million, and $3.4 million, respectively. At December 31, 1996, the total remaining liability for expected future Merger-related outlays was approximately $1 million.

NOTE 13. ACQUISITIONS (Entergy Corporation)

CitiPower

On January 5, 1996, Entergy Corporation finalized its acquisition of CitiPower, an electric distribution company serving Melbourne, Australia, and surrounding suburbs. The purchase price of CitiPower was approximately $1.2 billion, of which $294 million represented an equity investment by Entergy Corporation, and the remainder represented debt. Entergy Corporation funded the majority of the equity portion of the investment by drawing down $230 million of its $300 million bank revolving credit facility, which was subsequently repaid throughout the course of the year.

CitiPower is one of five electric distribution businesses in the state of Victoria. CitiPower's distribution area covers approximately 10% of Victoria's population. During the twelve months ended December 31, 1996, CitiPower supplied approximately 4.2 million MWh of electricity to over 238,000 customer sites. Approximately 37,000, or 15%, of these sites were commercial customers.

The cost of the CitiPower license is being amortized on a straight-line basis over a 40 year period beginning January 5, 1996. As of December 31, 1996, the unamortized balance of the license was $606 million.

In accordance with the purchase method of accounting, the results of operations for Entergy Corporation reported in its Statements of Consolidated Income and Cash Flows do not reflect CitiPower's results of operations for any period prior to January 5, 1996. The pro forma combined revenues, net income, earnings per common share before the cumulative effect of accounting change, and earnings per common share of Entergy Corporation presented below give effect to the acquisition as if it had occurred on January 1, 1995. This pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been consummated for the period for which it is being given effect.

	Twelve Months Ended December 31, 1995 (In Thousands of U.S. dollars, Except Share Data)
Operating revenues	$ 6,690,406
Net income	$ 503,880
Earnings per average common share before cumulative effect of accounting change	$ 2.06
Earnings per average common share	$ 2.21

CitiPower's results of operations for the twelve months ended December 31, 1996, (beginning on January 5, 1996, at the date of acquisition) are included in Entergy Corporation's Consolidated Financial Statements and are stated separately below:

	Twelve Months Ended December 31, 1996 (In Thousands of U.S. dollars)
Operating revenues	$ 384,803
Operating expenses	$ 308,916
Interest charges	$ 77,545

Other

During 1996, Entergy acquired several security companies and assets of other security companies for a purchase price of approximately $83 million.

NOTE 14. TRANSACTIONS WITH AFFILIATES (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The various domestic utility companies purchase electricity from and/or sell electricity to other domestic utility companies, System Energy, and Entergy Power (in the case of Entergy Arkansas) under rate schedules filed with FERC. In addition, the domestic utility companies and System Energy purchase fuel from System Fuels, receive technical, advisory, and administrative services from Entergy Services, and receive management and operating services from Entergy Operations.

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

The tables below contain the various affiliate transactions among the domestic utility companies and System Entergy (in millions).

Intercompany Revenues

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
1996	$ 282.7	$ 21.2	$ 5.6	$ 65.9	$ 2.6	$ 623.6
1995	$ 195.5	$ 62.7	$ 1.6	$ 43.3	$ 3.2	$ 605.6
1994	$ 232.6	$ 44.4	$ 1.0	$ 45.8	$ 2.1	$ 475.0

Intercompany Operating Expenses

	Entergy Arkansas(1)	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
1996	$346.7	$395.7	$331.3	$294.6	$ 185.9	$ 8.6
1995	$316.0	$266.5	$335.5	$262.6	$ 164.4	$ 6.5
1994	$310.7	$296.9	$365.8	$280.2	$ 170.1	$ 10.5

(1) Includes $38.8 million in 1996, $31.0 million in 1995, and $25.7 million in 1994 for power purchased from Entergy Power.

Operating Expenses Paid or Reimbursed to Entergy Operations

	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	System Energy
1996	$ 163.3	$ 133.7	$ 97.7	$ 98.1
1995	$ 189.8	$ 129.1	$ 122.6	$ 116.9
1994	$ 221.2	$ 210.2	$ 152.5	$ 179.6

In addition, certain materials and services required for fabrication of nuclear fuel are acquired and financed by System Fuels and then sold to System Energy as needed. Charges for these materials and services, which represent additions to nuclear fuel, amounted to approximately $44.7 million in 1996, $51.5 million in 1995, and $26.4 million in 1994.

NOTE 15. BUSINESS SEGMENT INFORMATION (Entergy New Orleans)

Entergy New Orleans supplies electric and natural gas services in the City. Entergy New Orleans' segment information follows:

	1996		1995		1994	
	Electric	Gas	Electric	Gas	Electric	Gas
			(In Thousands)			
Operating revenues	$403,254	$101,023	$390,002	$80,276	$360,430	$87,357
Revenue from sales to unaffiliated customers (1)	$400,605	$101,023	$386,785	$80,276	$358,369	$87,357
Operating income before income taxes	$ 51,937	$ 5,641	$ 61,092	$ 9,638	$ 23,976	$ 9,387
Net utility plant	$214,106	$63,865	$204,407	$65,236	$209,901	$67,875
Depreciation expense	$ 16,525	$ 3,342	$ 15,858	$ 3,290	$ 15,743	$ 3,310
Construction expenditures	$ 23,411	$ 4,545	$ 21,729	$ 6,107	$ 16,997	$ 5,780

(1) Entergy New Orleans' intersegment transactions are not material (less than 1% of sales to unaffiliated customers).

NOTE 16. SUBSEQUENT EVENT (UNAUDITED)

Acquisition of London Electricity plc (Entergy Corporation)

On December 18, 1996, Entergy made a formal cash offer to acquire London Electricity for $2.1 billion. London Electricity is a regional electric company serving approximately two million customers in the metropolitan area of London, England. The offer was approved by authorities in the United Kingdom and as of February 7, 1997, the offer was made unconditional and Entergy, through an English subsidiary, controlled over 90% of the common shares of London Electricity. Through procedures available under applicable law, Entergy expects to gain control of 100% of the common shares of London Electricity. The acquisition was financed with $1.7 billion of debt that is non-recourse to Entergy Corporation, and $392 million of equity provided by Entergy Corporation from available cash and borrowings under its $300 million line of credit.

NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED)

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

The business of the domestic utility companies and System Energy is subject to seasonal fluctuations with the peak period occurring during the third quarter. Operating results for the four quarters of 1996 and 1995 were:

Operating Revenue

	Entergy	Entergy Arkansas	Entergy Gulf States	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
1996:							
First Quarter	**$ 1,603,384**	**$ 383,081**	**$ 456,631**	**$ 417,767**	**$ 203,902**	**$ 127,280**	**$ 156,424**
Second Quarter	**1,852,525**	**467,990**	**525,567**	**457,847**	**247,479**	**127,829**	**160,369**
Third Quarter	**2,138,273**	**529,276**	**592,130**	**549,295**	**297,118**	**150,937**	**154,467**
Fourth Quarter	**1,569,344**	**363,086**	**444,853**	**403,958**	**209,931**	**98,231**	**152,360**
1995:							
First Quarter	1,337,400	339,596	399,346	353,462	180,559	104,494	151,664
Second Quarter	1,564,917	412,164	479,609	406,575	223,156	112,666	158,632
Third Quarter	1,955,019	530,448	540,287	529,458	280,339	146,720	144,758
Fourth Quarter	1,429,870	366,025	442,732	385,380	205,789	106,398	150,585

Operating Income (Loss)

	Entergy	Entergy Arkansas(a)	Entergy Gulf States(a)	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
1996:							
First Quarter	**$ 342,403**	**$ 41,955**	**$ 77,058**	**$ 95,166**	**$ 30,470**	**$ 15,752**	**$ 82,938**
Second Quarter	**500,017**	**105,237**	**118,420**	**119,736**	**57,283**	**19,608**	**82,894**
Third Quarter	**599,704**	**131,319**	**152,022**	**155,755**	**54,696**	**28,319**	**75,270**
Fourth Quarter	**236,597**	**31,639**	**64,398**	**65,789**	**22,147**	**(6,101)**	**75,937**
1995:							
First Quarter	258,441	26,343	47,209	88,013	25,633	14,138	79,377
Second Quarter	434,623	91,180	111,918	115,637	43,523	17,420	80,704
Third Quarter	606,104	132,264	154,268	181,171	57,717	31,000	76,719
Fourth Quarter	218,158	22,080	48,269	63,934	23,515	8,172	76,905

Net Income (Loss)

	Entergy(b)	Entergy Arkansas(a)(b)	Entergy Gulf States(a)	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	System Energy
				(In Thousands)			
1996:							
First Quarter	**$ (87,072)**	**$ 19,268**	**$(152,257)**	**$ 40,530**	**$ 12,924**	**$ 8,035**	**$ 23,530**
Second Quarter	**188,323**	**55,712**	**47,140**	**55,385**	**29,819**	**10,360**	**23,382**
Third Quarter	**279,881**	**70,791**	**90,965**	**77,302**	**28,205**	**15,221**	**24,749**
Fourth Quarter	**38,895**	**12,027**	**10,265**	**17,545**	**8,263**	**(6,840)**	**27,007**
1995:							
First Quarter	90,392	46,129	3,635	36,062	9,774	6,245	22,565
Second Quarter	162,703	47,844	43,353	53,082	20,578	8,688	23,802
Third Quarter	263,118	73,963	68,112	92,819	29,228	16,862	23,366
Fourth Quarter	3,767	4,144	7,819	19,574	9,087	2,591	23,306

__Earnings (Loss) per Average Common Share__ **(Entergy Corporation)**

	1996	1995
First Quarter	$ (0.38)	$ 0.40
Second Quarter	$ 0.83	$ 0.71
Third Quarter	$ 1.22	$ 1.16
Fourth Quarter (b)	$ 0.16	$ 0.02

(a) See Note 12 for information regarding the recording of certain restructuring costs in 1995.

(b) The fourth quarter of 1995 reflects an increase in net income of $35.4 million (net of income taxes of $22.9 million) and an increase in earnings per share of $.15 due to the recording of the cumulative effect of the change in accounting method for incremental nuclear refueling outage maintenance costs. See Note 1 for a discussion of the change in accounting method.

Item 9. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure.

No event that would be described in response to this item has occurred with respect to Entergy, System Energy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, or Entergy New Orleans.

PART III

Item 10. Directors and Executive Officers of the Registrants (Entergy Corporation, Entergy Gulf States, Entergy Mississippi, Entergy New Orleans, and System Energy)

All officers and directors listed below held the specified positions with their respective companies as of the date of filing this report.

ENTERGY CORPORATION

Directors

Information required by this item concerning directors of Entergy Corporation is set forth under the heading "Election of Directors" contained in the Proxy Statement of Entergy Corporation, (the "Proxy Statement"), to be filed in connection with its Annual Meeting of Stockholders to be held May 9, 1997, ("Annual Meeting"), and is incorporated herein by reference. Information required by this item concerning officers and directors of the remaining registrants is reported as of December 31, 1996.

Name	Age	Position	Period
Officers			
Edwin Lupberger (a)	60	Chairman of the Board, Chief Executive Officer, and Director of Entergy Corporation	1985-Present
		Chairman of the Board and Chief Executive Officer of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1993-Present
		Chairman of the Board, Chief Executive Officer and Director of Entergy Gulf States	1994-Present
		Chairman of the Board and Director of Entergy Integrated Solutions	1996-Present
		Chairman of the Board of System Energy and Entergy Enterprises	1986-Present
		Chairman of the Board of Entergy Operations	1990-Present
		Chairman of the Board of Entergy Services	1985-Present
		Chief Executive Officer of Entergy Services	1991-Present
		Chief Executive Officer of Entergy Power, Entergy Power Development Corporation, and Entergy-Richmond Power Corporation	1993-Present
		Chief Executive Officer of Entergy Pakistan, Ltd. and Entergy Power Asia, Ltd.	1994-Present
		Chief Executive Officer of EP Edegel, Inc., Entergy Power Development International Corporation, Entergy Power Holding II, Ltd., Entergy Power Marketing Corporation, Entergy Power Operations Corporation, Entergy Power Operations Holdings, Ltd., Entergy Power Operations Pakistan LDC, Entergy Victoria LDC, Entergy Victoria Holdings LDC, EPG Cayman Holding I, EPG Cayman Holding II, Entergy Power CBA Holding, Ltd., and Entergy Power Edesur Holding, Ltd.	1995-Present
		Chief Executive Officer of Entergy Power International Holdings Corporation and Entergy Mexico Ltd.	1996-Present
		President of Entergy Corporation	1995-Present
		President of Entergy Services and Entergy Enterprises	1994-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy	1986-Present
		Director of Entergy Operations and Entergy Services	1994-Present
		Director of Entergy Enterprises	1984-Present
		Chief Executive Officer of Entergy Edegel I, Inc., Entergy Power Holding I, Ltd., and Entergy Yacyreta I, Inc.	1995-1996
		Chairman of the Board of Entergy Power	1990-1993

Name	Age	Position	Period
		Chief Executive Officer of Entergy Enterprises	1991-1994
		Director of System Fuels	1986-1992
Jerry L. Maulden	60	Vice Chairman of Entergy Corporation	1995-Present
		Vice Chairman and Chief Operating Officer of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1993-Present
		Vice Chairman of Entergy Services	1992-Present
		Director of Entergy Arkansas	1979-Present
		Director of Entergy Gulf States	1993-Present
		Director of Entergy Louisiana and Entergy New Orleans	1991-Present
		Director of Entergy Mississippi	1988-Present
		Director of Entergy Operations	1990-Present
		Director of System Energy	1987-Present
		Director of Entergy Services	1979-Present
		Chairman of the Board of Entergy Arkansas	1989-1993
		Chairman of the Board and Chief Executive Officer of Entergy Louisiana and Entergy New Orleans	1991-1993
		Chairman of the Board and Chief Executive Officer of Entergy Mississippi	1989-1993
		Chief Executive Officer of Entergy Arkansas	1979-1993
		President and Chief Operating Officer of Entergy Corporation	1993-1995
		Group President, System Executive - Transmission, Distribution, and Customer Service of Entergy Corporation	1991-1993
		Group President, System Executive - Transmission, Distribution, and Customer Service of Entergy Services	1991-1992
		Director of System Fuels	1979-1992
Jerry D. Jackson	52	Executive Vice President - External Affairs of Entergy Corporation	1994-Present
		Executive Vice President - External Affairs of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1995-Present
		Executive Vice President - External Affairs of Entergy Services	1994-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1992-Present
		Director of Entergy Gulf States	1994-Present
		Director of Entergy Services	1990-Present
		Director of Entergy Enterprises	1996-Present
		Executive Vice President of Marketing for Entergy Corporation	1994-1995
		Executive Vice President - Marketing of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1995-1995
		Executive Vice President - Marketing of Entergy Services	1994-1995
		President and Chief Administrative Officer of Entergy Services	1992-1994
		President of Entergy Enterprises	1991-1992
		Executive Vice President - Finance and External Affairs of Entergy Corporation	1990-1994
		Executive Vice President - Finance and External Affairs and Secretary of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1992-1994
		Executive Vice President - Finance and External Affairs of Entergy Gulf States	1993-1994
		Executive Vice President - Finance and External Affairs of Entergy Services	1990-1992
		Secretary of Entergy Corporation	1991-1994
		Secretary of Entergy Gulf States	1994-1995
		Director of System Energy	1993-1995
		Director of Entergy Power and Entergy Enterprises	1990-1992

Name	Age	Position	Period
Donald C. Hintz	54	Executive Vice President and Chief Nuclear Officer of Entergy Corporation	1994-Present
		Executive Vice President - Nuclear of Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana	1994-Present
		Executive Vice President of Nuclear for Entergy Services	1996-Present
		Chief Executive Officer and President of System Energy and Entergy Operations	1992-Present
		Director of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, System Energy, System Fuels, and Entergy Services	1992-Present
		Director of Entergy Gulf States	1993-Present
		Director of Entergy Operations	1990-Present
		Director of GSG&T, Prudential Oil & Gas, Southern Gulf Railway, and Varibus Corporation	1994-Present
		Senior Vice President and Chief Nuclear Officer of Entergy Corporation	1993-1994
		Senior Vice President - Nuclear of Entergy Arkansas	1990-1994
		Senior Vice President - Nuclear of Entergy Gulf States.	1993-1994
		Senior Vice President - Nuclear of Entergy Louisiana	1992-1994
		President of Entergy Operations	1992-1992
		Director of Entergy New Orleans	1992-1994
		Chief Operating Officer and Executive Vice President of Entergy Operations	1990-1992
		Group Vice President - Nuclear of Entergy Louisiana	1990-1992
Gerald D. McInvale	53	Executive Vice President and Chief Financial Officer of Entergy Corporation, Entergy Services, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy Enterprises, Entergy Operations, System Fuels Inc., Entergy Integrated Solutions, GSG&T, Prudential Oil & Gas, Southern Gulf Railway, and Varibus Corporation	1995-Present
		Executive Vice President, Chief Financial Officer and Director of Entergy Technology Holding Company	1996-Present
		Executive Vice President and Chief Financial Officer of Entergy Operations Services, Inc.	1996-Present
		Senior Vice President, Treasurer, and Director of Entergy Pakistan, Ltd. and Entergy Power Asia, Ltd.	1994-Present
		Senior Vice President, Treasurer, and Director of Entergy Power Development Corporation and Entergy-Richmond Power Corporation	1993-Present
		Senior Vice President, Treasurer, and Director of EP Edegel, Inc., Entergy Power Development International Corporation, Entergy Power Holding II, Ltd., Entergy Power Marketing Corporation, Entergy Power Operations Corporation, Entergy Power Operations Holdings, Ltd., Entergy Power Operations Pakistan LDC, Entergy Victoria LDC, Entergy Victoria Holdings LDC, EPG Cayman Holding I, EPG Cayman Holding II, Entergy Power CBA Holding, Ltd., and Entergy Power Edesur Holding, Ltd.	1995-Present
		Senior Vice President, Treasurer, and Director of Entergy Power International Holdings Corporation	1996-Present
		Senior Vice President, Treasurer, and Director of Entergy Power	1993-Present
		Senior Vice President and Director or Entergy Mexico, Ltd.	1996-Present
		Senior Vice President and Treasurer of Entergy Peru S.A.	1996-Present
		Director of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Services, System Energy, Entergy Operations, GSG&T, Prudential Oil & Gas, Southern Gulf Railway, and Varibus Corporation	1995-Present
		Director of System Fuels	1992-Present
		Director of Entergy Integrated Solutions	1993-Present
		Director of Entergy Power International Corporation	1996-Present
		Senior Vice President, Treasurer, and Director of Entergy Edegel I, Inc., Entergy Power Holding I, Ltd., and Entergy Yacyreta I, Inc.	1995-1996
		Chairman of the Board of Entergy Integrated Solutions	1994-1995

Name	Age	Position	Period
		Senior Vice President and Chief Financial Officer of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy Operations, Entergy Services, and Entergy Enterprises	1991-1995
		Senior Vice President and Chief Financial Officer of Entergy Gulf States	1993-1995
		Senior Vice President and Chief Financial Officer of System Fuels	1994-1995
		Director and Acting Chief Operating Officer of Entergy Enterprises	1994-1995
		Treasurer of Entergy Enterprises	1992-1996
Michael G. Thompson	56	Senior Vice President and General Counsel of Entergy Corporation and Entergy Services	1992-Present
		Senior Vice President, General Counsel and Secretary of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1995-Present
		Senior Vice President-Law and Secretary of Entergy Enterprises	1992-Present
		Senior Vice President, Secretary, and Director of Entergy Pakistan, Ltd. and Entergy Power Asia, Ltd.	1994-Present
		Senior Vice President, Secretary, and Director of Entergy Power Marketing Corporation, Entergy Power Operations Holding Ltd., and EP Edegel, Inc.	1994-Present
		Senior Vice President, Secretary, and Director of Entergy Power Development International Corporation, Entergy Power Holding II, Ltd., Entergy Power Operations Corporation, Entergy Power Operations Pakistan LDC, Entergy Victoria LDC, Entergy Victoria Holdings LDC, EPG Cayman Holding I, EPG Cayman Holding II, Entergy Power CBA Holding, Ltd., and Entergy Power Edesur Holding, Ltd.	1995-Present
		Senior Vice President, Secretary and Director of Entergy Power International Holdings Corporation and Entergy Mexico Ltd.	1996-Present
		Senior Vice President, Secretary, and Director of Entergy Power Development Corporation and Entergy-Richmond Power Corporation	1992-Present
		Vice President, Secretary, and Director of Entergy Power	1994-Present
		Vice President and Secretary of Entergy Integrated Solutions.	1993-Present
		Secretary of Entergy Corporation	1994-Present
		Director of Entergy Integrated Solutions	1992-Present
		Director of Entergy Power International Corporation and Entergy Operations Services, Inc.	1996-Present
		Senior Vice President, Secretary and Director of Entergy Edegel I, Inc., and Entergy Yacyreta I, Inc.	1994-1996
		Senior Vice President, Secretary, and Director of Entergy Power Holding I, Ltd.	1995-1996
		Senior Vice President, Chief Legal Officer, Director and Secretary of Entergy Power	1993-1994
		Assistant Secretary of Entergy Corporation	1993-1994
		Senior Partner of Friday, Eldredge & Clark (law firm)	1987-1992
S. M. Henry Brown, Jr.	58	Vice President - Federal Governmental Affairs of Entergy Corporation and Entergy Services	1989-Present
William J. Regan, Jr.	50	Vice President and Treasurer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy Operations, Entergy Services, System Fuels Inc., GSG&T, Prudential Oil & Gas, Southern Gulf Railway, and Varibus Corporation	1995-Present
		Vice President and Treasurer of Entergy Technology Holding Company and Entergy Operations Services, Inc.	1996-Present
		Treasurer of Entergy Mexico Ltd.	1996-Present
		Assistant Secretary of System Fuels Inc., GSG&T, Prudential Oil & Gas, Southern Gulf Railway, and Varibus Corporation	1995-Present
		Senior Vice President and Corporate Treasurer of United Services Automobile Association	1989-1995
Louis E. Buck, Jr.	48	Vice President and Chief Accounting Officer of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, System Energy, Entergy	1995-Present

Name	Age	Position	Period
		Operations, and Entergy Services	
		Assistant Secretary of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Operations, and Entergy Services	1995-Present
		Director of Entergy Operations Services	1996-Present
		Assistant Secretary of Entergy Corporation and System Energy Resources	1996-Present
		Vice President and Chief Financial Officer of North Carolina Electric Membership Corporation	1992-1995
		Manager of Finance of Texas Utilities Services	1988-1992
John A. Brayman	50	Executive Vice President and Director of Entergy Enterprises	1995-Present
		Chairman of the Board, President, Chief Executive Officer and Director of Entergy Technology Holding Company	1996-Present
		Executive Vice President of Business Development of Entergy Corporation	1996-Present
		Independent consultant	1994-1995
		Senior Executive of Ameritech	1990-1994
Terry L. Ogletree	53	Executive Vice President-International of Entergy Corporation	1996-Present
		Chief Operating Officer, President and Director of Entergy Power Development Corporation, Entergy Power, and Entergy-Richmond Power Corporation	1993-Present
		Chief Operating Officer, President and Director of Entergy Pakistan Ltd., and EP Edegel Inc.	1994-Present
		Chief Operating Officer, President and Director of Entergy Power Development International Corporation, and Entergy Power Marketing Corporation	1995-Present
		Chief Controlling Officer, President and Director of EPG Cayman Holding I, EPG Cayman Holding II, Entergy Victoria LDC, and Entergy Victoria Holdings LDC	1995-Present
		Chief Operating Officer, President and Director of Entergy Power International Holdings Corporation	1996-Present
		President and Director of Entergy S.A. and Entergy Transener S.A.	1993-Present
		President and Director of Entergy Power Operations Corporation, Entergy Power Holding II, Ltd., Entergy Power Operation Holdings, Ltd., Entergy Power Operations Pakistan LDC, Entergy Power CBA Holding, Ltd., and Entergy Power Edesur Holding, Ltd.	1995-Present
		President and Director of Entergy Power Asia	1994-Present
		President and Director of Entergy Mexico Ltd.	1996-Present
		Executive Vice President of Entergy Peru S.A.	1996-Present
		Director of Entergy Power International Corporation and Entergy Operations Services, Inc.	1996-Present
		President and Director of Entergy Argentina and Entergy Argentina S.A., Ltd.	1993-1996
		President and Director of Entergy Edegel I, Entergy Power Holding I, Ltd., and Entergy Yacyreta I, Inc.	1995-1996
		Executive Vice President and Director of Entergy Enterprises	1994-1995
		President of Constellation Energy	1989-1993
Michael B. Bemis (b)	49	Executive Vice President of Retail Services for Entergy Corporation	1996-Present
		Executive Vice President - Retail Services and Director of Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi	1992-Present
		Executive Vice President - Retail Services of Entergy Gulf States	1993-Present
		Executive Vice President - Retail Services of Entergy New Orleans and Entergy Services	1992-Present
		Director of Entergy Gulf States	1994-Present
		Director of System Fuels	1992-Present
		Director of Varibus Corporation, Prudential Oil & Gas, Inc., GSG&T, and Southern Gulf Railway Company	1994-Present
		Director of Entergy Services, Entergy Enterprises, and Entergy Integrated Solutions	1996-Present
		President and Chief Operating Officer of Entergy Louisiana and Entergy New Orleans	1992-1992
		Director of Entergy New Orleans	1992-1994

Name	Age	Position	Period
Frank F. Gallaher	51	Executive Vice President of Operations for Entergy Corporation	1996-Present
		Chairman of the Board of System Fuels	1992-Present
		Chairman of the Board and Director of Varibus Corporation, Prudential Oil & Gas, Inc., GSG&T, and Southern Gulf Railway Company	1993-Present
		Chairman of the Board and Director of Entergy Operations Services, Inc.	1996-Present
		Executive Vice President - Operations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Services	1993-Present
		Director of Entergy Gulf States	1993-Present
		Director of Entergy Services and System Fuels	1992-Present
		Senior Vice President - Fossil Operations of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Services	1992-1993
		President of Entergy Gulf States	1994-1996
Richard J. Landy	51	Senior Vice President and Chief Administrative Officer of Entergy Corporation	1996-Present
		President, Chief Executive Officer and Director of Entergy Integrated Solutions	1996-Present
		Senior Vice President and Chief Administrative Officer of Entergy Arkansas, Entergy Operations, Entergy Services, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans	1995-Present
		Director of Entergy Enterprises, Entergy Operations, and Entergy Operations Services, Inc.	1996-Present
		Vice President - Human Resources and Administration of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Services, and Entergy Operations	1991-1995
		Vice President - Human Resources and Administration of Entergy Gulf States	1993-1995

ENTERGY ARKANSAS, INC.

Directors

R. Drake Keith	61	President and Director of Entergy Arkansas	1989-Present
		Chief Operating Officer of Entergy Arkansas	1989-1992
		Secretary of Entergy Arkansas	1991-1992
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	

Officers

Michael R. Niggli	47	Senior Vice President - Customer Accounts for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Services	1996-Present
		Senior Vice President - Marketing of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Services	1993-1996
		Vice President - Customer Services of Entergy Louisiana, Entergy New Orleans, and Entergy Services	1993-1993
		Vice President - Strategic Planning of Entergy Services	1990-1992
		Vice President and Director of Entergy Enterprises	1991-1992
Cecil L. Alexander	61	Vice President - Governmental Affairs of Entergy Arkansas	1991-Present
James S. Pilgrim	61	Vice President - Customer Service of Entergy Arkansas	1994-Present
		Director, Central Region, TDCS Customer Service	1993-1994
		Central Division Manager of Mississippi	1991-1993
C. Hiram Walters	60	Vice President - Customer Service of Entergy Arkansas	1993-Present

Name	Age	Position	Period
		Vice President - Customer Service of Entergy Louisiana	1994-Present
		Vice President - Customer Service, Central Region of Entergy Services	1993-Present
		Senior Vice President - Customer Service of Entergy Services	1991-1992
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
R. Drake Keith		See information under the Entergy Corporation Officers Section above.	
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	
Michael G. Thompson		See information under the Entergy Corporation Officers Section above.	
Richard J. Landy		See information under the Entergy Corporation Officers Section above.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section above.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section above.	

ENTERGY GULF STATES, INC.

Directors

Karen Johnson	52	State President - Texas and Director of Entergy Gulf States	1996-Present
		Vice President - Governmental Affairs of Entergy Gulf States - Texas	1994-Present
		Executive Director of State Bar of Texas (state agency)	1990-1994
John J. Cordaro	63	State President - Louisiana, and Director for Entergy Gulf States and Entergy Louisiana	1996-Present
		President and Director of Entergy Louisiana and Entergy New Orleans	1992-1996
		Group Vice President - External Affairs of Entergy Louisiana and Entergy New Orleans	1989-1992
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	

Officers

William E. Colston	61	Vice President - Customer Service of Entergy Gulf States	1994-Present
		Vice President - Customer Service of Entergy Louisiana	1993-Present
		Vice President - Customer Service of Southern Region of Entergy Services	1993-Present
		Regional Director of Entergy Louisiana	1992-1993
S. G. Cunningham, Jr.	56	Vice President - Regulatory and Governmental Affairs of Entergy Louisiana and Entergy Gulf States	1996-Present
		Vice President - State Regulatory Affairs of Entergy Services	1994-1996
		Vice President - Entergy Corporation, Entergy Gulf States Transition Regulatory Affairs of Entergy Services	1993-1994
		Vice President - Rates and Regulatory Affairs of Entergy Louisiana and Entergy New Orleans	1991-1994
		Vice President - Regulatory Affairs of Entergy Services	1992-1993
J. Parker McCollough	46	Vice President - State Governmental Affairs of Entergy Gulf States	1996-Present
		Vice President - Governmental Affairs, Texas Association of Retailors	1996-1996
		Member- Texas House of Representatives	1989-1996
		Wright & Greenhill, PC (law firm)	1991-1993
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section above.	

Name	Age	Position	Period
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	
Michael G. Thompson		See information under the Entergy Corporation Officers Section above.	
Michael R. Niggli		See information under the Entergy Arkansas Officers Section above.	
Richard J. Landy		See information under the Entergy Corporation Officers Section above.	
Karen Johnson		See information under the Entergy Gulf Sates Director section above.	
John J. Cordaro		See information under the Entergy Gulf Sates Director section above.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section above.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section above.	

ENTERGY LOUISIANA, INC.

Directors

Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
John J. Cordaro		See information under the Entergy Gulf Sates Director section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	

Officers

James D. Bruno	57	Vice President - Customer Service of Entergy Louisiana and Entergy New Orleans	1994-Present
		Vice President - Metro Region of Entergy Services	1993-Present
		Region Director - Metro Region of Entergy Services	1991-1993
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
John J. Cordaro		See information under the Entergy Gulf Sates Director section above.	
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	
Michael G. Thompson		See information under the Entergy Corporation Officers Section above.	
Michael R. Niggli		See information under the Entergy Arkansas Officers Section above.	
Richard J. Landy		See information under the Entergy Corporation Officers Section above.	
William E. Colston		See information under the Entergy Gulf Sates Officers section above.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section above.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section above.	
C. Hiram Walters		See information under the Entergy Arkansas Officers Section above.	
S. G. Cunningham, Jr.		See information under the Entergy Gulf Sates Officers section above.	

ENTERGY MISSISSIPPI, INC.

Directors

Donald E. Meiners (c)	61	President and Director of Entergy Mississippi	1992-Present
		Chief Operating Officer and Secretary of Entergy Mississippi	1992-1992
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	

Name	Age	Position	Period
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	

Officers

Name	Age	Position	Period
Bill F. Cossar	58	Vice President - Governmental Affairs of Entergy Mississippi	1987-Present
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Donald E. Meiners		See information under the Entergy Mississippi Directors Section above.	
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	
Michael G. Thompson		See information under the Entergy Corporation Officers Section above.	
Michael R. Niggli		See information under the Entergy Arkansas Officers Section above.	
Richard J. Landy		See information under the Entergy Corporation Officers Section above.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section above.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section above.	

ENTERGY NEW ORLEANS, INC.

Directors

Name	Age	Position	Period
Daniel F. Packer	49	State President - City of New Orleans	1996-Present
		Vice President - Regulatory and Governmental Affairs of Entergy New Orleans	1994-1996
		General Manager - Plant Operations at Waterford 3	1991-1994
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	

Officers

Name	Age	Position	Period
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Michael B. Bemis		See information under the Entergy Corporation Officers Section above.	
Jerry D. Jackson		See information under the Entergy Corporation Officers Section above.	
Frank F. Gallaher		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	
Michael G. Thompson		See information under the Entergy Corporation Officers Section above.	
Michael R. Niggli		See information under the Entergy Arkansas Officers Section above.	
Daniel F. Packer		See information under the Entergy New Orleans Directors Section above.	
Richard J. Landy		See information under the Entergy Corporation Officers Section above.	
James D. Bruno		See information under the Entergy Louisiana Officers Section above.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section above.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section above.	

SYSTEM ENERGY RESOURCES, INC.

Directors

Name	Age	Position	Period
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Jerry L. Maulden		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	

Name	Age	Position	Period
Officers			
Joseph L. Blount	50	Secretary of System Energy and Entergy Operations	1991-Present
		Vice President Legal and External Affairs of Entergy Operations	1990-1993
Edwin Lupberger		See information under the Entergy Corporation Officers Section above.	
Donald C. Hintz		See information under the Entergy Corporation Officers Section above.	
Gerald D. McInvale		See information under the Entergy Corporation Officers Section above.	
William J. Regan, Jr.		See information under the Entergy Corporation Officers Section above.	
Louis E. Buck, Jr.		See information under the Entergy Corporation Officers Section above.	

(a) Mr. Lupberger is a director of First Commerce Corporation, New Orleans, LA, International Shipholding Corporation, New Orleans, LA, and First National Bank of Commerce, New Orleans, LA.

(b) Mr. Bemis is a director of Deposit Guaranty National Bank, Jackson, MS and Deposit Guaranty Corporation, Jackson, MS.

(c) Mr. Meiners is a director of Trustmark National Bank, Jackson, MS, and Trustmark Corporation, Jackson, MS.

Each director and officer of the applicable Entergy company is elected yearly to serve by the unanimous consent of the sole stockholder, Entergy Corporation, in lieu of an annual meeting scheduled to be held on May 5, 1997.

Directorships shown above are generally limited to entities subject to Section 12 or 15(d) of the Securities and Exchange Act of 1934 or to the Investment Company Act of 1940.

Section 16(a) Beneficial Ownership Reporting Compliance

Information called for by this item concerning the directors and officers of Entergy Corporation is set forth in the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders to be held on May 9, 1997, under the heading "Compliance with Section 16(a) of the Exchange Act", which information is incorporated herein by reference.

Item 11. Executive Compensation

ENTERGY CORPORATION

Information called for by this item concerning the directors and officers of Entergy is set forth in the Proxy Statement under the headings "Executive Compensation", "Nominees", and "Compensation of Directors", which information is incorporated herein by reference.

ENTERGY ARKANSAS, ENTERGY GULF STATES, ENTERGY LOUISIANA, ENTERGY MISSISSIPPI, ENTERGY NEW ORLEANS, AND SYSTEM ENERGY

Summary Compensation Table

The following table includes the Chief Executive Officer and the four other most highly compensated executive officers in office as of December 31, 1996 at Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, (collectively, the "Named Executive Officers"). This determination was based on total annual base salary and bonuses from all Entergy sources earned by each officer for the year 1996. See Item 10, "Directors and Executive Officers of the Registrants," for information on the principal positions of the Named Executive Officers in the table below.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy

As shown in Item 10, most Named Executive Officers are employed by several Entergy companies. Because it would be impracticable to allocate such officers' salaries among the various companies, the table below includes the aggregate compensation paid by all Entergy companies.

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name	Year	Salary	(a) Bonus	(b) Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options	(c) LTIP Payouts	(d) All Other Compensation
Michael B. Bemis	1996	$297,115	$168,125	$ 43,884	(e)	5,000 shares	$ 0	$12,813
	1995	290,000	216,909	22,844	(e)	27,500	294,282	12,063
	1994	288,846	76,923	32,940	(e)	2,500	28,275	8,596
Louis E. Buck, Jr.	1996	$153,558	$ 66,187	$ 26,132	(e)	0 shares	$ 0	$20,683
	1995	49,039	21,280	9,151	(e)	0	0	7,529
	1994	0	0	0	(e)	0	0	0
Donald C. Hintz*	1996	$343,269	$231,299	$ 12,516	(e)	5,000 shares	$ 0	$14,197
	1995	325,000	265,049	13,394	(e)	30,000	409,414	9,750
	1994	320,769	142,749	52,389	(e)	5,000	48,379	9,710
Jerry D. Jackson	1996	$332,115	$209,489	$ 37,928	(e)	5,000 shares	$ 0	$13,862
	1995	325,000	256,838	43,054	(e)	30,000	422,438	9,750
	1994	323,711	106,155	29,598	(e)	5,000	56,550	9,634
Edwin Lupberger**	1996	$735,577	$448,794	$123,601	(e)	10,000 shares	$ 0	$23,567
	1995	700,000	568,400	89,163	(e)	60,000	781,337	21,000
	1994	681,539	218,789	93,816	(e)	10,000	139,525	20,446
Jerry L. Maulden	1996	$435,000	$260,301	$ 27,056	(e)	5,000 shares	$ 0	$14,550
	1995	435,000	353,220	26,248	(e)	30,000	422,438	13,050
	1994	426,134	135,962	63,994	(e)	5,000	56,550	12,859
Gerald D. McInvale	1996	$271,730	$179,576	$ 13,995	(e)	5,000 shares	$ 0	$12,051
	1995	255,481	186,739	12,525	(e)	27,500	294,282	7,664
	1994	244,165	66,227	14,146	(e)	2,500	28,275	7,275
William J. Regan, Jr.	1996	$190,000	$ 81,132	$ 20,684	(e)	0 shares	$ 0	$ 8,852
	1995	120,577	54,727	21,141	(e)	2,000	0	7,821
	1994	0	0	0	(e)	0	0	0

* Chief Executive Officer of System Energy.

** Chief Executive Officer of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans

(a) Includes bonuses earned pursuant to the Annual Incentive Plan.

(b) Amounts used in the calculation of perquisites were previously reported in the column titled "All Other Compensation".

(c) Amounts include the value of restricted shares that vested in 1996, 1995, and 1994 (see note (e) below) under Entergy's Equity Ownership Plan.

(d) Includes the following:

(1) 1996 benefit accruals under the Defined Contribution Restoration Plan as follows: Mr. Bemis $4,414; Mr. Hintz $5,798; Mr. Jackson $5,463; Mr. Lupberger $17,567; Mr. Maulden $8,550; Mr. McInvale $3,652; Mr. Regan $1,200.

(2) 1996 employer contributions to the System Savings Plan as follows: Mr. Bemis $4,500; Mr. Buck $1,431; Mr. Hintz $4,500; Mr. Jackson $4,500; Mr. Lupberger $4,500; Mr. Maulden $4,500; Mr. McInvale $4,500; Mr. Regan $4,500.

(3) 1996 employer contributions to the Employee Stock Ownership Plan as of November 30, 1996 are as follows: Mr. Bemis $3,899; Mr. Hintz $3,899; Mr. Jackson $3,899; Mr. Lupberger $1,500; Mr. Maulden $1,500; Mr. McInvale $3,899.

(4) 1996 reimbursements for moving expenses as follows: Mr. Buck $19,252; Mr. Regan $3,152.

(e) Restricted stock awarded under the Equity Ownership Plan will vest at the end of a three year period subject to the attainment of approved performance goals. Restricted stock awards in 1996 are reported under the "Long-Term Incentive Plan Awards" table, and reference is made to this table for information on the aggregate number of restricted shares awarded during 1996 and the vesting schedule for such shares. Accumulated dividends are paid on restricted stock when vested. The value of stock for which restrictions were lifted in 1996, 1995, and 1994, and the applicable portion of accumulated cash dividends, are reported in the LTIP Payouts column in the above table.

Option Grants in 1996

The following table summarizes option grants during 1996 to the Named Executive Officers. The absence, in the table below, of any Named Executive Officer indicates that no options were granted to such officer.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Entergy

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(b)	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 1996	Exercise Price (per share)	Expiration Date	5%	10%
Michael B. Bemis	5,000 (a)	6.1%	$29.375 (a)	1/25/06	$ 92,369	$ 234,081
Donald C. Hintz	5,000 (a)	6.1%	29.375 (a)	1/25/06	92,369	234,081
Jerry D. Jackson	5,000 (a)	6.1%	29.375 (a)	1/25/06	92,369	234,081
Edwin Lupberger	10,000 (a)	12.1%	29.375 (a)	1/25/06	184,738	468,162
Jerry L. Maulden	5,000 (a)	6.1%	29.375 (a)	1/25/06	92,369	234,081
Gerald D. McInvale	5,000 (a)	6.1%	29.375 (a)	1/25/06	92,369	234,081

(a) Options were granted on January 25, 1996, pursuant to the Equity Ownership Plan. All options granted on this date have an exercise price equal to the closing price of Entergy Corporation common stock on the

New York Stock Exchange Composite Transactions on January 25, 1996. These options became exercisable on July 25, 1996.

(b) Calculation based on the market price of the underlying securities assuming the market price increases over a ten-year option period and assuming annual compounding. The column presents estimates of potential values based on simple mathematical assumptions. The actual value, if any, a Named Executive Officer may realize is dependent upon the market price on the date of option exercise.

Aggregated Option Exercises in 1996 and December 31, 1996 Option Values

The following table summarizes the number and value of all unexercised options held by the Named Executive Officers. In 1996, no options were exercised by any Named Executive Officer.

	Number of Securities Underlying Unexercised Options as of December 31, 1996		Value of Unexercised In-the-Money Options as of December 31, 1996(a)	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Michael B. Bemis	15,000	25,000	$10,625	$ 168,750
Donald C. Hintz	22,500	25,000	21,250	168,750
Jerry D. Jackson	19,411	25,000	0	168,750
Edwin Lupberger	48,824	50,000	42,500	337,500
Jerry L. Maulden	25,000	25,000	21,250	168,750
Gerald D. McInvale	15,000	25,000	10,625	168,750
William J. Regan, Jr.	0	2,000	0	13,500

(a) Based on the difference between the closing price of Entergy Corporation's common stock on the New York Stock Exchange Composite Transactions on December 31, 1996, and the option exercise price.

Long-Term Incentive Plan Awards in 1996

The following Table summarizes awards of restricted shares of Entergy Corporation common stock granted under the Equity Ownership Plan in 1996 to the Named Executive Officers.

			Estimated Future Payouts Under Non-Stock Price-Based Plans(a)(b)		
Name	Number of Shares	Performance Period Until Maturation or Payout	Threshold	Target	Maximum
Edwin Lupberger	60,000	1/1/96-12/31/98	20,000	40,000	60,000
Jerry L. Maulden	37,500	1/1/96-12/31/98	12,500	25,000	37,500
Michael B. Bemis	30,000	1/1/96-12/31/98	10,000	20,000	30,000
Donald C. Hintz	30,000	1/1/96-12/31/98	10,000	20,000	30,000
Jerry D. Jackson	30,000	1/1/96-12/31/98	10,000	20,000	30,000
Gerald D. McInvale	30,000	1/1/96-12/31/98	10,000	20,000	30,000
Louis E. Buck, Jr.	4,500	1/1/96-12/31/98	1,500	3,000	4,500
William J. Regan, Jr.	4,500	1/1/96-12/31/98	1,500	3,000	4,500

(a) Restricted shares awarded will vest at the end of a three-year period, subject to the attainment of approved performance goals for Entergy. Restrictions are lifted based upon the achievement of the cumulative result of these goals for the performance period. The value any Named Executive Officer may realize is dependent upon both the number of shares that vest and the future market price of Entergy Corporation common stock.

(b) The threshold, target, and maximum levels correspond to the achievement of 50%, 100%, and 150%, respectively, of Equity Ownership Plan goals. Achievement of a threshold, target, or maximum level would result in the award of the number of shares indicated in the respective column. Achievement of a level between these three specified levels would result in the award of a number of shares calculated by means of interpolation.

Pension Plan Tables

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy

Retirement Income Plan Table

Annual Covered Compensation	Years of Service				
	15	20	25	30	35
$100,000	$ 22,500	$ 30,000	$ 37,500	$ 45,000	$ 52,000
200,000	45,500	60,000	75,000	90,000	105,000
300,000	67,500	90,000	112,500	135,000	157,500
400,000	90,000	120,000	150,000	180,000	210,000
500,000	112,500	150,000	187,500	225,000	262,500
850,000	191,250	255,000	318,750	382,500	446,250

All of the Named Executive Officers participate in a Retirement Income Plan, a defined benefit plan, that provides a benefit for employees at retirement from Entergy based upon (1) generally all years of service beginning at age 21 through termination, with a forty-year maximum, multiplied by (2) 1.5%, multiplied by (3) the final average compensation. Final average compensation is based on the highest consecutive 60 months of covered compensation in the last 120 months of service. The normal form of benefit for a single employee is a lifetime annuity and for a married employee is a 50% joint and survivor annuity. Other actuarially equivalent options are available to each retiree. Retirement benefits are not subject to any deduction for Social Security or other offset amounts. The amount of the Named Executive Officers' annual compensation covered by the plan as of December 31, 1996, is represented by the salary column in the Summary Compensation Table above.

The credited years of service under the Retirement Income Plan, as of December 31, 1996, for the Named Executive Officers is as follows: Mr. Bemis 14; Mr. Buck 1, Mr. Maulden 31, and Mr. Regan 1. The credited years of service under the respective Retirement Income Plan, as of December 31, 1996 for the following Named Executive Officers, as a result of entering into supplemental retirement agreements, is as follows: Mr. Hintz 25; Mr. Jackson 17; Mr. Lupberger 33; and Mr. McInvale 24.

The maximum benefit under each Retirement Income Plan is limited by Sections 401 and 415 of the Internal Revenue Code of 1986, as amended; however, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy have elected to participate in the Pension Equalization Plan sponsored by Entergy Corporation. Under this plan, certain executives, including the Named Executive Officers, would receive an additional amount equal to the benefit that would have been payable under the Retirement Income Plan, except for the Sections 401 and 410 limitations discussed above.

In addition to the Retirement Income Plan discussed above, Entergy Arkansas, Louisiana, Mississippi, New Orleans, and System Energy participate in the Supplemental Retirement Plan of Entergy Corporation and Subsidiaries (SRP) and the Post-Retirement Plan of Entergy Corporation and Subsidiaries (PRP). Participation is limited to one of these two plans and is at the invitation of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy. The participant may receive from the appropriate Entergy company a monthly benefit payment not in excess of .025 (under the SRP) or .0333 (under the PRP) times the participant's average basic annual salary (as defined in the plans) for a maximum of 120 months. Mr. Hintz has entered into a SRP participation contract, and all of the other Named Executive Officers, (except for Mr. Buck, Mr. McInvale and Mr. Regan) have entered into PRP participation contracts. Current estimates indicate that the annual payments to the Named Executive Officers under the above plans would be less than the payments to that officer under the System Executive Retirement Plan discussed below.

System Executive Retirement Plan Table (1)

Annual Covered Compensation	Years of Service			
	15	20	25	30+
$ 200,000	$ 90,000	$ 100,000	$ 110,000	$ 120,000
300,000	135,000	150,000	165,000	180,000
400,000	180,000	200,000	220,000	240,000
500,000	225,000	250,000	275,000	300,000
600,000	270,000	300,000	330,000	360,000
700,000	315,000	350,000	385,000	420,000
1,000,000	450,000	500,000	550,000	600,000

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(1) Benefits shown are based on a target replacement ratio of 50% based on the years of service and covered compensation shown. The benefits for 10, 15, and 20 or more years of service at the 45% and 55% replacement levels would decrease (in the case of 45%) or increase (in the case of 55%) by the following percentages: 3.0%, 4.5%, and 5.0%, respectively.

In 1993, Entergy Corporation adopted the System Executive Retirement Plan (SERP). Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy are participating employers in the SERP. The SERP is an unfunded defined benefit plan offered at retirement to certain senior executives, which would currently include all the Named Executive Officers. Participating executives choose, at retirement, between the retirement benefits paid under provisions of the SERP or those payable under the executive retirement benefit plans discussed above. Covered pay under the SERP includes final annual base salary (see the Summary Compensation Table above for the base salary covered by the SERP as of December 31, 1996) plus the Target Incentive Award (i.e., a percentage of final annual base salary) for the participant in effect at retirement. Benefits paid under the SERP are calculated by multiplying the covered pay times target pay replacement ratios (45%, 50%, or 55%, dependent on job rating at retirement) that are attained, according to plan design, at 20 years of credited service. The target ratios are increased by 1% for each year of service over 20 years, up to a maximum of 30 years of service. In accordance with the SERP formula, the target ratios are reduced for each year of service below 20 years. The credited years of service under this plan are identical to the years of service for Named Executive Officers (other than Mr. Bemis, Mr. Jackson, and Mr. McInvale) disclosed above in the section entitled "Pension Plan Tables-Retirement Income Plan Table". Mr. Bemis, Mr. Jackson, and Mr. McInvale have 24 years, 23 years, and 15 years, respectively, of credited service under this plan.

The normal form of benefit for a single employee is a lifetime annuity and for a married employee is a 50% joint and survivor annuity. All SERP payments are guaranteed for ten years. Other actuarially equivalent options are available to each retiree. SERP benefits are offset by any and all defined benefit plan payments from Entergy and from prior employers. SERP benefits are not subject to Social Security offsets.

Eligibility for and receipt of benefits under any of the executive plans described above are contingent upon several factors. The participant must agree, without the specific consent of the Entergy company for which such participant was last employed, not to take employment after retirement with any entity that is in competition with, or similar in nature to, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy or any affiliate thereof. Eligibility for benefits is forfeitable for various reasons, including violation of an agreement with Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, resignation of employment, or termination of employment without Company permission.

In addition to the non-bargaining unit employees Retirement Income Plan discussed above, Entergy Gulf States provides, among other benefits to officers, an Executive Income Security Plan for key managerial personnel. The plan provides participants with certain retirement, disability, termination, and survivors' benefits. To the extent that such benefits are not funded by the employee benefit plans of Entergy Gulf States or by vested benefits payable by the participants' former employers, Entergy Gulf States is obligated to make supplemental payments to participants or their survivors. The plan provides that upon the death or disability of a participant during his employment, he or his designated survivors will receive (i) during the first year following his death or disability an amount not to exceed his annual base salary, and (ii) thereafter for a number of years until the participant attains or would have attained age 65, but not less than nine years, an amount equal to one-half of the participant's annual base salary. The plan also provides supplemental retirement benefits for life for participants retiring after reaching age 65 equal to one-half of the participant's average final compensation rate, with one-half of such benefit upon the death of the participant being payable to a surviving spouse for life.

Entergy Gulf States amended and restated the plan effective March 1, 1991, to provide such benefits for life upon termination of employment of a participating officer or key managerial employee without cause (as defined in the plan) or if the participant separates from employment for good reason (as defined in the plan), with 1/2 of such benefits to be payable to a surviving spouse for life. Further, the plan was amended to provide medical benefits for a participant and his family when the participant separates from service. These medical benefits generally continue until the participant is eligible to receive medical benefits from a subsequent employer; but in the case of a participant who is over 50 at the time of separation and was participating in the plan on March 1, 1991, medical benefits continue for life. By virtue of the 1991 amendment and restatement, benefits for a participant under such plan cannot be modified once he becomes eligible to participate in the plan.

Compensation of Directors

For information regarding compensation of the directors of Entergy Corporation, see the Proxy Statement under the heading "Compensation of Directors", which information is incorporated herein by reference. Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy currently have no non-employee directors, and none of the current directors is compensated for his responsibilities as director.

Retired non-employee directors of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans with a minimum of five years of service on the respective Boards of Directors are paid $200 a month for a term of years corresponding to the number of years of active service as directors. Retired non-employee directors with over ten years of service receive a lifetime benefit of $200 a month. Years of service as an advisory director are included in calculating this benefit. System Energy has no retired non-employee directors.

Retired non-employee directors of Entergy Gulf States receive retirement benefits under a plan in which all directors who served continuously for a period of years will receive a percentage of their retainer fee in effect at the time of their retirement for life. The retirement benefit is 30 percent of the retainer fee for service of not less than five nor more than nine years, 40 percent for service of not less than ten nor more than fourteen years, and 50 percent for fifteen or more years of service. For those directors who retired prior to the retirement age, their benefits are reduced. The plan also provides disability retirement and optional hospital and medical coverage if the director has served at least five years prior to the disability. The retired director pays one-third of the premium for such optional hospital and medical coverage and Entergy Gulf States pays the remaining two-thirds. Years of service as an advisory director are included in calculating this benefit.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Entergy Gulf States

As a result of the Merger, Entergy Gulf States is obligated to pay benefits under the Executive Income Security Plan to those persons who were participants at the time of the Merger and who later terminated their employment under circumstances described in the plan. For additional description of the benefits under the Executive Income Security Plan, see the "Pension Plan Tables-System Executive Retirement Plan Table" section noted above.

Personnel Committee Interlocks and Insider Participation

The compensation of Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy executive officers was set by the Personnel Committee of Entergy Corporation's Board of Directors, composed solely of Directors of Entergy Corporation. No officers or employees of any Entergy company participated in deliberations concerning compensation during 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Entergy Corporation owns 100% of the outstanding common stock of registrants Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy. The information with respect to persons known by Entergy Corporation to be beneficial owners of more than 5% of Entergy Corporation's outstanding common stock is included under the heading "Voting Securities Outstanding" in the Proxy Statement, which information is incorporated herein by reference. The registrants know of no contractual arrangements that may, at a subsequent date, result in a change in control of any of the registrants.

The directors, the Named Executive Officers, and the directors and officers as a group for Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, respectively, beneficially owned directly or indirectly common stock of Entergy Corporation as indicated:

Name	Entergy Corporation Common Stock — Amount and Nature of Beneficial Ownership(a) — Sole Voting and Investment Power	Other Beneficial Ownership(b)
Entergy Corporation		
Michael B. Bemis **	11,480	10,000
W. Frank Blount*	4,434	-
John A. Cooper, Jr.*	6,934	-
Lucie J. Fjeldstad*	3,384	-
Dr. Norman C. Francis*	1,200	-
Donald C. Hintz**	8,779	7,500
Jerry D. Jackson**	11,615	14,411
Robert v.d. Luft*	3,684	-
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden**	25,015	20,000
Adm. Kinnaird R. McKee*	2,467	-
Paul W. Murrill*	2,917	-
James R. Nichols*	5,078	-
Eugene H. Owen*	3,092	-
John N. Palmer, Sr.*	16,481	-
Robert D. Pugh*	6,700	6,500 (c)
H. Duke Shackelford*	8,750	4,950 (d)
Wm. Clifford Smith*	5,600	-
Bismark A. Steinhagen*	7,637	-
All directors and executive officers	263,181	149,685
Entergy Arkansas		
Michael B. Bemis***	11,480	10,000
Donald C. Hintz***	8,779	7,500
Jerry D. Jackson***	11,615	14,411
R. Drake Keith*	13,189	7,174
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden***	25,015	20,000
Gerald D. McInvale*	16,030	10,000
All directors and executive officers	189,117	137,909

Name	Entergy Corporation Common Stock — Amount and Nature of Beneficial Ownership(a) — Sole Voting and Investment Power	Other Beneficial Ownership(b)
Entergy Gulf States		
Michael B. Bemis***	11,480	10,000
John J. Cordaro *	6,833	5,000
Frank F. Gallaher*	20,401	7,500
Donald C. Hintz***	8,779	7,500
Jerry D. Jackson***	11,615	14,411
Karen R. Johnson *	349	-
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden***	25,015	20,000
Gerald D. McInvale *	16,030	10,000
All directors and executive officers	180,976	135,735
Entergy Louisiana		
Michael B. Bemis***	11,480	10,000
John J. Cordaro*	6,833	5,000
Donald C. Hintz***	8,779	7,500
Jerry D. Jackson***	11,615	14,411
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden***	25,015	20,000
Gerald D. McInvale *	16,030	10,000
All directors and executive officers	187,772	135,735
Entergy Mississippi		
Michael B. Bemis***	11,480	10,000
Donald C. Hintz*	8,779	7,500
Jerry D. Jackson***	11,615	14,411
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden***	25,015	20,000
Gerald D. McInvale***	16,030	10,000
Donald E. Meiners*	11,982	10,000
All directors and executive officers	177,804	140,735

Name	Entergy Corporation Common Stock — Amount and Nature of Beneficial Ownership(a): Sole Voting and Investment Power	Other Beneficial Ownership(b)
Entergy New Orleans		
Michael B. Bemis**	11,480	10,000
Jerry D. Jackson***	11,615	14,411
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden***	25,015	20,000
Gerald D. McInvale***	16,030	10,000
Daniel F. Packer *	3,164	-
All directors and executive officers	160,465	123,235
System Energy		
Louis E. Buck, Jr.**	80	-
Donald C. Hintz***	8,779	7,500
Edwin Lupberger***	34,392	41,324 (c)
Jerry L. Maulden*	25,015	20,000
Gerald D. McInvale***	16,030	10,000
William J. Regan **	202	-
All directors and executive officers	89,185	78,824

* Director of the respective Company

** Named Executive Officer of the respective Company

*** Director and Named Executive Officer of the respective Company

(a) Based on information furnished by the respective individuals. Except as noted, each individual has sole voting and investment power. The amount owned by each individual and by all directors and executive officers as a group does not exceed one percent of the outstanding securities of any class of security so owned.

(b) Includes, for the Named Executive Officers, shares of Entergy Corporation common stock in the form of unexercised stock options awarded pursuant to the Equity Ownership Plan as follows: Michael B. Bemis, 10,000 shares; John J. Cordaro 5,000 shares; Frank F. Gallaher, 7,500 shares; Donald C. Hintz, 7,500 shares; Jerry D. Jackson, 14,411 shares; R. Drake Keith, 7,174 shares; Edwin Lupberger, 38,824 shares; Jerry L. Maulden, 20,000 shares; Gerald D. McInvale, 10,000 shares; and Donald E. Meiners, 10,000 shares.

(c) Includes, for the Named Executive Officers, shares of Entergy Corporation common stock held by their spouses. The named persons disclaim beneficial ownership in these shares as follows: Edwin Lupberger, 2,500 shares; and Robert D. Pugh, 6,500 shares.

(d) Includes 4,950 shares owned by the estate of Mrs. Shackelford, of which H. Duke Shackelford disclaims beneficial ownership.

Item 13. Certain Relationships and Related Transactions

Information called for by this item concerning the directors and officers of Entergy Corporation is set forth under the heading "Certain Transactions" in the Proxy Statement, which information is incorporated herein by reference.

See Item 10, "Directors and Executive Officers of the Registrants," for information on certain relationships and transactions required to be reported under this item.

Other than as provided under applicable corporate laws, Entergy does not have policies whereby transactions involving executive officers and directors are approved by a majority of disinterested directors. However, pursuant to the Entergy Corporation Code of Conduct, transactions involving an Entergy and its executive officers must have prior approval by the next higher reporting level of that individual, and transactions involving an Entergy company and its directors must be reported to the secretary of the appropriate company.

PART IV

Item 14. <u>Exhibits, Financial Statement Schedules, and Reports on Form 8-K.</u>

(a)1. Financial Statements and Independent Auditors' Reports for Entergy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy are listed in the Index to Financial Statements (see pages 38 and 39)

(a)2. Financial Statement Schedules

Reports of Independent Accountants on Financial Statement Schedules (see page 214)

Financial Statement Schedules are listed in the Index to Financial Statement Schedules (see page S-1)

(a)3. Exhibits

Exhibits for Entergy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy are listed in the Exhibit Index (see page E-1). Each management contract or compensatory plan or arrangement required to be filed as an exhibit hereto is identified as such by footnote in the Exhibit Index.

(b) Reports on Form 8-K

<u>Entergy Corporation</u>
A current report on Form 8-K, dated October 11, 1996, was filed with the SEC on October 11, 1996, reporting information under Item 5. "Other Events".

A current report on Form 8-K, dated December 18, 1996, was filed with the SEC on December 18, 1996, reporting information under Item 5. "Other Events".

A current report on Form 8-K, dated February 7, 1997, was filed with the SEC on February 18, 1997, reporting information under Item 2. "Acquisition of Assets" and Item 5. "Other Events".

<u>Entergy Corporation and Entergy Arkansas</u>
A current report on Form 8-K, dated October 23, 1996, was filed with the SEC on October 29, 1996, reporting information under Item 5. "Other Events".

<u>Entergy Corporation and Entergy Gulf States</u>
A current report on Form 8-K, dated November 27, 1996, was filed with the SEC on November 27, 1996, reporting information under Item 5. "Other Events".

EXPERTS

The statements attributed to Sandlin Associates regarding the analysis of River Bend Construction costs of Entergy Gulf States under Item 1. "Rate Matters and Regulation - Rate Matters - Retail Rate Matters - Entergy Gulf States' and in Note 2 to Entergy Corporation and Subsidiaries Consolidated Financial Statements and Entergy Gulf States' Financial Statements, "Rate and Regulatory Matters," have been reviewed by such firm and are included herein upon the authority of such firm as experts.

ENTERGY CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY CORPORATION

By /s/ Louis E. Buck
Louis E. Buck, Vice President
and Chief Accounting Officer

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 10, 1997

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President and Chief Financial Officer; Principal Financial Officer); W. Frank Blount, John A. Cooper, Jr., Lucie J. Fjeldstad, N. C. Francis, Kaneaster Hodges, Jr., Robert v.d. Luft, Kinnaird R. McKee, Paul W. Murrill, James R. Nichols, Eugene H. Owen, John N. Palmer, Sr., Robert D. Pugh, H. Duke Shackelford, Wm. Clifford Smith, and Bismark A. Steinhagen (Directors).

By: /s/ Louis E. Buck
(Louis E. Buck, Attorney-in-fact)

March 10, 1997

ENTERGY ARKANSAS, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY ARKANSAS, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice President,
Chief Accounting Officer and Assistant Secretary

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)	March 10, 1997

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Michael B. Bemis, Donald C. Hintz, Jerry D. Jackson, R. Drake Keith, and Jerry L. Maulden (Directors).

By: /s/ Louis E. Buck
(Louis E. Buck, Attorney-in-fact)

March 10, 1997

ENTERGY GULF STATES, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY GULF STATES, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice President,
Chief Accounting Officer and Assistant Secretary

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)	March 10, 1997

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Michael B. Bemis, John J. Cordaro, Frank F. Gallaher, Donald C. Hintz, Jerry D. Jackson, Karen R. Johnson, and Jerry L. Maulden (Directors).

By: /s/ Louis E. Buck
(Louis E. Buck, Attorney-in-fact)

March 10, 1997

ENTERGY LOUISIANA, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY LOUISIANA, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice President,
Chief Accounting Officer and Assistant Secretary

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)	March 10, 1997

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Michael B. Bemis, John J. Cordaro, Donald C. Hintz, Jerry D. Jackson, and Jerry L. Maulden (Directors).

By: /s/ Louis E. Buck
(Louis E. Buck, Attorney-in-fact)

March 10, 1997

ENTERGY MISSISSIPPI, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY MISSISSIPPI, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice President,
Chief Accounting Officer and Assistant Secretary

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)	March 10, 1997

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Michael B. Bemis, Donald C. Hintz, Jerry D. Jackson, Jerry L. Maulden, and Donald E. Meiners (Directors).

By: /s/ Louis E. Buck March 10, 1997
(Louis E. Buck, Attorney-in-fact)

ENTERGY NEW ORLEANS, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ENTERGY NEW ORLEANS, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice President,
Chief Accounting Officer and Assistant Secretary

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)	March 10, 1997

Edwin Lupberger (Chairman of the Board, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Jerry D. Jackson, Jerry L. Maulden, and Daniel F. Packer (Directors).

By: /s/ Louis E. Buck
(Louis E. Buck, Attorney-in-fact)

March 10, 1997

SYSTEM ENERGY RESOURCES, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SYSTEM ENERGY RESOURCES, INC.

By /s/ Louis E. Buck
Louis E. Buck, Vice President
and Chief Accounting Officer

Date: March 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Signature	Title	Date
/s/ Louis E. Buck Louis E. Buck	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 10, 1997

Donald C. Hintz (President, Chief Executive Officer and Director; Principal Executive Officer); Gerald D. McInvale (Executive Vice President, Chief Financial Officer, and Director; Principal Financial Officer); Edwin Lupberger (Chairman of the Board), and Jerry L. Maulden (Directors).

By: /s/ Louis E. Buck
(Louis E. Buck, Attorney-in-fact)

March 10, 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in Post-Effective Amendment Nos. 2, 3, 4A, and 5A on Form S-8 and the related Prospectuses to the registration statement of Entergy Corporation on Form S-4 (File Number 33-54298) and on Form S-3 (File Numbers 333-02503 and 333-22007) of our reports dated February 13, 1997, on our audits of the consolidated financial statements and consolidated financial statement schedules of Entergy Corporation as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, which reports include an emphasis paragraph related to a rate-related contingency and an explanatory paragraph related to changes in accounting methods for the impairment of long-lived assets and for long-lived assets to be disposed of and incremental nuclear plant outage maintenance costs by certain of the Corporation's subsidiaries, and are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Arkansas, Inc. (formerly Arkansas Power & Light Company) on Form S-3 (File Numbers 33-36149, 33-48356, 33-50289, 333-00103 and 333-05045) of our reports dated February 13, 1997, on our audits of the financial statements and financial statement schedule of Entergy Arkansas, Inc. as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, which reports include an explanatory paragraph related to the Company's 1995 change in its method of accounting for incremental nuclear plant outage maintenance costs, and are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Gulf States, Inc. (formerly Gulf States Utilities Company) on Form S-3 (File Numbers 33-49739 and 33-51181), Form S-8 (File Numbers 2-76551 and 2-98011) and on Form S-2 (File Number 333-17911), of our reports dated February 13, 1997, on our audits of the financial statements and financial statement schedule of Entergy Gulf States, Inc. as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, which reports include an emphasis paragraph related to a rate-related contingency and an explanatory paragraph related to a change in accounting for the impairment of long-lived assets and long-lived assets to be disposed of, and are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Louisiana, Inc. (formerly Louisiana Power & Light Company) on Form S-3 (File Numbers 33-46085, 33-39221, 33-50937, 333-00105, 333-01329 and 333-03567) of our reports dated February 13, 1997, on our audits of the financial statements and financial statement schedule of Entergy Louisiana, Inc. as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy Mississippi, Inc. (formerly Mississippi Power & Light Company) on Form S-3 (File Numbers 33-53004, 33-55826 and 33-50507) of our reports dated February 13, 1997, on our audits of the financial statements and financial statement schedule of Entergy Mississippi, Inc. as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of Entergy New Orleans, Inc. (formerly New Orleans Public Service Inc.) on Form S-3 (File Numbers 33-57926 and 333-00255) of our reports dated February 13, 1997, on our audits of the financial statements and financial statement schedule of Entergy New Orleans, Inc. as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, which are included in this Annual Report on Form 10-K.

We consent to the incorporation by reference in the registration statements and the related Prospectuses of System Energy Resources, Inc. on Form S-3 (File Numbers 33-47662, 33-61189 and 333-06717) of our report dated February 13, 1997, on our audits of the financial statements of System Energy Resources, Inc. as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, which report includes an explanatory paragraph related to the Company's 1996 change in its method of accounting for incremental nuclear plant outage maintenance costs, and is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
March 7, 1997

EXHIBIT 23(b)

CONSENT

We consent to the reference to our firm under the heading "Experts" and to the inclusion in this Annual Report on Form 10-K of Entergy Gulf States, Inc. of the statements (Statements) regarding the analysis by our Firm of River Bend construction costs which are made herein under Part I, Item 1. Business - "Rate Matters and Regulation" and in the discussion of Texas jurisdictional matters set forth in Note 2 to Entergy Gulf States' Financial Statements and Note 2 to Entergy Corporation and Subsidiaries' Consolidated Financial Statements appearing as Item 8. of Part II of this Form 10-K, which Statements have been prepared or reviewed by us (Sandlin Associates). We also consent to the incorporation by reference in the registration statements of Entergy Gulf States on Form S-3 (File Numbers 33-49739 and 33-51181), Form S-8 (File Numbers 2-76551 and 2-98011) and on Form S-2 (File Number 333-17911) of such reference and Statements.

SANDLIN ASSOCIATES
Management Consultants

Pasco, Washington
March 10, 1997

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors and the Shareholders
of Entergy Corporation

We have audited the consolidated financial statements of Entergy Corporation and Subsidiaries and the financial statements of Entergy Arkansas, Inc. (formerly Arkansas Power & Light Company), Entergy Gulf States, Inc. (formerly Gulf States Utilities Company), Entergy Louisiana, Inc. (formerly Louisiana Power & Light Company), Entergy Mississippi, Inc. (formerly Mississippi Power & Light Company) and Entergy New Orleans, Inc. (formerly New Orleans Public Service Inc.) as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, and have issued our reports, included elsewhere in this Form 10-K, thereon dated February 13, 1997, which reports as to Entergy Corporation and Entergy Gulf States, Inc. include an emphasis paragraph related to a rate-related contingency and an explanatory paragraph related to a change in accounting for impairment of long-lived assets and long-lived assets to be disposed of, and which reports as to Entergy Corporation and Entergy Arkansas, Inc. include an explanatory paragraph related to changes in accounting for incremental nuclear plant outage maintenance expenses. In connection with our audits of such financial statements, we have also audited the related financial statement schedules included in Item 14(a)2 of this Form 10-K.

In our opinion the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New Orleans, Louisiana
February 13, 1997

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted because they are not required, not applicable or the required information is shown in the financial statements or notes thereto.

Columns have been omitted from schedules filed because the information is not applicable.

ENTERGY CORPORATION
SCHEDULE I-FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF INCOME

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Income:			
Equity in income of subsidiaries	$459,350	$549,144	$369,701
Interest on temporary investments	4,840	20,641	25,496
Total	464,190	569,785	395,197
Expenses and Other Deductions:			
Administrative and general expenses	34,402	53,872	57,846
Income taxes (credit)	(1,558)	(5,383)	(6,350)
Taxes other than income (credit)	828	1,102	465
Interest (credit)	10,491	214	1,395
Total	44,163	49,805	53,356
Net Income	$420,027	$519,980	$341,841

See Entergy Corporation and Subsidiaries Notes to Financial Statements in Part II, Item 8.

ENTERGY CORPORATION

SCHEDULE I - FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Operating Activities:			
Net income	$420,027	$519,980	$341,841
Noncash items included in net income:			
Equity in earnings of subsidiaries	(459,350)	(549,144)	(369,701)
Deferred income taxes	8,499	(2,024)	7,007
Depreciation	1,628	1,421	959
Changes in working capital:			
Receivables	3,232	2,161	(5,085)
Payables	9,919	(3,776)	(11,945)
Other working capital accounts	(1,170)	(1,701)	(2,563)
Common stock dividends received from subsidiaries	554,200	565,589	763,400
Other	(3,524)	8,652	(12,137)
Net cash flow provided by operating activities	533,461	541,158	711,776
Investing Activities:			
Investment in subsidiaries	(266,681)	(477,709)	(49,892)
Capital expenditures	-	-	(3,178)
Proceeds received from the sale of property	-	-	26,000
Advance to subsidiary	-	221,540	(11,840)
Net cash flow used in investing activities	(266,681)	(256,169)	(38,910)
Financing Activities:			
Changes in short-term borrowings	20,000	-	(43,000)
Common stock dividends paid	(405,346)	(408,553)	(410,223)
Issuance of common stock	118,087	-	(119,486)
Net cash flow used in financing activities	(267,259)	(408,553)	(572,709)
Net increase (decrease) in cash and cash equivalents	(479)	(123,564)	100,157
Cash and cash equivalents at beginning of period	129,144	252,708	152,551
Cash and cash equivalents at end of period	$128,665	$129,144	$252,708

See Entergy Corporation and Subsidiaries Notes to Financial Statements in Part II, Item 8.

ENTERGY CORPORATION

SCHEDULE I - FINANCIAL STATEMENTS OF ENTERGY CORPORATION
BALANCE SHEETS

	December 31, 1996	December 31, 1995
	(In Thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Cash	$23	$25
Temporary cash investments - at cost, which approximates market:		
Associated companies	57,986	29,180
Other	70,656	99,939
Total cash and cash equivalents	128,665	129,144
Accounts receivable:		
Associated companies	5,940	8,697
Other	-	356
Interest receivable	378	497
Other	20,389	9,511
Total	155,372	148,205
Investment in Wholly-owned Subsidiaries	6,531,729	6,354,267
Deferred Debits	74,891	47,381
TOTAL	$6,761,992	$6,549,853
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable	$20,000	-
Accounts payable:		
Associated companies	11,613	762
Other	22	1,142
Interest Accrued	188	-
Other current liabilities	15,638	5,930
Total	47,461	7,834
Deferred Credits and Noncurrent Liabilities	73,616	70,299
Shareholders' Equity:		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 234,456,457 shares in 1996 and 230,017,485 shares in 1995	2,345	2,300
Paid-in capital	4,320,591	4,201,483
Retained earnings	2,341,703	2,335,579
Cumulative foreign currency translation adjustment	21,725	-
Less cost of treasury stock 1,496,118 shares in 1996 and 2,251,318 shares in 1995)	(45,449)	(67,642)
Total common shareholders' equity	6,640,915	6,471,720
Total	$6,761,992	$6,549,853

See Entergy Corporation and Subsidiaries Notes to Financial Statements in Part II, Item 8.

ENTERGY CORPORATION

SCHEDULE I - FINANCIAL STATEMENTS OF ENTERGY CORPORATION
STATEMENTS OF RETAINED EARNINGS AND PAID-IN CAPITAL

	For the Years Ended December 31,		
	1996	1995	1994
		(In Thousands)	
Retained Earnings, January 1	$2,335,579	$2,223,739	$2,310,082
Add:			
Net income	420,027	519,980	341,841
Total	2,755,606	2,743,719	2,651,923
Deduct:			
Dividends declared on common stock	412,250	409,801	411,806
Common stock retirements	-	-	13,940
Capital stock and other expenses	1,653	(1,661)	2,438
Total	413,903	408,140	428,184
Retained Earnings, December 31	$2,341,703	$2,335,579	$2,223,739
Paid-in Capital, January 1	$4,201,483	$4,202,134	$4,223,682
Add:			
Gain (loss) on reacquisition of subsidiaries' preferred stock	1,795	(26)	(23)
Common stock issuances related to stock plans	117,560	(3,002)	
Total	4,320,838	4,199,106	4,223,659
Deduct:			
Common stock retirements	-	-	22,468
Capital stock discounts and other expenses	247	(2,377)	(943)
Total	247	(2,377)	21,525
Paid-in Capital, December 31	$4,320,591	$4,201,483	$4,202,134

See Entergy Corporation and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8.

ENTERGY CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995, and 1994
(In Thousands)

Column A	Column B	Column C	Column D	Column E
		Additions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1996				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$7,109	$18,403	$17,690	$7,822
Other	12,337	-	12,337	-
Total	$19,446	$18,403	$30,027	$7,822
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	$36,733	$26,136	$27,843	$35,026
Injuries and damages (Note 2)	19,981	23,373	17,209	26,145
Environmental	40,262	2,599	5,142	37,719
Total	$96,976	$52,108	$50,194	$98,890
Year ended December 31, 1995				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$6,740	$14,586	$14,217	$7,109
Other	$0	12,337	-	$12,337
Total	$6,740	$26,923	$14,217	$19,446
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	$32,871	$16,263	$12,401	$36,733
Injuries and damages (Note 2)	22,066	11,667	13,752	19,981
Environmental	42,739	7,639	10,116	40,262
Total	$97,676	$35,569	$36,269	$96,976
Year ended December 31, 1994				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$8,808	$8,266	$10,334	$6,740
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	$34,546	$25,592	$27,267	$32,871
Injuries and damages (Note 2)	23,096	10,993	12,023	22,066
Environmental	26,753	21,292	5,306	42,739
Total	$84,395	$57,877	$44,596	$97,676

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY ARKANSAS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995, and 1994
(In Thousands)

Column A	Column B	Column C	Column D	Column E
		Additions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$2,058	$5,341	$5,073	$2,326
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$900	$8,808	$9,694	$14
Injuries and damages (Note 2)	1,810	2,980	1,980	2,810
Environmental	6,514	1,320	2,671	5,163
Total	$9,224	$13,108	$14,345	$7,987
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$1,950	$3,997	$3,889	$2,058
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$1,916	$4,810	$5,826	$900
Injuries and damages (Note 2)	2,660	710	1,560	1,810
Environmental	5,350	4,435	3,271	6,514
Total	$9,926	$9,955	$10,657	$9,224
Year ended December 31, 1994				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$2,050	$1,967	$2,067	$1,950
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$2,821	$18,782	$19,687	$1,916
Injuries and damages (Note 2)	3,259	1,316	1,915	2,660
Environmental	6,825	1,510	2,985	5,350
Total	$12,905	$21,608	$24,587	$9,926

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY GULF STATES, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995, and 1994
(In Thousands)

Column A	Column B	Column C	Column D	Column E
		Additions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1996				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$1,608	$4,709	$4,320	$1,997
Accumulated Provisions				
Not Deducted from Assets--				
Property insurance	$14,141	$5,899	$3,037	$17,003
Injuries and damages (Note 2)	5,199	7,955	3,560	9,594
Environmental	21,864	365	400	21,829
Total	$41,204	$14,219	$6,997	$48,426
Year ended December 31, 1995				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$715	$3,715	$2,822	$1,608
Accumulated Provisions				
Not Deducted from Assets--				
Property insurance	$10,451	$6,396	$2,706	$14,141
Injuries and damages (Note 2)	6,922	6,243	7,966	5,199
Environmental	20,314	2,483	933	21,864
Total	$37,687	$15,122	$11,605	$41,204
Year ended December 31, 1994				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$2,383	$701	$2,369	$715
Accumulated Provisions				
Not Deducted from Assets--				
Property insurance	$10,872	$2,170	$2,591	$10,451
Injuries and damages (Note 2)	9,469	2,970	5,517	6,922
Environmental	18,151	2,589	426	20,314
Total	$38,492	$7,729	$8,534	$37,687

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY LOUISIANA, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995, and 1994
(In Thousands)

Column A	Column B	Column C	Column D	Column E
		Additions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$1,390	$3,241	$3,202	$1,429
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$1,013	$4,583	$5,335	$261
Injuries and damages (Note 2)	8,414	10,646	9,617	9,443
Environmental	11,379	495	1,895	9,979
Total	$20,806	$15,724	$16,847	$19,683
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$1,175	$2,450	$2,235	$1,390
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$814	$3,537	$3,338	$1,013
Injuries and damages (Note 2)	7,350	4,486	3,422	8,414
Environmental	16,394	(89)	4,926	11,379
Total	$24,558	$7,934	$11,686	$20,806
Year ended December 31, 1994				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$1,075	$2,023	$1,923	$1,175
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$2,388	$3,120	$4,694	$814
Injuries and damages (Note 2)	4,779	5,848	3,277	7,350
Environmental	1,237	16,868	1,711	16,394
Total	$8,404	$25,836	$9,682	$24,558

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY MISSISSIPPI, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995, and 1994
(In Thousands)

Column A	Column B	Column C	Column D	Column E
		Additions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1996				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$1,585	$2,996	$3,207	$1,374
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$5,013	$6,846	$9,777	$2,082
Injuries and damages (Note 2)	2,565	928	588	2,905
Environmental	467	330	104	693
Total	$8,045	$8,104	$10,469	$5,680
Year ended December 31, 1995				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$2,070	$1,691	$2,176	$1,585
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$3,779	$1,520	$286	$5,013
Injuries and damages (Note 2)	3,725	(1,154)	6	2,565
Environmental	684	735	952	467
Total	$8,188	$1,101	$1,244	$8,045
Year ended December 31, 1994				
Accumulated Provisions Deducted from Assets-- Doubtful Accounts	$2,470	$1,897	$2,297	$2,070
Accumulated Provisions Not Deducted from Assets:				
Property insurance	$2,554	$1,520	$295	$3,779
Injuries and damages (Note 2)	3,478	365	118	3,725
Environmental	500	300	116	684
Total	$6,532	$2,185	$529	$8,188

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.

ENTERGY NEW ORLEANS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995, and 1994
(In Thousands)

Column A	Column B	Column C	Column D	Column E
		Additions	Other Changes	
Description	Balance at Beginning of Period	Charged to Income	Deductions from Provisions (Note 1)	Balance at End of Period
Year ended December 31, 1996				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$468	$2,116	$1,888	$696
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	$15,666	-	-	$15,666
Injuries and damages (Note 2)	1,993	864	1,464	1,393
Environmental	38	89	72	55
Total	$17,697	$953	$1,536	$17,114
Year ended December 31, 1995				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$830	$2,733	$3,095	$468
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	$15,911	-	$245	$15,666
Injuries and damages (Note 2)	1,409	1,382	798	1,993
Environmental	(3)	75	34	38
Total	$17,317	$1,457	$1,077	$17,697
Year ended December 31, 1994				
Accumulated Provisions				
Deducted from Assets--				
Doubtful Accounts	$830	$1,678	$1,678	$830
Accumulated Provisions Not				
Deducted from Assets:				
Property insurance	$15,911	-	-	$15,911
Injuries and damages (Note 2)	2,111	494	1,196	1,409
Environmental	40	25	68	(3)
Total	$18,062	$519	$1,264	$17,317

Notes:

(1) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for doubtful accounts, such deductions are reduced by recoveries of amounts previously written off.

(2) Injuries and damages provision is provided to absorb all current expenses as appropriate and for the estimated cost of settling claims for injuries and damages.