Entergy

Entergy Nuclear Generation Company
Pilgrim Nuclear Power Station
600 Rocky Hill Road
Plymouth, MA 02360

J. F. Alexander
Director
Nuclear Assessment

July, 11, 2000
ENGC Ltr. 2.00.058

10 CFR 140.21

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555

Docket No. 50.293
License No. DPR-35

Licensee Guarantees of Payment of Deferred Premiums

In accordance with 10 CFR 140.21 Entergy Nuclear Generation Company (Entergy) is submitting the following enclosures:

- Entergy Annual Report for 1999
- Entergy Form 10-Q for the quarter ended March 31, 2000
- Certificate of Insurance Declarations and Bond for Payment of Retrospective Premiums

Should you have questions or comments concerning this report, please contact Robert Cannon at (508) 830-8321.

Sincerely,

J.F. Alexander

RLC/

Enclosures: As stated above

cc: Mr. Hubert Miller w/o attachments
Regional Administrator, Region I
U.S. Nuclear Regulatory Commission
475 Allendale Road
King of Prussia, PA 19406

Senior Resident Inspector w/o attachments

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Rockville, MD 20852

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2000

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	I.R.S. Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000	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) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 840-2734	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) 1600 Perdido Building New Orleans, Louisiana 70112 Telephone (504) 670-3674	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

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 __X__ No _____

Common Stock Outstanding		Outstanding at April 30, 2000
Entergy Corporation	($0.01 par value)	229,974,723

This combined Quarterly Report on Form 10-Q 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 reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 1999, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

Forward Looking Information

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: Investors are cautioned that forward-looking statements contained herein with respect to the revenues, earnings, performance, strategies, prospects and other aspects of the business of Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., System Energy Resources, Inc., and their affiliated companies may involve risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, risks and uncertainties relating to: the effects of weather, the performance of generating units and transmission systems, the possession of nuclear materials, fuel prices and availability, the effects of regulatory decisions and changes in law, litigation, capital spending requirements, the onset of competition, advances in technology, changes in accounting standards, corporate restructuring and changes in capital structure, movements in the markets for electricity and other energy-related commodities, changes in interest rates and in financial and foreign currency markets generally, changes in corporate strategies, and other factors.

ENTERGY CORPORATION AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT ON FORM 10-Q
March 31, 2000

DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
Board	Board of Directors of Entergy Corporation
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 Pty., an electric distribution company serving Melbourne, Australia and surrounding suburbs, which was acquired by Entergy effective January 5, 1996, and was sold by Entergy effective December 31, 1998
Council	Council of the City of New Orleans, Louisiana
domestic utility companies	Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively
EWG	Exempt wholesale generator under PUHCA
Entergy	Entergy Corporation and its various direct and indirect subsidiaries
Entergy Arkansas	Entergy Arkansas, Inc., an Arkansas corporation
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States	Entergy Gulf States, Inc., a Texas corporation (including wholly owned subsidiaries - Varibus Corporation, GSG&T, Inc., Prudential Oil & Gas, Inc., and Southern Gulf Railway Company)
Entergy Louisiana	Entergy Louisiana, Inc., a Louisiana corporation
Entergy Mississippi	Entergy Mississippi, Inc., a Mississippi corporation
Entergy New Orleans	Entergy New Orleans, Inc., a Louisiana corporation
FERC	Federal Energy Regulatory Commission
FUCO	an exempt foreign utility company under PUHCA
Form 10-K	The combined Annual Report on Form 10-K for the year ended December 31, 1999 of Entergy, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy
Grand Gulf 1	Unit No. 1 of the Grand Gulf Nuclear Generation Plant
London Electricity	London Electricity plc - a regional electric company serving London, England, which was acquired by Entergy London Investments plc, effective February 1, 1997, and was sold by Entergy effective December 4, 1998
LPSC	Louisiana Public Service Commission
MPSC	Mississippi Public Service Commission
MW	Megawatt(s)
NRC	Nuclear Regulatory Commission
Pilgrim	Pilgrim Nuclear Station, 670 MW facility located in Plymouth, Massachusetts purchased in July 1999 from Boston Edison by Entergy's non-utility nuclear power business
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 1935, as amended
River Bend	River Bend Nuclear Generation Plant
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards as promulgated by the Financial Accounting Standards Board

Abbreviation or Acronym	Term
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., an Arkansas corporation
UK	The United Kingdom of Great Britain and Northern Ireland
Waterford 3	Unit No. 3 (nuclear) of the Waterford Plant

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Operations

Net cash flow provided by (used in) operations for Entergy, the domestic utility companies, and System Energy for the first quarter of 2000 and 1999 was as follows:

Company	First Quarter 2000	First Quarter 1999
	(In Millions)	
Entergy	$ 310.6	$ 210.1
Entergy Arkansas	$ 17.8	$ 42.2
Entergy Gulf States	$ 81.5	$ 74.3
Entergy Louisiana	$ 33.9	$ 56.4
Entergy Mississippi	$ (72.2)	$ 16.0
Entergy New Orleans	$ 4.5	$ 3.7
System Energy	$ 188.5	$ 40.7

For the first quarter of 2000, competitive businesses provided $14.6 million to consolidated operating cash flow compared with using $50.8 million in the first quarter of 1999. The increase is primarily due to revenues from Pilgrim and less cash used by the power marketing and trading business. Pilgrim was purchased in July 1999 and provided positive operating cash flow in the first quarter of 2000 compared to no cash flow in the first quarter of 1999.

The operating cash flows of the domestic utility companies and System Energy were primarily affected by the following money pool activity for the first quarter of 2000:

- System Energy's operating cash flow increased primarily due to a decrease in receivables from affiliated companies; and
- Entergy Arkansas and Entergy Mississippi issued debt during the first quarter of 2000, the proceeds of which were used in part by each of these companies to pay off borrowings from the money pool and create receivables to them from the money pool, resulting in an overall decrease in their respective operating cash flows.

The money pool is an inter-company funding arrangement designed to reduce the domestic utility companies' and System Energy's dependence on external short-term borrowings. The money pool provides a means by which, on a daily basis, the excess funds of Entergy Corporation, the domestic utility companies and System Energy may be used by the domestic utilities or System Energy when they have short-term cash requirements. See "Capital Resources" below for a discussion of the limitations on these borrowings.

Investing Activities

Net cash used in investing activities increased compared with the first quarter of 1999 due to higher construction expenditures in 2000. The increased expenditures were primarily due to construction of the Saltend and Damhead Creek power plants by Entergy's global power development business and spending on customer service and reliability improvements by the domestic utility companies. Also contributing to the increase in cash used in 2000 were the proceeds from the sale of Entergy Security, Inc. received in January 1999, which decreased the cash used in investing activities in 1999.

Offsetting the overall increase in cash used was the maturity of other temporary investments in the first quarter of 2000.

Financing Activities

Net cash provided by financing activities increased compared to the first quarter of 1999 primarily due to:

- the issuance of debt at Entergy Arkansas and Entergy Mississippi;
- additional borrowings under Entergy Corporation credit facilities, the proceeds of which were used for general corporate purposes and to make an open-account advance to Entergy Louisiana to repay maturing debt;
- increased borrowings under the credit facilities for the construction of the Saltend and Damhead Creek power projects by Entergy's global power development business; and
- a reduction in the redemption of preferred stock in the first quarter of 2000 compared to the first quarter of 1999.

Partially offsetting the overall increase is the increased repurchase of Entergy Corporation common stock in the first quarter of 2000 compared with the first quarter of 1999.

Capital Resources

Entergy requires capital resources for:

- construction and other capital expenditures;
- debt and preferred stock maturities;
- capital investments;
- funding of subsidiaries; and
- dividend and interest payments.

Management provides more information on construction expenditures, capital investments, and long-term debt and preferred stock maturities in Notes 5, 6, 7, and 9 to the financial statements in the Form 10-K.

Entergy's sources of funds to meet its capital requirements include:

- internally generated funds;
- cash on hand;
- debt or preferred stock issuances;
- bank financing under new or existing facilities;
- short-term borrowings; and
- sales of assets.

Certain of the domestic utility companies have issued or expect to issue debt in 2000, the proceeds of which have been or will be used for general corporate purposes, including capital expenditures, the retirement of short-term indebtedness, and, in the case of Entergy Gulf States, the mandatory redemption of preference stock. See Note 4 to the financial statements for details regarding issuances of debt by Entergy Mississippi and Entergy Arkansas in the first quarter of 2000.

All debt and common and preferred stock issuances require prior regulatory approval. Preferred stock and debt issuances are subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The domestic utility companies have sufficient capacity under these issuance tests to consummate the financings planned for the remainder of 2000. The domestic utility companies may also establish special purpose trusts or limited partnerships as financing subsidiaries for the purpose of issuing preferred securities.

LIQUIDITY AND CAPITAL RESOURCES

The domestic utility companies and System Energy expect to continue refinancing or redeeming higher cost debt and preferred stock prior to maturity, to the extent market conditions and interest and dividend rates are favorable.

Short-term borrowings by the domestic utility companies and System Energy are limited to amounts authorized by the SEC. The current SEC-authorized limit of $1.078 billion for these companies is effective through November 30, 2001. Borrowings from the money pool and external borrowings combined may not exceed the SEC-authorized limit. As of March 31, 2000, only Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans had borrowings outstanding from the money pool, in the amounts of $40.9 million, $40.7 million, and $6.4 million, respectively.

Other Entergy subsidiaries have SEC authorization to borrow from Entergy Corporation, through the money pool, or from external sources in an aggregate principal amount up to $265 million. These companies had $113.6 million of outstanding borrowings from the money pool as of March 31, 2000. Some of these borrowings are restricted as to use and are collaterized by certain assets.

As of March 31, 2000, Entergy Corporation had the following short-term credit facilities:

- a $250 million bank credit facility under which $230 million of borrowings were outstanding; and
- a 364-day term loan in the amount of $120 million, all of which was outstanding.

The 364-day term loan was obtained on February 25, 2000 and currently bears interest at an annual rate of 6.96%. The proceeds were used by Entergy Corporation to make an open-account advance in the amount of $100 million to Entergy Louisiana to enable it to repay maturing debt. Entergy Corporation used the remaining proceeds for general corporate purposes and working capital needs.

Entergy Corporation is expanding its $250 million bank credit facility to permit borrowings up to $500 million. It is anticipated that this expansion will become effective during May 2000, and an additional $120 million will be drawn to repay the 364-day term loan.

Entergy's ability to invest in domestic and foreign generation businesses is subject to the SEC's regulations under PUHCA. These regulations limit to 50% of consolidated retained earnings the total amount that Entergy may invest in domestic and foreign generation businesses at the time an investment is made. Using the proceeds from the sales of London Electricity and CitiPower in 1998, Entergy's FUCO and EWG subsidiaries have the ability to make significant additional investments in domestic and foreign generation businesses without the need of further investment by Entergy Corporation. However, Entergy has pending at the SEC an application to increase its permissible EWG and FUCO investments to 100% of consolidated retained earnings.

Entergy's global power development business is currently constructing two combined-cycle gas turbine merchant power plants in the UK, Saltend and Damhead Creek. These projects are discussed in "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – LIQUIDITY AND CAPITAL RESOURCES**" in the Form 10-K. The financing of the construction of these two power plants is discussed in Note 7 to the financial statements in the Form 10-K.

In October 1999, Entergy's global power development business obtained an option to acquire twenty-four GE7FA advanced technology gas turbines, four steam turbines, and eight GE7EA advanced technology gas turbines. The financing of these turbines is discussed in "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – LIQUIDITY AND CAPITAL RESOURCES**" in the Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

In March 2000, Entergy's non-utility nuclear business, signed an agreement, subject to regulatory approvals, for the acquisition of the New York Power Authority's (NYPA) 825 MW James A. FitzPatrick nuclear power plant located near Oswego, New York and NYPA's 980 MW Indian Point 3 nuclear power plant located in Westchester County, New York. Management expects to close the acquisition by the end of the fourth quarter of 2000. Entergy will pay $50 million in cash at the closing of the purchase, plus seven annual installments of approximately $108 million commencing one year from the date of the closing, and eight annual installments of $20 million commencing eight years from the date of the closing. Entergy currently projects that these installments will be paid primarily from the proceeds of the sale of power from the plants and that Entergy will provide an additional $100 million of funding. Subject to certain conditions, Entergy's non-utility nuclear business has agreed to pay NYPA up to $10 million annually for up to 10 years, beginning on the second anniversary date of such acquisition, if Entergy acquires ownership of the Indian Point 2 nuclear power plant located in Westchester County, New York. If Entergy acquires the Nine Mile Point nuclear power plants (referred to in the following paragraph), it will pay NYPA up to $2 million annually for up to 10 years, commencing on the second anniversary date of such acquisition. NYPA also will be paid $2.5 million annually by each of the two Entergy subsidiaries that acquire the NYPA plants for up to twenty years if the NRC grants an extension of the current nuclear operating licenses for the plants. These payments would commence on the first anniversary of the expiration of the respective current licenses and would continue during the extension period.

In December 1999, an Entergy subsidiary signed an agreement with Rochester Gas and Electric Corporation (RG&E) to lease and operate the Nine Mile Point 1 and 2 nuclear power plants, totaling 1,754 MW, located in Scriba, New York. Nine Mile Point 1 is owned by Niagara Mohawk Power Corporation (NiMo), and Nine Mile Point 2 is co-owned by RG&E, NiMo, New York State Electric & Gas Corporation (NYSEG), Long Island Lighting Company doing business as LIPA, and Central Hudson Gas & Electric Corporation. The lease and operating agreement is subject to RG&E's acquisition of NiMo and NYSEG's ownership interests in the plants under RG&E's right of first refusal and is subject to approval by the New York Public Service Commission (NYPSC). NiMo and NYSEG initiated a proceeding before the NYPSC seeking authorization for the sale of their ownership interests in Nine Mile Point 1 and 2 to a third party. Entergy intervened in the proceedings, but on April 25, 2000, NiMo and NYSEG moved to withdraw the request for authority to transfer their interests in the Nine Mile plants on the grounds that there are multiple parties who wish to acquire them. The NYPSC encouraged the owners of the Nine Mile plants to determine the market value of the plants through an open bid process, which will likely take place during the summer of 2000. Entergy expects to participate in the bidding to acquire the Nine Mile plants, or will seek a contract to lease and operate them.

In April 2000, Entergy and Koch Industries, Inc. announced plans for the formation of a new joint venture company to be called Entergy-Koch L.P. Entergy will contribute to the venture its power marketing and trading business in the United States and the United Kingdom as well as $350 million in cash. Of the $350 million, approximately $200 million will be funded with debt that is non-recourse to Entergy Corporation, and $150 million will be provided from Entergy's cash on hand. Koch Industries, Inc. will contribute to the venture its 10,000-mile Koch Gateway Pipeline, gas storage facilities including the Bisteneau storage facility near Shreveport, Louisiana, and Koch Energy Trading which markets and trades electricity, gas, weather derivatives and other energy-related commodities and services. The parties will have equal ownership interests in Entergy-Koch L.P., which will be governed by an eight-member board of directors. Entergy will have the right to appoint four members of the board. The venture, which will require prior approval from FERC and from the SEC under PUHCA, is expected to become operational by the end of 2000.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
LIQUIDITY AND CAPITAL RESOURCES

Entergy has made investments in energy-related businesses, including power marketing and trading. Under PUHCA, the SEC imposes a limit equal to 15% of consolidated capitalization on the amount that may be invested in such "energy-related" businesses without specific SEC approval. Entergy's available capacity to make additional investments at March 31, 2000 was approximately $2.2 billion. The available capacity will be partially reduced by Entergy's investment in its recently announced joint venture with Koch Industries discussed above.

In the first quarter of 2000, Entergy Corporation paid $71 million in cash dividends on its common stock and received dividend payments totaling $63 million from subsidiaries. Declarations of dividends on Entergy's common stock are made at the discretion of the Board. The Board evaluates the level of dividends based upon Entergy's earnings and financial strength. Dividend restrictions are discussed in Note 8 to the financial statements in the Form 10-K.

In October 1998, the Board approved a plan for the repurchase of Entergy common stock through December 31, 2001 to fulfill the requirements of various compensation and benefit plans. This stock repurchase plan provides for purchases in the open market of up to 5 million shares, for an aggregate consideration of up to $250 million. In July 1999, the Board approved the commitment of up to an additional $750 million for the repurchase of Entergy common stock through December 31, 2001. Shares are purchased on a discretionary basis. Entergy also issues shares under its Dividend Reinvestment and Stock Purchase Plan and other compensation and benefit plans. See Note 3 to the financial statements for stock repurchases and issuances made during the first quarter of 2000.

See Notes 4, 5, 6, 7, 9, and 10 to the financial statements in the Form 10-K for further discussion of Entergy's capital and refinancing requirements and available lines of credit.

<u>Entergy Corporation and System Energy</u>

Pursuant to the Capital Funds Agreement, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf 1;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

The Capital Funds Agreement and other Grand Gulf 1-related agreements are more thoroughly discussed in Note 9 to the financial statements in the Form 10-K.

ENTERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
SIGNIFICANT FACTORS AND KNOWN TRENDS

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS**" in the Form 10-K for a discussion of the increasing competitive pressures facing Entergy and the electric utility industry, as well as market risks and other significant issues affecting Entergy. Set forth below are recent updates to the information contained therein.

Domestic Transition to Competition

State Regulatory and Legislative Activity

Texas

In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provides for retail open access by most electric utilities, including Entergy Gulf States, on January 1, 2002. When retail open access is achieved, the generation business and a new retail electricity provider function will become competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail electricity provider function will be the primary point of contact with customers for most services beyond initiation of electric service and restoration of service following outages.

In January 2000, Entergy Gulf States filed a business separation plan with the PUCT as required by the Texas restructuring legislation. The plan provides that Entergy Gulf States will ultimately be divided into a Texas distribution company, a Texas transmission company, a Texas generation company, a Texas retail service provider, and a Louisiana company that will encompass distribution, generation, and transmission operations. Intervenors in the Texas proceeding have, for the most part, expressed opposition to the plan for various reasons. It is not certain whether the plan will be approved as filed, or whether a different plan will be approved by the PUCT. Entergy Gulf States and other parties to the proceeding are in discussions aimed at determining whether there are modifications to the proposed plan that would be acceptable to all concerned parties. The procedural schedule requires Entergy Gulf States to file an amended business separation plan by June 8, 2000. The timing and outcome of this proceeding are uncertain, and additional regulatory approvals from FERC, the SEC, and the LPSC will be required before any business separation plan dividing Entergy Gulf States into a series of new legal entities can be implemented.

Pursuant to the Texas restructuring legislation, Entergy Gulf States filed its separated business cost data and proposed transmission, distribution, and competition tariffs with the PUCT on March 31, 2000. This filing also included a proposal for a performance-based enhancement to the authorized rate of return on equity. Management does not agree with the arbitrary level of return on equity set by PUCT rules (200 basis points over the cost of a distribution utility's debt) and has sought a higher return in its separated cost filing. See Note 2 to the financial statements for further information on this filing.

Mississippi

In May 2000, after two years of studies and hearings, the MPSC announced that it opposed opening the state's retail electricity markets to competition at this time. The MPSC concluded that competition could raise the electric rates paid by residential users. The final decision ultimately lies with the Mississippi Legislature, which has adjourned its 2000 session.

Federal Regulatory Activity

See "**Part I, Item 1, Competition**" in the Form 10-K for a discussion of changes that may result from retail competition and unbundling.

In April 2000, the LPSC and the Council filed a complaint with FERC seeking revisions to the System Agreement that they allege are necessary to accommodate the introduction of retail competition in certain jurisdictions served by Entergy and, at the same time, to protect Entergy's Louisiana customers from any adverse impact that may occur due to the introduction of retail competition in some jurisdictions but not others. The LPSC and the Council request that FERC immediately institute a proceeding to permit changes to be adopted prior to January 1, 2002, and request, among other things, that FERC cap certain of the System Agreement obligations of Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans and fix these companies' access to the pool energy at the average level existing for the three years prior to the date that retail access is initiated in Texas and Arkansas. Alternatively, the LPSC and the Council request that FERC require Entergy to provide wholesale power contracts to these companies to satisfy their energy requirements at costs no higher than would have been incurred if retail competition were not implemented. The LPSC and the Council request that the relief be made available for at least eight years after implementation of retail competition or the withdrawal of Entergy Arkansas and Entergy Gulf States from the System Agreement, or until retail access is implemented in Louisiana and New Orleans. In addition, among other things, the LPSC and the Council assert in their complaint that:

- unless the requested relief is granted, the restructuring legislation adopted in Texas and Arkansas, to the extent such legislation requires, or has the effect of, altering the rights of parties under the System Agreement, will result in violations of the interstate commerce clause, the due process clause, and the impairment of contracts clause in the U.S. Constitution; and
- the failure of the domestic utility companies to honor a right of first refusal with respect to any sale of generating capacity and associated energy under the System Agreement, and any attempt to eliminate such right of first refusal from the System Agreement, would violate the Federal Power Act and constitute a breach of the System Agreement.

<u>State and Local Rate Regulation</u>

In March 2000, the LPSC ordered Entergy Gulf States to refund approximately $17.7 million based on its fourth post-Merger earnings analysis filed with the LPSC in May 1997. Entergy Gulf States will appeal the order. Entergy Gulf States has provided adequate reserves for its annual earnings reviews based on management's estimates of the outcome of these proceedings.

In March 2000, Entergy Mississippi submitted its annual performance-based formula rate plan filing for the 1999 test year. The filing indicated that no change in rate levels was necessary.

<u>Continued Application of SFAS 71 and Stranded Cost Exposure</u>

See "<u>Continued Application of SFAS 71 and Stranded Cost Exposure</u>" in "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - SIGNIFICANT FACTORS AND KNOWN TRENDS**" in the Form 10-K for a discussion of the potential effects of discontinuation of SFAS 71 for the generation portion of Entergy's business as well as Entergy's exposure to stranded costs.

Because management believes that definitive outcomes have not yet been determined regarding the transition to competition in each of Entergy's jurisdictions, the regulated operations of the domestic utility companies and System Energy continue to apply SFAS 71.

The restructuring laws enacted in Arkansas and Texas provide an opportunity for the recovery of stranded costs following review and approval by the APSC or the PUCT. Nearly all of Entergy's exposure to stranded costs involves commitments that were approved by regulators. The actual amount of costs and obligations that will be identified as stranded will be determined in regulatory proceedings. These proceedings will commence in 2000 in Arkansas and Texas.

Entergy Gulf States included an estimate of its Texas stranded costs in its March 31, 2000 filing with the PUCT. Using the model established by the PUCT staff, Entergy Gulf States' estimate of Texas stranded costs is $117.2 million. Entergy Gulf States disagrees with certain of the assumptions and estimates included in the PUCT model and believes that the model understates actual stranded costs. The model offsets potential strandable costs against mitigating factors, including the estimated fair value of existing generation plants, to determine an estimated stranded cost figure. The model, however, does not include estimated River Bend decommissioning costs. The Texas stranded cost filing is discussed more thoroughly in Note 2 to the financial statements. The outcome of the Texas and Arkansas stranded cost proceedings cannot be predicted and will depend upon a number of variables, including the timing of stranded cost determination, the values attributable to certain strandable assets, assumptions concerning future market prices for electricity, and other factors.

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

Entergy's results of operations are discussed in two business categories, "Domestic Utility Companies and System Energy" and "Competitive Businesses." Domestic Utility Companies and System Energy is Entergy's predominant business segment, contributing 77% of Entergy's operating revenue and 81% of its net income for the first quarter of 2000. Competitive Businesses include the following segments discussed in Note 6 to the financial statements: "power marketing and trading" and "all other." "All other" principally includes global power development, non-utility nuclear power, and the parent holding company, Entergy Corporation. The elimination of power marketing and trading mark-to-market profits on intercompany power transactions is also included in "all other."

Net Income

Entergy Corporation's consolidated net income increased for the first quarter of 2000 primarily due to:

- a $25.2 million increase in net income from the power marketing and trading business primarily resulting from improved trading results and higher expected summer 2000 forward electricity prices affecting the mark-to-market valuations;
- an overall $4.8 million increase in net income from the domestic utility companies and System Energy, primarily due to increases in electric operating revenues, a decrease in other operation and maintenance expenses, and a true-up to reflect fuel under-recoveries at Entergy Arkansas. The increase was partially offset by a true-up to reflect fuel over-recoveries at Entergy Gulf States as a result of the PUCT fuel reconciliation settlement and an increase in the effective tax rate; and
- an increase in net income from other competitive businesses, primarily resulting from the operation of Pilgrim in 2000, which was acquired in July 1999. The increase was partially offset by a decrease in other income and an increase in the effective tax rate.

Net income for the first quarter of 1999 reflected the results of operations for Entergy Security, Inc., Entergy Power Edesur Holdings, and several telecommunications businesses. These businesses were sold between January 1999 and mid-1999, and are therefore not included in 2000's results of operations.

Domestic Utility Companies and System Energy

Revenues and Sales

The changes in electric operating revenues associated with the domestic utility companies for the first quarter of 2000 are as follows:

Description	First Quarter Increase/(Decrease) (In Millions)
Base revenues	($23.8)
Rate riders	(5.8)
Fuel cost recovery	101.3
Sales volume/weather	18.1
Other revenue (including unbilled)	18.4
Sales for resale	6.1
Total	$114.3

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

Base revenues

Base revenues decreased $23.8 million for the first quarter of 2000 primarily due to provisions for potential rate refunds at Entergy Louisiana. This decrease is partially offset by increased base revenues at Entergy Gulf States due to base rate refunds in 1999 in the Texas jurisdiction.

Rate riders

Rate rider revenues do not affect net income because they are offset by specific incurred expenses.

Rate rider revenues decreased $5.8 million for the first quarter of 2000 as a result of decreased Grand Gulf 1 riders and decreased ANO decommissioning riders at Entergy Arkansas that became effective in January 2000.

Fuel cost recovery

Fuel cost recovery revenues do not affect net income because they are an increase to revenues that is offset by specific incurred fuel costs.

Fuel cost recovery revenues increased $101.3 million for the first quarter of 2000 due to:

- increased fuel factors implemented in March and September 1999 in Texas for Entergy Gulf States;
- a fuel surcharge implemented in January 2000 in Texas for Entergy Gulf States;
- an increase in the energy cost recovery rate that became effective in April 1999 at Entergy Arkansas;
- higher fuel prices at Entergy Louisiana due to the increased market price of gas; and
- an increase in the energy cost recovery rate at Entergy Mississippi that became effective in January 2000.

Sales volume/weather

Sales volume increased $18.1 million for the first quarter of 2000 primarily due to:

- more favorable weather in Entergy Gulf States' Louisiana service territory as well as increased usage by industrial customers of Entergy Gulf States; and
- increased volume of electricity sales to residential and industrial customers at Entergy Louisiana.

Other revenue (including unbilled)

Other revenue increased $18.4 million for the first quarter of 2000 primarily due to increased unbilled revenue for retail and wholesale customers, and a change in estimated unbilled revenues in June 1999 at the domestic utility companies. The changed estimate more closely aligns the fuel component of unbilled revenues with their regulatory treatment. The change in estimate will not affect comparisons with prior periods after the first quarter of 2000.

Expenses

Fuel and purchased power expenses

Fuel and purchased power expenses increased $129.5 million for the first quarter of 2000 primarily due to:

- a true-up to reflect fuel over-recoveries at Entergy Gulf States, partially offset by an adjustment to increase the deferred fuel balance at Entergy Arkansas;
- an increase in the market prices of purchased power and gas in the first quarter of 2000; and
- a shift to increased use of higher-priced gas and purchased power at Entergy Gulf States due to scheduled outages at coal and nuclear facilities in the first quarter of 2000.

Other operation and maintenance

Other operation and maintenance decreased $17.6 million for the first quarter of 2000 primarily due to:

- a larger refund of nuclear insurance premiums in 2000 compared to 1999 at Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy; and
- lower incentive compensation accruals in 2000 compared to 1999.

Depreciation and amortization

Depreciation and amortization decreased $4.2 million for the first quarter of 2000 primarily due to reduced River Bend depreciation expense at Entergy Gulf States as a result of the write-down of the River Bend abeyed plant required by the Texas rate settlement in June 1999.

Other

Interest charges

Interest on long-term debt decreased $7.0 million for the first quarter of 2000 primarily due to the retirement and refinancing of certain long-term debt at Entergy Gulf States, Entergy Louisiana, and System Energy in 1999.

Other interest increased $7.0 million for the first quarter of 2000 primarily due to interest recorded at System Energy for a portion of the potential refund to customers of its proposed rate increase pending at FERC.

Competitive Businesses

Revenues and Sales

Competitive business revenues increased approximately $57 million for the first quarter of 2000 compared with the first quarter of 1999. The increase was primarily due to an increase in sales revenues of $59.7 million for the non-utility nuclear business resulting primarily from the operation of Pilgrim, partially offset by the decrease in revenues in other competitive businesses. The decrease in revenues in other competitive businesses was due to the sales of Entergy Security, Inc. in January 1999 and Entergy Power Edesur Holdings and several telecommunications businesses in June 1999. These businesses contributed to operating revenues in the first quarter of 1999 but not in the first quarter of 2000.

The power marketing and trading business did not have a material change in revenues. However, the power marketing and trading business had an increase in net income of $25 million for the first quarter of 2000 due to:

- decreased purchased power expenses as discussed below;
- improved trading performance; and
- higher expected summer 2000 forward electricity prices affecting the mark-to-market valuations.

Expenses

Fuel and purchased power expenses

Fuel and purchased power expenses decreased $31 million for the first quarter of 2000 compared with the first quarter of 1999. The decrease is attributable to decreased electricity and gas trading volumes in the power marketing and trading business. The overall decrease was partially offset by an increase in fuel and purchased power expenses related to the operation of Pilgrim.

Other operation and maintenance

Other operation and maintenance expenses increased $27.4 million for the first quarter of 2000 compared with the first quarter of 1999. The increase is primarily due to expenses incurred by the non-utility nuclear business from the operation of Pilgrim and an increase in the elimination of mark-to-market profits on intercompany power transactions. Partially offsetting the overall increase is a decrease in expenses due to the sales of businesses previously discussed.

Other

Other income

Other income decreased $18 million for the first quarter of 2000 compared with the first quarter of 1999 primarily due to the following:

- a $12.5 million ($.6 million net of tax) gain on the sale of Entergy Security, Inc. in January 1999; and
- a $7.6 million ($4.9 million net of tax) favorable adjustment to the final sale price of CitiPower in January 1999.

Partially offsetting the overall decrease is an increase in other miscellaneous income in the first quarter of 2000.

Interest charges

Other interest charges increased $5 million for the first quarter of 2000 compared with the first quarter of 1999. The increase was primarily due to the accretion of the decommissioning liability associated with Pilgrim.

Income Taxes

The effective income tax rates for the first quarters of 2000 and 1999 were 43.4% and 38.3%, respectively. The increase was primarily due to the following affecting the first quarter 1999 tax rate:

- decreased state income taxes at the power marketing and trading business as a result of net losses; and
- recognition of certain foreign tax credits resulting in lower income taxes.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands, Except Share Data)	
OPERATING REVENUES		
Domestic electric	$1,352,896	$1,238,583
Natural gas	45,881	37,731
Steam products	-	8,296
Competitive businesses	412,715	355,312
TOTAL	1,811,492	1,639,922
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	497,754	402,973
Purchased power	369,544	373,799
Nuclear refueling outage expenses	18,557	19,685
Other operation and maintenance	377,410	367,632
Decommissioning	10,938	12,674
Taxes other than income taxes	79,618	83,068
Depreciation and amortization	178,276	184,368
Other regulatory credits	(14,605)	(16,125)
Amortization of rate deferrals	7,396	8,413
TOTAL	1,524,888	1,436,487
OPERATING INCOME	286,604	203,435
OTHER INCOME		
Allowance for equity funds used during construction	7,695	5,411
Gain on sale of assets - net	517	20,583
Miscellaneous - net	28,982	19,952
TOTAL	37,194	45,946
INTEREST AND OTHER CHARGES		
Interest on long-term debt	113,659	122,531
Other interest - net	20,283	8,541
Distributions on preferred securities of subsidiaries	4,709	4,709
Allowance for borrowed funds used during construction	(6,088)	(4,479)
TOTAL	132,563	131,302
INCOME BEFORE INCOME TAXES	191,235	118,079
Income taxes	82,825	45,173
CONSOLIDATED NET INCOME	108,410	72,906
Preferred dividend requirements and other	9,550	10,725
EARNINGS APPLICABLE TO COMMON STOCK	$98,860	$62,181
Earnings per average common share:		
Basic and diluted	$0.42	$0.25
Dividends declared per common share	$0.30	$0.30
Average number of common shares outstanding:		
Basic	236,608,445	246,579,198
Diluted	236,671,604	246,716,928

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$108,410	$72,906
Noncash items included in net income:		
Amortization of rate deferrals	7,396	8,413
Reserve for regulatory adjustments	19,888	(2,265)
Other regulatory credits - net	(14,605)	(16,125)
Depreciation, amortization, and decommissioning	189,214	197,042
Deferred income taxes and investment tax credits	(30,652)	(8,945)
Allowance for equity funds used during construction	(7,695)	(5,411)
Gain on sale of assets - net	(517)	(12,513)
Changes in working capital:		
Receivables	37,462	6,867
Fuel inventory	(25,783)	(11,212)
Accounts payable	(27,239)	(20,461)
Taxes accrued	44,026	32,165
Interest accrued	(25,053)	(43,865)
Deferred fuel	32,626	32,950
Other working capital accounts	(4,917)	(53,931)
Provision for estimated losses and reserves	(19,521)	17,490
Changes in other regulatory assets	(3,741)	(8,487)
Other	31,298	25,495
Net cash flow provided by operating activities	310,597	210,113
INVESTING ACTIVITIES		
Construction/capital expenditures	(388,443)	(249,733)
Allowance for equity funds used during construction	7,695	5,411
Nuclear fuel purchases	(41,215)	(33,352)
Proceeds from sale/leaseback of nuclear fuel	13,952	23,300
Proceeds from sale of businesses	-	215,416
Investment in other nonregulated/nonutility properties	-	(14,133)
Proceeds from other temporary investments	321,351	-
Decommissioning trust contributions and realized change in trust assets	(12,624)	(16,871)
Other	(226)	3,061
Net cash flow used in investing activities	(99,510)	(66,901)

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	370,465	198,196
Common stock	1,972	1,915
Retirement of long-term debt	(103,212)	(145,105)
Repurchase of common stock	(155,981)	(12,132)
Redemption of preferred stock	(2,493)	(74,731)
Changes in short-term borrowings - net	230,000	(125,500)
Dividends paid:		
Common stock	(71,040)	(70,362)
Preferred stock	(7,330)	(11,641)
Net cash flow provided by (used in) financing activities	262,381	(239,360)
Effect of exchange rates on cash and cash equivalents	(1,091)	(1,993)
Net increase (decrease) in cash and cash equivalents	472,377	(98,141)
Cash and cash equivalents at beginning of period	1,213,719	1,184,495
Cash and cash equivalents at end of period	$1,686,096	$1,086,354
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$156,560	$171,185
Income taxes	$35,995	$10,617
Noncash investing and financing activities:		
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($9,906)	$13,626

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$113,365	$108,198
Temporary cash investments - at cost, which approximates market	1,566,629	1,105,521
Special deposits	6,102	-
Total cash and cash equivalents	1,686,096	1,213,719
Other temporary investments - at cost, which approximates market	-	321,351
Notes receivable	3,635	2,161
Accounts receivable:		
Customer	257,729	290,331
Allowance for doubtful accounts	(9,507)	(9,507)
Other	234,947	207,898
Accrued unbilled revenues	274,202	298,616
Total receivables	757,371	787,338
Deferred fuel costs	208,035	240,661
Fuel inventory - at average cost	117,633	94,419
Materials and supplies - at average cost	393,726	392,403
Rate deferrals	27,450	30,394
Deferred nuclear refueling outage costs	47,180	58,119
Prepayments and other	91,248	78,567
TOTAL	3,332,374	3,219,132
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	214	214
Decommissioning trust funds	1,247,408	1,246,023
Non-utility property - at cost (less accumulated depreciation)	321,984	317,165
Non-regulated investments	246,240	198,003
Other - at cost (less accumulated depreciation)	17,480	16,714
TOTAL	1,833,326	1,778,119
UTILITY PLANT		
Electric	23,237,556	23,163,161
Plant acquisition adjustment	402,863	406,929
Property under capital lease	774,184	768,500
Natural gas	187,632	186,041
Construction work in progress	1,769,202	1,500,617
Nuclear fuel under capital lease	268,220	286,476
Nuclear fuel	110,910	87,693
TOTAL UTILITY PLANT	26,750,567	26,399,417
Less - accumulated depreciation and amortization	11,080,253	10,898,661
UTILITY PLANT - NET	15,670,314	15,500,756
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Rate deferrals	12,130	16,581
SFAS 109 regulatory asset - net	1,044,438	1,068,006
Unamortized loss on reacquired debt	197,092	198,631
Other regulatory assets	665,179	637,870
Long-term receivables	31,625	32,260
Other	575,749	533,732
TOTAL	2,526,213	2,487,080
TOTAL ASSETS	$23,362,227	$22,985,087

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$175,408	$194,555
Notes payable	350,716	120,715
Accounts payable	591,132	707,678
Customer deposits	166,931	161,909
Taxes accrued	495,418	445,677
Accumulated deferred income taxes	59,853	72,640
Nuclear refueling outage costs	9,246	11,216
Interest accrued	102,687	129,028
Co-owner advances	3,420	7,018
Obligations under capital leases	176,530	178,247
Other	155,292	125,749
TOTAL	2,286,633	2,154,432
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	3,276,922	3,310,340
Accumulated deferred investment tax credits	513,009	519,910
Obligations under capital leases	184,751	205,464
FERC settlement - refund obligation	35,765	37,337
Other regulatory liabilities	200,607	199,139
Decommissioning	714,529	703,453
Transition to competition	164,486	157,034
Regulatory reserves	398,195	378,307
Accumulated provisions	279,192	279,425
Other	655,277	535,156
TOTAL	6,422,733	6,325,565
Long-term debt	6,885,702	6,612,583
Preferred stock with sinking fund	69,650	69,650
Preference stock	150,000	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated deferrable debentures	215,000	215,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	335,961	338,455
Common stock, $.01 par value, authorized 500,000,000 shares; issued 247,172,239 shares in 2000 and 247,082,345 shares in 1999	2,472	2,471
Paid-in capital	4,636,474	4,636,163
Retained earnings	2,814,499	2,786,467
Accumulated other comprehensive loss:		
Cumulative foreign currency translation adjustment	(69,489)	(68,782)
Net unrealized investment losses	(9,958)	(5,023)
Less - treasury stock, at cost (14,962,294 shares in 2000 and 8,045,434 shares in 1999)	377,450	231,894
TOTAL	7,332,509	7,457,857
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$23,362,227	$22,985,087

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
NSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME, AND PAID-IN CAPI
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000		1999	
	(In Thousands)			
RETAINED EARNINGS				
Retained Earnings - Beginning of period	$2,786,467		$2,526,888	
Add - Earnings applicable to common stock	98,860	$98,860	62,181	$62,181
Deduct:				
Dividends declared on common stock	71,658		73,989	
Capital stock and other expenses	(830)		345	
Total	70,828		74,334	
Retained Earnings - End of period	$2,814,499		$2,514,735	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):				
Balance at beginning of period	($73,805)		($46,739)	
Foreign currency translation adjustments	(707)	(707)	379	379
Net unrealized investment losses	(4,935)	(4,935)	-	-
Balance at end of period	($79,447)		($46,360)	
Comprehensive Income		$93,218		$62,560
PAID-IN CAPITAL				
Paid-in Capital - Beginning of period	$4,636,163		$4,630,609	
Add - Common stock issuances related to stock plans	311		431	
Paid-in Capital - End of period	$4,636,474		$4,631,040	

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

Description	2000	1999	Increase/ (Decrease)	%
		(In Millions)		
Domestic Utility Electric Operating Revenues:				
Residential	$ 468.2	$ 432.0	$ 36.2	8
Commercial	346.9	316.2	30.7	10
Industrial	453.4	406.7	46.7	11
Governmental	38.8	36.0	2.8	8
Total retail	1,307.3	1,190.9	116.4	10
Sales for resale	83.2	77.1	6.1	8
Other	(37.6)	(29.4)	(8.2)	(28)
Total	$ 1,352.9	$ 1,238.6	$ 114.3	9
Billed Electric Energy Sales (GWH):				
Residential	6,512	6,417	95	1
Commercial	5,280	5,169	111	2
Industrial	10,617	10,216	401	4
Governmental	586	589	(3)	(1)
Total retail	22,995	22,391	604	3
Sales for resale	2,272	2,209	63	3
Total	25,267	24,600	667	3

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

Net Income

Net income increased for the first quarter of 2000 primarily due to increased electric operating revenues, decreased other operation and maintenance expenses, and a decrease in fuel expense reflecting a true-up of the deferred fuel balance in the first quarter of 2000, partially offset by an increase in income tax expense.

Revenues and Sales

The changes in electric operating revenues for the first quarter of 2000 are as follows:

Description	First Quarter Increase/(Decrease) (In Millions)
Base revenues	$0.7
Rate riders	(6.4)
Fuel cost recovery	10.8
Sales volume/weather	1.3
Other revenue (including unbilled)	7.4
Sales for resale	21.1
Total	$34.9

Rate riders

Rate rider revenues do not affect net income because they are offset by specific incurred expenses.

Rate rider revenues decreased for the first quarter of 2000 as a result of decreased Grand Gulf 1 riders and ANO decommissioning riders, both of which became effective in January 2000.

Fuel cost recovery

Fuel cost recovery revenues do not affect net income because they are an increase to revenues that is offset by specific incurred fuel costs.

Fuel cost recovery revenue increased for the first quarter of 2000 primarily due to an increase in the energy cost recovery rate, which became effective in April 1999. The increase in the energy cost recovery rate allows Entergy Arkansas to recover previously under-recovered fuel expenses.

Other revenue (including unbilled)

Other revenue increased for the first quarter of 2000 primarily due to increased unbilled revenue for retail and wholesale customers, and a change in estimated unbilled revenues in June 1999. The changed estimate more closely aligns the fuel component of unbilled revenues with their regulatory treatment. The change in estimate will not affect comparisons with prior periods after the first quarter of 2000. Comparative impacts are also affected by seasonal variations in demand.

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

Sales for resale

Sales for resale increased for the first quarter of 2000 primarily due to increased nuclear generation making more energy available for sale, coupled with an increase in the market price of energy.

Expenses

Fuel and purchased power expenses

Fuel and purchased power expenses increased slightly for the first quarter of 2000 primarily due to an increase in generation compared to the first quarter of 1999. Nuclear generation increased in the first quarter of 2000 due to a refueling outage at ANO 2 in the first quarter of 1999. Gas generation increased in the first quarter of 2000 as an offset to decreased coal generation resulting from maintenance outages at the White Bluff plant. Purchased power increased due to an increase in the market price of purchased power as well as an increase in purchased power volume. The increased expenses were largely offset by a true-up to adjust the deferred fuel balance to reflect fuel under-recoveries that Entergy Arkansas expects to recover in the future.

Other operation and maintenance

Other operation and maintenance expenses decreased for the first quarter of 2000 primarily due to:

- lower incentive compensation accruals in 2000 compared to 1999;
- decreased return-to-service expenditures for certain generating plants; and
- a larger nuclear insurance refund in 2000 compared to 1999.

Other regulatory credits

Other regulatory credits increased for the first quarter of 2000 primarily due to an increased under-recovery of Grand Gulf 1 costs as a result of the decreased rate rider as ordered by the APSC that became effective in January 2000.

Other

Allowance for equity funds used during construction increased for the first quarter of 2000 due to increased capital spending.

Income taxes

The effective income tax rates for the first quarter of 2000 and 1999 were 40.9% and 19.6%, respectively. The increase in the effective tax rate was due to increased pre-tax income for 2000 combined with decreased flow-through tax benefits which included a tax liability on nuclear fuel purchases in the first quarter of 2000 compared with a tax credit on nuclear fuel purchases in the first quarter of 1999.

ENTERGY ARKANSAS, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING REVENUES		
Domestic electric	$346,877	$311,969
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	47,677	48,792
Purchased power	98,797	94,943
Nuclear refueling outage expenses	6,439	8,066
Other operation and maintenance	75,925	82,209
Decommissioning	2,028	2,461
Taxes other than income taxes	8,716	9,256
Depreciation and amortization	41,301	41,668
Other regulatory credits - net	(10,765)	(7,586)
TOTAL	270,118	279,809
OPERATING INCOME	76,759	32,160
OTHER INCOME		
Allowance for equity funds used during construction	3,578	2,410
Miscellaneous - net	1,545	937
TOTAL	5,123	3,347
INTEREST AND OTHER CHARGES		
Interest on long-term debt	20,906	20,674
Other interest - net	2,297	1,526
Distributions on preferred securities of subsidiary	1,275	1,275
Allowance for borrowed funds used during construction	(2,304)	(1,658)
TOTAL	22,174	21,817
INCOME BEFORE INCOME TAXES	59,708	13,690
Income taxes	24,394	2,679
NET INCOME	35,314	11,011
Preferred dividend requirements and other	1,944	2,420
EARNINGS APPLICABLE TO COMMON STOCK	$33,370	$8,591

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$35,314	$11,011
Noncash items included in net income:		
Other regulatory credits - net	(10,765)	(7,586)
Depreciation, amortization, and decommissioning	43,329	44,129
Deferred income taxes and investment tax credits	3,376	2,094
Allowance for equity funds used during construction	(3,578)	(2,410)
Changes in working capital:		
Receivables	(13,534)	(11,036)
Fuel inventory	(18,759)	(16,921)
Accounts payable	(58,822)	33,193
Taxes accrued	41,318	2,639
Interest accrued	1,547	(893)
Deferred fuel costs	(10,808)	10,400
Other working capital accounts	1,003	(19,459)
Provision for estimated losses and reserves	(1,377)	(10,307)
Changes in other regulatory assets	(2,596)	(10,271)
Other	12,116	17,595
Net cash flow provided by operating activities	17,764	42,178
INVESTING ACTIVITIES		
Construction expenditures	(69,411)	(61,382)
Allowance for equity funds used during construction	3,578	2,410
Nuclear fuel purchases	(148)	(962)
Proceeds from sale/leaseback of nuclear fuel	148	962
Decommissioning trust contributions and realized change in trust assets	(3,450)	(5,854)
Net cash flow used in investing activities	(69,283)	(64,826)
FINANCING ACTIVITIES		
Proceeds from issuance of:		
Long Term Debt	99,630	-
Dividends paid:		
Preferred stock	-	(2,420)
Net cash flow provided by (used in) financing activities	99,630	(2,420)
Net increase (decrease) in cash and cash equivalents	48,111	(25,068)
Cash and cash equivalents at beginning of period	6,862	93,105
Cash and cash equivalents at end of period	$54,973	$68,037
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$21,694	$23,104
Income taxes	($15,400)	$4,380
Noncash investing and financing activities:		
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($4,378)	$7,220

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$6,642	$6,862
Temporary cash investments - at cost, which approximates market	48,331	-
Total cash and cash equivalents	54,973	6,862
Accounts receivable:		
Customer	59,709	73,357
Allowance for doubtful accounts	(1,768)	(1,768)
Associated companies	57,654	27,073
Other	6,582	5,583
Accrued unbilled revenues	49,202	53,600
Total receivables	171,379	157,845
Deferred fuel costs	52,427	41,620
Fuel inventory - at average cost	43,244	24,485
Materials and supplies - at average cost	89,506	85,612
Deferred nuclear refueling outage costs	21,718	28,119
Prepayments and other	9,115	6,480
TOTAL	442,362	351,023
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	11,215	11,215
Decommissioning trust funds	343,082	344,011
Non-utility property - at cost (less accumulated depreciation)	1,462	1,463
Other - at cost (less accumulated depreciation)	3,033	3,033
TOTAL	358,792	359,722
UTILITY PLANT		
Electric	4,873,306	4,854,433
Property under capital lease	43,983	44,471
Construction work in progress	316,859	267,091
Nuclear fuel under capital lease	77,021	85,725
Nuclear fuel	8,767	9,449
TOTAL UTILITY PLANT	5,319,936	5,261,169
Less - accumulated depreciation and amortization	2,443,639	2,401,021
UTILITY PLANT - NET	2,876,297	2,860,148
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	185,841	192,344
Unamortized loss on reacquired debt	47,247	48,193
Other regulatory assets	116,059	106,959
Other	11,871	14,125
TOTAL	361,018	361,621
TOTAL ASSETS	$4,038,469	$3,932,514

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$220	$220
Notes payable	667	667
Accounts payable		
Associated companies	38,608	81,958
Other	87,487	102,959
Customer deposits	27,120	26,320
Taxes accrued	79,849	38,532
Accumulated deferred income taxes	44,674	38,649
Interest accrued	23,925	22,378
Co-owner advances	12,077	15,338
Obligations under capital leases	55,207	55,150
Other	17,219	11,598
TOTAL	387,053	393,769
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	706,039	713,622
Accumulated deferred investment tax credits	93,573	94,852
Obligations under capital leases	65,798	75,045
Other regulatory liabilities	84,184	88,563
Transition to competition	111,066	109,933
Accumulated provisions	41,911	43,288
Other	51,038	51,080
TOTAL	1,153,609	1,176,383
Long-term debt	1,232,876	1,130,801
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	60,000	60,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	116,350	116,350
Common stock, $0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2000 and 1999	470	470
Paid-in capital	591,127	591,127
Retained earnings	496,984	463,614
TOTAL	1,204,931	1,171,561
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,038,469	$3,932,514

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

Description	2000	1999	Increase/ (Decrease)	%
		(In Millions)		
Electric Operating Revenues:				
Residential	$ 117.7	$ 116.7	$ 1.0	1
Commercial	62.1	59.6	2.5	4
Industrial	73.7	70.7	3.0	4
Governmental	3.2	3.3	(0.1)	(3)
Total retail	256.7	250.3	6.4	3
Sales for resale				
Associated companies	45.2	29.5	15.7	53
Non-associated companies	41.9	36.5	5.4	15
Other	3.1	(4.3)	7.4	172
Total	$ 346.9	$ 312.0	$ 34.9	11
Billed Electric Energy Sales (GWH):				
Residential	1,550	1,556	(6)	-
Commercial	1,075	1,060	15	1
Industrial	1,652	1,607	45	3
Governmental	54	55	(1)	(2)
Total retail	4,331	4,278	53	1
Sales for resale				
Associated companies	1,681	1,536	145	9
Non-associated companies	1,149	821	328	40
Total	7,161	6,635	526	8

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

Net Income

Net income decreased slightly for the first quarter of 2000 primarily due to an adjustment of the deferred fuel balance to reflect regulatory actions in the first quarter of 2000. This decrease was largely offset by increased base revenues and decreased other operation and maintenance expenses, depreciation and amortization expenses, and interest expense.

Revenues and Sales

Electric operating revenues

The changes in electric operating revenues for the first quarter of 2000 are as follows:

Description	First Quarter Increase/(Decrease) (In Millions)
Base revenues	$8.4
Fuel cost recovery	51.1
Sales volume/weather	6.9
Other revenue (including unbilled)	(1.8)
Sales for resale	2.4
Total	$67.0

Base revenues

Base revenues increased for the first quarter of 2000 primarily due to the elimination and expiration of 1999 Texas base rate refunds.

Fuel cost recovery

Fuel cost recovery revenues do not affect net income because they are an increase to revenues that is offset by specific incurred fuel costs.

Fuel cost recovery revenues increased for the first quarter of 2000 due to higher fuel factors that became effective in March and September 1999 and a fuel surcharge implemented in January 2000 in the Texas jurisdiction. Fuel cost recovery revenues also increased due to higher fuel and purchased power costs in the Louisiana jurisdiction due to increased market prices.

Sales volume/weather

Sales volume increased for the first quarter of 2000 due to more favorable weather, primarily in the Louisiana jurisdiction, as well as increased usage primarily by industrial customers in both Louisiana and Texas.

Steam operating revenues

Steam operating revenues decreased for the first quarter of 2000 due to a new lease arrangement for Louisiana Station 1 that began in June 1999. Under the terms of this new lease, revenues and expenses are now classified as other income rather than steam operating revenues and other operation and maintenance expenses, respectively, which were the previous classifications.

Expenses

Fuel and purchased power expenses

Fuel and purchased power expenses increased for the first quarter of 2000 due to:

- an adjustment of the Texas jurisdiction deferred fuel balance as a result of the fuel reconciliation settlement with the PUCT;
- a shift from lower-priced coal and nuclear fuel to higher-priced gas and purchased power due to scheduled outages at Nelson 6 and River Bend in the first quarter of 2000; and
- higher market prices for gas and purchased power.

Other operation and maintenance

Other operation and maintenance expenses decreased for the first quarter of 2000 primarily due to:

- a larger nuclear insurance refund in 2000 compared to 1999;
- decreased environmental reserves in the distribution business; and
- lower incentive compensation accruals in 2000 compared to 1999.

These decreases were partially offset by higher customer service expenses, such as tree-trimming.

Depreciation and amortization

Depreciation and amortization decreased for the first quarter of 2000 primarily due to reduced River Bend depreciation expense as a result of the write-down of the River Bend abeyed plant required by the Texas rate settlement in June 1999.

Other

Interest charges

Interest charges decreased for the first quarter of 2000 primarily due to the retirement and refinancing of certain long-term debt in 1999.

Income taxes

The effective income tax rates for the first quarter of 2000 and 1999 were 47.0% and 49.5%, respectively.

ENTERGY GULF STATES, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING REVENUES		
Domestic electric	$470,817	$403,806
Natural gas	12,414	11,717
Steam products	-	8,296
TOTAL	483,231	423,819
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	191,550	138,574
Purchased power	72,135	45,593
Nuclear refueling outage expenses	5,493	2,678
Other operation and maintenance	95,121	99,555
Decommissioning	1,568	3,280
Taxes other than income taxes	26,854	29,725
Depreciation and amortization	46,818	50,507
Other regulatory credits - net	(8,145)	(9,395)
Amortization of rate deferrals	1,402	2,270
TOTAL	432,796	362,787
OPERATING INCOME	50,435	61,032
OTHER INCOME		
Allowance for equity funds used during construction	1,741	1,226
Gain on sale of assets	515	447
Miscellaneous - net	1,635	597
TOTAL	3,891	2,270
INTEREST AND OTHER CHARGES		
Interest on long-term debt	32,375	35,240
Other interest - net	1,404	685
Distributions on preferred securities of subsidiary	1,859	1,859
Allowance for borrowed funds used during construction	(1,609)	(1,109)
TOTAL	34,029	36,675
INCOME BEFORE INCOME TAXES	20,297	26,627
Income taxes	9,540	13,190
NET INCOME	10,757	13,437
Preferred dividend requirements and other	4,144	4,552
EARNINGS APPLICABLE TO COMMON STOCK	$6,613	$8,885

See Notes to Financial Statements.

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ENTERGY GULF STATES, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$10,757	$13,437
Noncash items included in net income:		
Amortization of rate deferrals	1,402	2,270
Reserve for regulatory adjustments	333	(2,265)
Other regulatory credits - net	(8,145)	(9,395)
Depreciation, amortization, and decommissioning	48,386	53,787
Deferred income taxes and investment tax credits	(19,306)	2,120
Allowance for equity funds used during construction	(1,741)	(1,226)
Gain on sale of assets	(515)	(447)
Changes in working capital:		
Receivables	6	(30,932)
Fuel inventory	(8,561)	(10,679)
Accounts payable	21,661	12,849
Taxes accrued	(9,828)	11,695
Interest accrued	(7,242)	6,845
Deferred fuel costs	37,296	20,845
Other working capital accounts	10,624	4,905
Provision for estimated losses and reserves	(1,110)	1,833
Changes in other regulatory assets	(6,470)	(5,395)
Other	13,908	4,093
Net cash flow provided by operating activities	81,455	74,340
INVESTING ACTIVITIES		
Construction expenditures	(50,130)	(36,070)
Allowance for equity funds used during construction	1,741	1,226
Nuclear fuel purchases	(33,304)	(11,030)
Proceeds from sale/leaseback of nuclear fuel	13,797	11,030
Decommissioning trust contributions and realized change in trust assets	(2,608)	(2,605)
Net cash flow used in investing activities	(70,504)	(37,449)
FINANCING ACTIVITIES		
Proceeds from issuance of:		
Long Term Debt	-	21,775
Retirement of:		
Long Term Debt	-	(47,095)
Redemption of preferred stock	(2,493)	(24,731)
Dividends paid:		
Common stock	(3,400)	-
Preferred stock	(4,109)	(4,643)
Net cash flow used in financing activities	(10,002)	(54,694)
Net increase (decrease) in cash and cash equivalents	949	(17,803)
Cash and cash equivalents at beginning of period	32,312	115,736
Cash and cash equivalents at end of period	$33,261	$97,933
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$41,483	$29,039
Income taxes	$33,835	($2,674)
Noncash investing and financing activities:		
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($2,826)	$5,846

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$8,987	$8,607
Temporary cash investments - at cost, which approximates market	24,274	23,705
Total cash and cash equivalents	33,261	32,312
Accounts receivable:		
Customer	72,348	73,215
Allowance for doubtful accounts	(1,828)	(1,828)
Associated companies	3,892	1,706
Other	18,252	15,030
Accrued unbilled revenues	85,849	90,396
Total receivables	178,513	178,519
Deferred fuel costs	97,162	134,458
Fuel inventory - at average cost	46,832	38,271
Materials and supplies - at average cost	109,396	112,585
Rate deferrals	5,606	5,606
Prepayments and other	16,899	21,750
TOTAL	487,669	523,501
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	234,459	234,677
Non-utility property - at cost (less accumulated depreciation)	190,501	187,759
Other - at cost (less accumulated depreciation)	14,447	13,681
TOTAL	439,407	436,117
UTILITY PLANT		
Electric	7,398,592	7,365,407
Property under capital lease	44,165	46,210
Natural gas	53,141	52,473
Construction work in progress	154,163	145,492
Nuclear fuel under capital lease	75,706	70,801
Nuclear fuel	19,512	-
TOTAL UTILITY PLANT	7,745,279	7,680,383
Less - accumulated depreciation and amortization	3,579,636	3,534,473
UTILITY PLANT - NET	4,165,643	4,145,910
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Rate deferrals	4,205	5,606
SFAS 109 regulatory asset - net	386,954	385,405
Unamortized loss on reacquired debt	40,589	40,576
Other regulatory assets	145,078	140,157
Long-term receivables	31,625	32,260
Other	17,800	23,490
TOTAL	626,251	627,494
TOTAL ASSETS	$5,718,970	$5,733,022

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$88,837	$79,962
Other	127,230	114,444
Customer deposits	35,385	33,360
Taxes accrued	91,971	101,798
Accumulated deferred income taxes	13,665	27,960
Nuclear refueling outage costs	9,246	11,216
Interest accrued	21,329	28,570
Obligations under capital leases	51,816	51,973
Other	17,057	14,557
TOTAL	456,536	463,840
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	1,098,625	1,098,882
Accumulated deferred investment tax credits	175,639	178,500
Obligations under capital leases	68,056	65,038
Other regulatory liabilities	17,980	20,089
Decommissioning	139,760	139,194
Transition to competition	53,421	47,101
Regulatory reserves	110,869	110,536
Accumulated provisions	68,285	69,395
Other	106,314	117,804
TOTAL	1,838,949	1,846,539
Long-term debt	1,631,639	1,631,581
Preferred stock with sinking fund	34,650	34,650
Preference stock	150,000	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	85,000	85,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	48,951	51,444
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 100 shares in 2000 and and 1999	114,055	114,055
Paid-in capital	1,153,195	1,153,131
Retained earnings	205,995	202,782
TOTAL	1,522,196	1,521,412
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$5,718,970	$5,733,022

See Notes to Financial Statements.

ENTERGY GULF STATES, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

Description	2000	1999	Increase/ (Decrease)	%
		(In Millions)		
Electric Department Operating Revenues:				
Residential	$ 137.9	$ 116.2	$ 21.7	19
Commercial	108.3	91.5	16.8	18
Industrial	184.5	156.2	28.3	18
Governmental	7.7	6.5	1.2	18
Total retail	438.4	370.4	68.0	18
Sales for resale				
Associated companies	6.5	3.8	2.7	71
Non-associated companies	20.4	20.7	(0.3)	(1)
Other	5.5	8.9	(3.4)	(38)
Total Electric Department	$ 470.8	$ 403.8	$ 67.0	17
Billed Electric Energy Sales (GWH):				
Residential	1,833	1,803	30	2
Commercial	1,642	1,600	42	3
Industrial	4,370	4,114	256	6
Governmental	105	100	5	5
Total retail	7,950	7,617	333	4
Sales for resale				
Associated companies	188	153	35	23
Non-associated companies	799	985	(186)	(19)
Total Electric Department	8,937	8,755	182	2

ENTERGY LOUISIANA, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Income

Net income decreased for the first quarter of 2000 primarily due to an increase in provisions for rate refunds, partially offset by decreases in nuclear refueling outage expenses, other operation and maintenance expenses, and interest charges.

Revenues and Sales

The changes in electric operating revenues for the first quarter of 2000 are as follows:

Description	First Quarter Increase/(Decrease) (In Millions)
Base revenues	($29.5)
Fuel cost recovery	21.4
Sales volume/weather	8.6
Other revenue (including unbilled)	(4.2)
Sales for resale	(1.6)
Total	($5.3)

Base revenues

Base revenues decreased primarily due to accruals for potential rate refunds.

Fuel cost recovery

Fuel cost recovery revenues do not affect net income because they are an increase to revenues that is offset by specific incurred fuel costs.

Fuel cost recovery revenues increased for the first quarter of 2000 as a result of higher fuel and purchased power expenses primarily due to the increased market price of natural gas.

Sales volume/weather

Sales volume increased for the first quarter of 2000 primarily due to increased usage by industrial and residential customers.

Other revenue (including unbilled)

Other revenue decreased for the first quarter of 2000 primarily due to electric property rent received in 1999 as a result of increased pole usage fees.

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

Expenses

Fuel and purchased power expenses

Net fuel and purchased power expenses increased for the first quarter of 2000 primarily due to increased market prices of natural gas and increased nuclear generation. This was partially offset by a decrease in purchased power expenses as a result of the nuclear refueling outage in February 1999.

Nuclear refueling outage expenses

Nuclear refueling outage expenses decreased for the first quarter of 2000 as a result of the amortization of larger outage expenses in 1999 due to the extended nuclear refueling outage in 1997. The costs incurred by the nuclear refueling outages are amortized over the period between scheduled outages, typically eighteen months.

Other operation and maintenance

Other operation and maintenance expenses decreased for the first quarter in 2000 primarily due to:

- a larger nuclear insurance refund in 2000 compared to 1999; and
- lower incentive compensation accruals in 2000 compared to 1999.

Other

Interest charges

Interest on long-term debt decreased for the first quarter of 2000 primarily due to the redemption, retirement, and refinancing of certain long-term debt during 1999.

Income taxes

The effective income tax rates for the first quarter of 2000 and 1999 were 45.3% and 42.8%, respectively.

ENTERGY LOUISIANA, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING REVENUES		
Domestic electric	$346,820	$352,135
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	83,191	58,225
Purchased power	88,875	92,463
Nuclear refueling outage expenses	3,410	5,436
Other operation and maintenance	63,075	67,803
Decommissioning	2,606	2,196
Taxes other than income taxes	16,763	18,244
Depreciation and amortization	42,147	41,779
Other regulatory charges - net	240	-
TOTAL	300,307	286,146
OPERATING INCOME	46,513	65,989
OTHER INCOME		
Allowance for equity funds used during construction	683	761
Miscellaneous - net	108	(42)
TOTAL	791	719
INTEREST AND OTHER CHARGES		
Interest on long-term debt	24,163	27,054
Other interest - net	2,050	1,171
Distributions on preferred securities of subsidiary	1,575	1,575
Allowance for borrowed funds used during construction	(957)	(651)
TOTAL	26,831	29,149
INCOME BEFORE INCOME TAXES	20,473	37,559
Income taxes	9,282	16,072
NET INCOME	11,191	21,487
Preferred dividend requirements and other	2,378	2,670
EARNINGS APPLICABLE TO COMMON STOCK	$8,813	$18,817

See Notes to Financial Statements.

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ENTERGY LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$11,191	$21,487
Noncash items included in net income:		
Other regulatory charges - net	240	-
Depreciation, amortization, and decommissioning	44,753	43,976
Deferred income taxes and investment tax credits	(12,187)	4,899
Allowance for equity funds used during construction	(683)	(761)
Changes in working capital:		
Receivables	15,211	41,368
Fuel inventory	-	(489)
Accounts payable	(65,581)	(18,292)
Taxes accrued	23,218	21,369
Interest accrued	57	(32,185)
Deferred fuel costs	(94)	(7,464)
Other working capital accounts	17,637	(10,502)
Provision for estimated losses and reserves	381	(945)
Changes in other regulatory assets	5,249	11,040
Other	(5,513)	(17,150)
Net cash flow provided by operating activities	33,879	56,351
INVESTING ACTIVITIES		
Construction expenditures	(30,345)	(20,124)
Allowance for equity funds used during construction	683	761
Nuclear fuel purchases	-	(11,308)
Proceeds from sale/leaseback of nuclear fuel	-	11,308
Decommissioning trust contributions and realized change in trust assets	(776)	(2,811)
Net cash flow used in investing activities	(30,438)	(22,174)
FINANCING ACTIVITIES		
Proceeds from issuance of:		
Long Term Debt	-	74,691
Retirement of:		
Long Term Debt	(100,000)	(6,547)
Redemption of preferred stock	-	(50,000)
Advances from Parent	100,000	-
Dividends paid:		
Preferred stock	(2,378)	(3,253)
Net cash flow provided by (used in) financing activities	(2,378)	14,891
Net increase in cash and cash equivalents	1,063	49,068
Cash and cash equivalents at beginning of period	7,734	83,030
Cash and cash equivalents at end of period	$8,797	$132,098
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$25,456	$60,646
Income taxes	$9,900	$4,301
Noncash investing and financing activities:		
Change in unrealized appreciation/(depreciation) of decommissioning trust assets	($1,499)	$1,182

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$8,797	$7,734
Notes Receivable	1,503	3
Accounts receivable:		
Customer	74,562	79,335
Allowance for doubtful accounts	(1,615)	(1,615)
Associated companies	13,740	14,601
Other	12,085	10,762
Accrued unbilled revenues	95,300	106,200
Total receivables	194,072	209,283
Deferred fuel costs	2,256	2,161
Accumulated deferred income taxes	13,770	12,520
Materials and supplies - at average cost	84,765	84,027
Deferred nuclear refueling outage costs	7,934	11,336
Prepayments and other	13,592	6,011
TOTAL	326,689	333,075
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	14,230	14,230
Decommissioning trust funds	100,220	100,943
Non-utility property - at cost (less accumulated depreciation)	22,156	21,433
TOTAL	136,606	136,606
UTILITY PLANT		
Electric	5,192,795	5,178,808
Property under capital lease	236,272	236,271
Construction work in progress	122,808	108,106
Nuclear fuel under capital lease	44,771	51,930
TOTAL UTILITY PLANT	5,596,646	5,575,115
Less - accumulated depreciation and amortization	2,336,112	2,294,394
UTILITY PLANT - NET	3,260,534	3,280,721
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	225,408	230,899
Unamortized loss on reacquired debt	36,963	35,856
Other regulatory assets	50,433	50,191
Other	14,160	17,302
TOTAL	326,964	334,248
TOTAL ASSETS	$4,050,793	$4,084,650

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$16,388	$116,388
Accounts payable:		
Associated companies	83,155	137,869
Other	79,901	90,768
Customer deposits	62,127	61,096
Taxes accrued	49,080	25,863
Interest accrued	20,293	20,236
Obligations under capital leases	28,387	28,387
Other	82,761	59,737
TOTAL	422,092	540,344
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	777,548	792,290
Accumulated deferred investment tax credits	121,775	123,155
Obligations under capital leases	16,384	23,543
Other regulatory liabilities	13,922	15,421
Accumulated provisions	58,468	58,087
Other	34,461	34,564
TOTAL	1,022,558	1,047,060
Long-term debt	1,245,547	1,145,463
Preferred stock with sinking fund	35,000	35,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable debentures	70,000	70,000
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	100,500	100,500
Common stock, no par value, authorized 250,000,000 shares; issued and outstanding 165,173,180 shares in 2000 and 1999	1,088,900	1,088,900
Capital stock expense and other	(2,171)	(2,171)
Retained earnings	68,367	59,554
TOTAL	1,255,596	1,246,783
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,050,793	$4,084,650

See Notes to Financial Statements.

ENTERGY LOUISIANA, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

Description	2000	1999	Increase/ (Decrease)	%
	(In Millions)			
Electric Operating Revenues:				
Residential	$ 119.1	$ 112.2	$ 6.9	6
Commercial	83.3	79.2	4.1	5
Industrial	152.7	138.3	14.4	10
Governmental	7.9	7.7	0.2	3
Total retail	363.0	337.4	25.6	8
Sales for resale				
Associated companies	0.5	2.5	(2.0)	(80)
Non-associated companies	11.6	11.2	0.4	4
Other	(28.3)	1.0	(29.3)	(2,930)
Total	$ 346.8	$ 352.1	($5.3)	(2)
Billed Electric Energy Sales (GWH):				
Residential	1,733	1,690	43	3
Commercial	1,148	1,131	17	2
Industrial	3,762	3,626	136	4
Governmental	113	116	(3)	(3)
Total retail	6,756	6,563	193	3
Sales for resale				
Associated companies	13	98	(85)	(87)
Non-associated companies	203	244	(41)	(17)
Total	6,972	6,905	67	1

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

Net Income

Net income increased for the first quarter of 2000 primarily due to an increase in unbilled revenues and other income, partially offset by increased base rate reductions and higher other operation and maintenance expenses.

Revenues and Sales

The changes in electric operating revenues for the first quarter of 2000 are as follows:

Description	First Quarter Increase/(Decrease) (In Millions)
Base revenues	($3.3)
Grand Gulf rate rider	0.6
Fuel cost recovery	11.1
Sales volume/weather	1.1
Other revenue (including unbilled)	6.8
Sales for resale	(16.0)
Total	$0.3

Base revenues

Base revenues decreased for the first quarter of 2000 primarily due to a base rate reduction that became effective in May 1999.

Fuel cost recovery

Fuel cost recovery revenues do not affect net income because they are an increase to revenues that is offset by specific incurred fuel costs.

Fuel cost recovery revenues increased for the first quarter of 2000 primarily due to an increase in the energy cost recovery rate effective January 2000.

Other revenue (including unbilled)

Other revenue increased for the first quarter of 2000 primarily due to the effect of favorable weather on the unbilled revenue calculation in 2000.

Sales for resale

Sales for resale decreased for the first quarter of 2000 primarily due to a decrease in sales to associated companies as a result of decreased oil generation due to plant outages at Entergy Mississippi in early 2000.

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

Expenses

Fuel and purchased power expenses

Fuel and purchased power expenses decreased for the first quarter of 2000 primarily due to the displacement of oil generation by less expensive gas generation in the first quarter of 2000. The decrease was partially offset by a shift to higher-priced purchased power as a result of plant outages.

Other operation and maintenance

Other operation and maintenance expenses increased for the first quarter of 2000 primarily due to:

- an increase in employee pension and benefits expense;
- an increase in property insurance expense; and
- an increase in plant maintenance.

The overall increase is partially offset by a decrease in general and administrative salaries.

Other regulatory credits

Other regulatory credits decreased for the first quarter of 2000 primarily due to a decrease in the deferral of Grand Gulf 1 expenses.

Other

Other Income

The increase in other income is primarily due to an increase in AFUDC and an increase in the interest income received from the deferral of Grand Gulf 1 expenses.

Income taxes

The effective income tax rates for the first quarter of 2000 and 1999 were 27.3% and 29.4%, respectively.

ENTERGY MISSISSIPPI, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING REVENUES		
Domestic electric	$182,775	$182,443
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	44,287	59,434
Purchased power	76,828	68,466
Other operation and maintenance	35,623	31,119
Taxes other than income taxes	10,176	10,701
Depreciation and amortization	11,725	11,516
Other regulatory credits - net	(9,078)	(11,013)
TOTAL	169,561	170,223
OPERATING INCOME	13,214	12,220
OTHER INCOME		
Allowance for equity funds used during construction	637	143
Miscellaneous - net	2,030	1,619
TOTAL	2,667	1,762
INTEREST AND OTHER CHARGES		
Interest on long-term debt	9,454	9,222
Other interest - net	1,020	844
Allowance for borrowed funds used during construction	(504)	(355)
TOTAL	9,970	9,711
INCOME BEFORE INCOME TAXES	5,911	4,271
Income taxes	1,616	1,256
NET INCOME	4,295	3,015
Preferred dividend requirements and other	842	842
EARNINGS APPLICABLE TO COMMON STOCK	$3,453	$2,173

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$4,295	$3,015
Noncash items included in net income:		
Other regulatory credits - net	(9,078)	(11,013)
Depreciation and amortization	11,725	11,516
Deferred income taxes and investment tax credits	3,731	7,686
Allowance for equity funds used during construction	(637)	(143)
Changes in working capital:		
Receivables	(5,521)	21,172
Fuel inventory	786	(308)
Accounts payable	(54,785)	(13,471)
Taxes accrued	(27,128)	(2,002)
Interest accrued	2,528	(934)
Deferred fuel costs	1,675	10,735
Other working capital accounts	572	(904)
Provision for estimated losses and reserves	(473)	(132)
Changes in other regulatory assets	(9,661)	(18,580)
Other	9,741	9,327
Net cash flow provided by (used in) operating activities	(72,230)	15,964
INVESTING ACTIVITIES		
Construction expenditures	(26,337)	(15,366)
Allowance for equity funds used during construction	637	143
Net cash flow used in investing activities	(25,700)	(15,223)
FINANCING ACTIVITIES		
Proceeds from issuance of:		
Long Term Debt	119,241	-
Dividends paid:		
Common stock	(1,000)	-
Preferred stock	(842)	(842)
Net cash flow provided by (used in) financing activities	117,399	(842)
Net increase (decrease) in cash and cash equivalents	19,469	(101)
Cash and cash equivalents at beginning of period	4,787	2,640
Cash and cash equivalents at end of period	$24,256	$2,539
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$7,317	$10,586
Income taxes	$4,664	($23,711)

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$3,313	$4,787
Temporary cash investments - at cost, which approximates market	20,943	-
Total cash and cash equivalents	24,256	4,787
Accounts receivable:		
Customer	28,451	35,675
Allowance for doubtful accounts	(886)	(886)
Associated companies	16,579	1,370
Other	2,327	2,391
Accrued unbilled revenues	26,200	28,600
Total receivables	72,671	67,150
Deferred fuel costs	46,264	47,939
Fuel inventory - at average cost	2,988	3,774
Materials and supplies - at average cost	15,589	17,068
Prepayments and other	8,826	7,114
TOTAL	170,594	147,832
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	5,531	5,531
Non-utility property - at cost (less accumulated depreciation)	6,933	6,965
TOTAL	12,464	12,496
UTILITY PLANT		
Electric	1,776,184	1,763,636
Property under capital lease	361	384
Construction work in progress	81,733	66,789
TOTAL UTILITY PLANT	1,858,278	1,830,809
Less - accumulated depreciation and amortization	721,099	709,543
UTILITY PLANT - NET	1,137,179	1,121,266
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	24,260	24,051
Unamortized loss on reacquired debt	16,038	16,345
Other regulatory assets	141,695	132,243
Other	5,743	5,784
TOTAL	187,736	178,423
TOTAL ASSETS	$1,507,973	$1,460,017

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$35,218	$84,382
Other	26,848	32,470
Customer deposits	24,207	23,303
Taxes accrued	8,840	35,968
Accumulated deferred income taxes	562	526
Interest accrued	12,566	10,038
Obligations under capital leases	97	95
Other	2,040	2,137
TOTAL	110,378	188,919
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	302,894	298,477
Accumulated deferred investment tax credits	20,533	20,908
Obligations under capital leases	265	290
Accumulated provisions	6,901	7,374
Other	4,110	3,368
TOTAL	334,703	330,417
Long-term debt	584,223	464,466
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	50,381	50,381
Common stock, no par value, authorized 15,000,000 shares; issued and outstanding 8,666,357 shares in 2000 and 1999	199,326	199,326
Capital stock expense and other	(59)	(59)
Retained earnings	229,021	226,567
TOTAL	478,669	476,215
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,507,973	$1,460,017

See Notes to Financial Statements.

ENTERGY MISSISSIPPI, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

Description	2000	1999	Increase/ (Decrease)	%
		(In Millions)		
Electric Operating Revenues:				
Residential	$ 66.1	$ 62.3	$ 3.8	6
Commercial	59.5	55.2	4.3	8
Industrial	37.4	36.1	1.3	4
Governmental	5.8	5.7	0.1	2
Total retail	168.8	159.3	9.5	6
Sales for resale				
Associated companies	5.9	21.9	(16.0)	(73)
Non-associated companies	6.8	6.8	-	-
Other	1.3	(5.5)	6.8	124
Total	$ 182.8	$ 182.5	$ 0.3	-
Billed Electric Energy Sales (GWH):				
Residential	1,023	1,004	19	2
Commercial	918	889	29	3
Industrial	743	755	(12)	(2)
Governmental	80	83	(3)	(4)
Total retail	2,764	2,731	33	1
Sales for resale				
Associated companies	125	977	(852)	(87)
Non-associated companies	77	112	(35)	(31)
Total	2,966	3,820	(854)	(22)

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

Net Income

Net income increased for the first quarter of 2000 primarily due to increased net gas revenue and decreased other operation and maintenance expenses.

Revenues and Sales

Electric operating revenues

The changes in electric operating revenues for the first quarter of 2000 are as follows:

Description	First Quarter Increase/(Decrease) (In Millions)
Base revenues	($0.1)
Fuel cost recovery	6.9
Sales volume/weather	0.1
Other revenue (including unbilled)	1.6
Sales for resale	(2.3)
Total	$6.2

Fuel cost recovery

Fuel cost recovery revenues do not affect net income because they are an addition to revenues that is offset by specific incurred fuel costs.

Fuel cost recovery revenues increased for the first quarter of 2000 primarily due to higher market prices for gas.

Sales for resale

Sales for resale decreased for the first quarter of 2000 primarily due to decreased oil-fired generation as a result of increased market prices for oil.

Gas Operating Revenues

Gas operating revenues increased for the first quarter of 2000 due to higher prices and increased usage primarily in the residential and commercial sectors.

Expenses

Fuel and purchased power expenses

Net fuel and purchased power expenses increased for the first quarter of 2000 primarily due to increased gas market prices and increased gas purchased for resale due to more favorable weather in 2000.

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

Other operation and maintenance

Other operation and maintenance decreased for the first quarter of 2000 primarily due to lower incentive compensation accruals and lower environmental reserves in 2000 compared to 1999.

Other regulatory credits

Other regulatory credits decreased for the first quarter of 2000 primarily due to an over-recovery of Grand Gulf 1-related costs in 2000 as opposed to an under-recovery in 1999.

Other

Income taxes

The effective income tax rates for the first quarter of 2000 and 1999 were 52.2% and 27.5%, respectively. The increase in tax rate for the first quarter of 2000 was primarily due to the increase in pre-tax income affecting the impact of permanent differences and flow-through items. For the first quarter of 1999, Entergy New Orleans reported a pre-tax loss.

ENTERGY NEW ORLEANS, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING REVENUES		
Domestic electric	$86,259	$80,042
Natural gas	33,483	26,014
TOTAL	119,742	106,056
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	41,801	30,935
Purchased power	35,111	36,452
Other operation and maintenance	16,851	22,980
Taxes other than income taxes	9,512	7,618
Depreciation and amortization	5,701	5,628
Other regulatory credits - net	(1,602)	(4,449)
Amortization of rate deferrals	5,996	6,143
TOTAL	113,370	105,307
OPERATING INCOME	6,372	749
OTHER INCOME		
Allowance for equity funds used during construction	325	206
Miscellaneous - net	598	413
TOTAL	923	619
INTEREST AND OTHER CHARGES		
Interest on long-term debt	3,319	3,319
Other interest - net	416	322
Allowance for borrowed funds used during construction	(238)	(155)
TOTAL	3,497	3,486
INCOME (LOSS) BEFORE INCOME TAXES	3,798	(2,118)
Income taxes	1,981	(583)
NET INCOME (LOSS)	1,817	(1,535)
Preferred dividend requirements and other	241	241
EARNINGS (LOSS) APPLICABLE TO COMMON STOCK	$1,576	($1,776)

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Net income (loss)	$1,817	($1,535)
Noncash items included in net income:		
Amortization of rate deferrals	5,996	6,143
Other regulatory credits - net	(1,602)	(4,449)
Depreciation and amortization	5,701	5,628
Deferred income taxes and investment tax credits	(3,501)	150
Allowance for equity funds used during construction	(325)	(206)
Changes in working capital:		
Receivables	8,720	5,375
Fuel inventory	828	1,411
Accounts payable	(9,369)	(644)
Taxes accrued	5,095	568
Interest accrued	(3,369)	(3,361)
Deferred fuel costs	4,557	(1,567)
Other working capital accounts	(8,934)	(3,403)
Provision for estimated losses and reserves	(579)	(431)
Changes in other regulatory assets	(2,318)	(3,867)
Other	1,775	3,925
Net cash flow provided by operating activities	4,492	3,737
INVESTING ACTIVITIES		
Construction expenditures	(8,051)	(8,997)
Allowance for equity funds used during construction	325	206
Net cash flow used in investing activities	(7,726)	(8,791)
FINANCING ACTIVITIES		
Dividends paid:		
Preferred stock	-	(482)
Net cash flow used in financing activities	-	(482)
Net decrease in cash and cash equivalents	(3,234)	(5,536)
Cash and cash equivalents at beginning of period	4,454	17,153
Cash and cash equivalents at end of period	$1,220	$11,617
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$7,014	$6,912
Income taxes	($45)	($5,944)

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$1,220	$4,454
Accounts receivable:		
Customer	22,568	28,658
Allowance for doubtful accounts	(846)	(846)
Associated companies	257	404
Other	5,911	6,225
Accrued unbilled revenues	17,651	19,820
Total receivables	45,541	54,261
Deferred fuel costs	9,926	14,483
Fuel inventory - at average cost	2,465	3,293
Materials and supplies - at average cost	10,391	10,127
Rate deferrals	21,843	24,788
Prepayments and other	11,281	2,528
TOTAL	102,667	113,934
OTHER PROPERTY AND INVESTMENTS		
Investment in subsidiary companies - at equity	3,259	3,259
UTILITY PLANT		
Electric	543,248	541,525
Natural gas	134,491	133,568
Construction work in progress	34,786	29,780
TOTAL UTILITY PLANT	712,525	704,873
Less - accumulated depreciation and amortization	387,680	382,797
UTILITY PLANT - NET	324,845	322,076
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Rate deferrals	7,925	10,974
Unamortized loss on reacquired debt	1,134	1,187
Other regulatory assets	35,357	33,039
Other	833	1,277
TOTAL	45,249	46,477
TOTAL ASSETS	$476,020	$485,746

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$22,731	$24,350
Other	20,511	28,261
Customer deposits	18,092	17,830
Taxes accrued	5,525	429
Accumulated deferred income taxes	8,017	10,863
Interest accrued	1,587	4,956
Other	5,588	5,524
TOTAL	82,051	92,213
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	42,434	43,878
Accumulated deferred investment tax credits	6,249	6,378
SFAS 109 regulatory liability - net	8,545	7,528
Other regulatory liabilities	1,459	1,753
Accumulated provisions	8,257	8,836
Other	8,005	7,733
TOTAL	74,949	76,106
Long-term debt	169,100	169,083
SHAREHOLDERS' EQUITY		
Preferred stock without sinking fund	19,780	19,780
Common stock, $4 par value, authorized 10,000,000 shares; issued and outstanding 8,435,900 shares in 2000 and 1999	33,744	33,744
Paid-in capital	36,294	36,294
Retained earnings	60,102	58,526
TOTAL	149,920	148,344
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$476,020	$485,746

See Notes to Financial Statements.

ENTERGY NEW ORLEANS, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

Description	2000	1999	Increase/ (Decrease)	%
		(In Millions)		
Electric Operating Revenues:				
Residential	$ 27.5	$ 24.5	$ 3.0	12
Commercial	33.7	30.8	2.9	9
Industrial	5.1	5.3	(0.2)	(4)
Governmental	14.1	12.9	1.2	9
Total retail	80.4	73.5	6.9	9
Sales for resale				
Associated companies	2.6	5.1	(2.5)	(49)
Non-associated companies	2.2	2.0	0.2	10
Other	1.1	(0.5)	1.6	320
Total	$ 86.3	$ 80.1	$ 6.2	8
Billed Electric Energy Sales (GWH):				
Residential	373	364	9	2
Commercial	497	490	7	1
Industrial	91	115	(24)	(21)
Governmental	233	235	(2)	(1)
Total retail	1,194	1,204	(10)	(1)
Sales for resale				
Associated companies	83	233	(150)	(64)
Non-associated companies	44	47	(3)	(6)
Total	1,321	1,484	(163)	(11)

SYSTEM ENERGY RESOURCES, INC.
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

Net Income

Net income increased for the first quarter of 2000 primarily due to increased operating revenues and decreased interest expense.

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. Operating revenues increased for the first quarter of 2000 as compared to the same period in 1999 due to additional reserves recorded in the first quarter of 1999 for the potential refund of tariffs collected subject to refund in System Energy's rate case pending before FERC. System Energy's proposed rate increase, which is subject to refund, is discussed in Note 2 to the financial statements in the Form 10-K. Operating revenues also increased as a result of Grand Gulf 1 being operational for 20 days more in the first quarter of 2000 than in the first quarter of 1999.

Expenses

Fuel expenses

Fuel expenses increased for the first quarter of 2000 because Grand Gulf 1 was operational for 20 days more in the first quarter of 2000 than in 1999, when maintenance outages occurred.

Other operation and maintenance

Other operation and maintenance expense decreased primarily due to a larger nuclear insurance refund in 2000 compared to 1999.

Other

Interest charges

Interest on long-term debt decreased for the first quarter of 2000 as a result of the refinancing and redemption of pollution control revenue bonds and the redemption of first mortgage bonds in 1999.

Other interest decreased for the first quarter of 2000 due to an adjustment to interest on the potential refund of System Energy's proposed rate increase in the first quarter of 1999.

Income taxes

The effective income tax rates for the first quarter of 2000 and 1999 were 47.1% and 89.3%, respectively. The decrease in the effective income tax rate is primarily due to an adjustment to the provision for rate refund and its associated accrued interest expense in the first quarter of 1999.

SYSTEM ENERGY RESOURCES, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING REVENUES		
Domestic electric	$157,089	$140,617
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	10,683	8,636
Nuclear refueling outage expenses	3,214	3,505
Other operation and maintenance	15,272	18,446
Decommissioning	4,736	4,736
Taxes other than income taxes	5,943	6,752
Depreciation and amortization	28,056	28,860
Other regulatory charges - net	14,745	15,845
TOTAL	82,649	86,780
OPERATING INCOME	74,440	53,837
OTHER INCOME		
Allowance for equity funds used during construction	732	666
Miscellaneous - net	4,096	4,059
TOTAL	4,828	4,725
INTEREST AND OTHER CHARGES		
Interest on long-term debt	24,126	25,829
Other interest - net	6,843	26,751
Allowance for borrowed funds used during construction	(476)	(551)
TOTAL	30,493	52,029
INCOME BEFORE INCOME TAXES	48,775	6,533
Income taxes	22,989	5,833
NET INCOME	$25,786	$700

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$25,786	$700
Noncash items included in net income:		
Reserve for regulatory adjustments	19,555	23,443
Other regulatory charges - net	14,745	15,845
Depreciation, amortization, and decommissioning	32,792	33,596
Deferred income taxes and investment tax credits	(19,377)	(35,973)
Allowance for equity funds used during construction	(732)	(666)
Changes in working capital:		
Receivables	103,319	(43,485)
Accounts payable	263	(6,034)
Taxes accrued	30,056	16,523
Interest accrued	(18,587)	(14,211)
Other working capital accounts	(3,424)	(1,420)
Provision for estimated losses and reserves	15	36,855
Changes in other regulatory assets	11,795	5,293
Other	(7,705)	10,276
Net cash flow provided by operating activities	188,501	40,742
INVESTING ACTIVITIES		
Construction expenditures	(9,250)	(5,593)
Allowance for equity funds used during construction	732	666
Nuclear fuel purchases	(7)	-
Proceeds from sale/leaseback of nuclear fuel	7	-
Decommissioning trust contributions and realized change in trust assets	(5,790)	(5,602)
Net cash flow used in investing activities	(14,308)	(10,529)
FINANCING ACTIVITIES		
Retirement of:		
Long Term Debt	(2,947)	(15,820)
Dividends paid:		
Common stock	(23,600)	-
Net cash flow used in financing activities	(26,547)	(15,820)
Net increase in cash and cash equivalents	147,646	14,393
Cash and cash equivalents at beginning of period	35,152	236,841
Cash and cash equivalents at end of period	$182,798	$251,234
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$42,653	$39,413
Income taxes	($4,035)	$10,544
Noncash investing and financing activities:		
Change in unrealized depreciation of decommissioning trust assets	($1,204)	($622)

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
ASSETS
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$98	$136
Temporary cash investments - at cost, which approximates market	182,700	35,016
Total cash and cash equivalents	182,798	35,152
Accounts receivable:		
Associated companies	197,314	301,287
Other	1,323	670
Total receivables	198,637	301,957
Materials and supplies - at average cost	62,214	61,264
Deferred nuclear refueling outage costs	17,528	18,665
Prepayments and other	5,941	2,251
TOTAL	467,118	419,289
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	139,970	135,384
UTILITY PLANT		
Electric	3,050,466	3,060,324
Property under capital lease	444,850	434,993
Construction work in progress	67,760	58,510
Nuclear fuel under capital lease	70,721	78,020
TOTAL UTILITY PLANT	3,633,797	3,631,847
Less - accumulated depreciation and amortization	1,342,039	1,312,559
UTILITY PLANT - NET	2,291,758	2,319,288
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	230,519	242,834
Unamortized loss on reacquired debt	55,121	56,474
Other regulatory assets	186,430	185,910
Other	10,054	9,869
TOTAL	482,124	495,087
TOTAL ASSETS	$3,380,970	$3,369,048

See Notes to Financial Statements.

SYSTEM ENERGY RESOURCES, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2000 and December 31, 1999
(Unaudited)

	2000	1999
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$91,800	$77,947
Accounts payable		
Associated companies	14,344	15,237
Other	19,626	18,470
Taxes accrued	85,439	55,383
Accumulated deferred income taxes	6,684	7,162
Interest accrued	21,412	40,000
Obligations under capital leases	38,421	38,421
Other	1,728	1,651
TOTAL	279,454	254,271
DEFERRED CREDITS AND OTHER LIABILITIES		
Accumulated deferred income taxes	457,706	481,945
Accumulated deferred investment tax credits	92,350	93,219
Obligations under capital leases	32,300	39,599
FERC settlement - refund obligation	35,765	37,337
Other regulatory liabilities	83,061	73,313
Decommissioning	135,293	129,503
Regulatory reserves	287,325	267,771
Accumulated provisions	2,032	2,016
Other	16,219	16,014
TOTAL	1,142,051	1,140,717
Long-term debt	1,065,798	1,082,579
SHAREHOLDERS' EQUITY		
Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2000 in 1999	789,350	789,350
Retained earnings	104,317	102,131
TOTAL	893,667	891,481
Commitments and Contingencies (Notes 1 and 2)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,380,970	$3,369,048

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES

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

See Note 9 to the financial statements in the Form 10-K for information on Entergy's estimated construction expenditures (excluding nuclear fuel), long-term debt and preferred stock maturities, and cash sinking fund requirements for the period 2000-2002.

Sales Warranties and Indemnities (Entergy Corporation)

See Note 9 to the financial statements in the Form 10-K for information on certain warranties made by Entergy or its subsidiaries in the Entergy London and CitiPower sales transactions.

Nuclear Insurance, Spent Nuclear Fuel, and Decommissioning Costs (Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

See Note 9 to the financial statements in the Form 10-K for information on nuclear liability, property and replacement power insurance, related NRC regulations, the disposal of spent nuclear fuel, other high-level radioactive waste, and decommissioning costs associated with ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf 1, and Pilgrim.

ANO Matters (Entergy Corporation and Entergy Arkansas)

See Note 9 to the financial statements in the Form 10-K for information on cracks in a number of steam generator tubes at ANO 2 that were discovered and repaired during an outage in March 1992, and the replacement of the steam generators scheduled for September 2000.

Environmental Issues

(Entergy Gulf States)

Entergy Gulf States has been designated as a potentially responsible party (PRP) for the cleanup of certain hazardous waste disposal sites. Entergy Gulf States is in periodic negotiations with the U.S. Environmental Protection Agency and state authorities regarding the cleanup of certain of these sites. As of March 31, 2000, a remaining recorded liability of approximately $17.8 million existed relating to the cleanup of the remaining sites at which Entergy Gulf States has been designated a PRP. See "Environmental Regulation" in Item 1 of Part I of the Form 10-K for additional discussion of Entergy Gulf States' environmental clean-up activity and related litigation.

(Entergy Louisiana and Entergy New Orleans)

During 1993, the Louisiana Department of Environmental Quality (LDEQ) issued new rules for solid waste regulation, including regulation of wastewater impoundments. Entergy Louisiana and Entergy New Orleans have determined that certain of their power plant wastewater impoundments were affected by these regulations and chose to upgrade or close them. As a result, remaining recorded liabilities in the amounts of $5.9 million and $0.5 million existed at March 31, 2000 for wastewater upgrades and closures for Entergy Louisiana and Entergy New Orleans, respectively. Completion of this work is awaiting LDEQ approval.

City Franchise Ordinances (Entergy New Orleans)

Entergy New Orleans provides electric and gas service in the City of New Orleans pursuant to franchise ordinances. These ordinances contain a continuing option for the City to purchase Entergy New Orleans' electric and gas utility properties.

Waterford 3 Lease Obligations (Entergy Louisiana)

On September 28, 1989, Entergy Louisiana entered into three separate but substantially identical transactions for the sale and leaseback of undivided interests (aggregating approximately 9.3%) in Waterford 3, which were refinanced in 1997. Entergy Louisiana is obligated under certain circumstances to pay amounts sufficient to permit the Owner Participants to withdraw from these lease transactions. Additionally, Entergy Louisiana may be required to assume the outstanding bonds issued by the Owner Trustee under these leases to finance, in part, its acquisition of the undivided interests in Waterford 3. See Note 10 to the financial statements in the Form 10-K for further information.

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 filed by former employees asserting that they were wrongfully terminated and/or discriminated against on the basis of age, race, and/or sex. The defendant companies 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.

Cajun - Coal Contracts (Entergy Corporation and Entergy Gulf States)

See "Cajun – Coal Contracts" in Note 9 to the financial statements in the Form 10-K for information relating to the declaratory judgment actions filed by Entergy Gulf States in the U.S. Bankruptcy Court in which the Cajun bankruptcy case was pending. The settlement agreement and plan of reorganization have been consummated and effectively release Entergy Gulf States from any claims asserted by the coal suppliers and transporters for Big Cajun 2.

Reimbursement Agreement (System Energy)

Under a bank letter of credit and 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 agreement, to maintain its equity at not less than 33% of its adjusted capitalization (defined in the 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 agreement, a ratio of adjusted net income to interest expense (calculated, in each case, as specified in the agreement) of at least 1.60 times earnings. System Energy was in compliance with the above covenants at March 31, 2000. See Note 9 to the financial statements in the Form 10-K for further information.

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

In addition to those proceedings discussed elsewhere herein and in the Form 10-K, Entergy and the domestic utility companies are involved in a number of other legal proceedings and claims in the ordinary course of their businesses. While management is unable to predict the outcome of these other legal proceedings and claims, it is not expected that their ultimate resolutions individually or collectively will have a material adverse effect on results of operations, cash flows, or financial condition of these entities.

NOTE 2. RATE AND REGULATORY MATTERS

Electric Industry Restructuring

Previous developments and information related to electric industry restructuring are presented in Note 2 to the financial statements in the Form 10-K.

Texas

(Entergy Corporation and Entergy Gulf States)

As discussed in Note 2 to the financial statements in the Form 10-K, in June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provides for retail open access by most electric utilities, including Entergy Gulf States, on January 1, 2002. When retail open access is achieved, the generation business and a new retail electricity provider function will become competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail provider function will be the primary point of contact with the customers for most services beyond initiation of electric service and restoration of service following outages.

In January 2000, Entergy Gulf States filed a business separation plan with the PUCT as required by the Texas restructuring legislation. The plan provides that Entergy Gulf States will ultimately be divided into a Texas distribution company, a Texas transmission company, a Texas generation company, a Texas retail electricity provider, and a Louisiana company that will encompass distribution, generation and transmission operations. Intervenors in the Texas proceeding have, for the most part, expressed opposition to the plan for various reasons. It is not certain whether the plan will be approved as filed, or whether a different plan will be approved by the PUCT. Entergy Gulf States and other parties to the proceeding are in discussions aimed at determining whether there are modifications to the proposed plan that would be acceptable to all concerned parties. The procedural schedule requires Entergy Gulf States to file an amended business separation plan by June 8, 2000. The timing and outcome of this proceeding is uncertain, and additional regulatory approvals from FERC, the SEC, and the LPSC will be required before any legal separation plan can be implemented.

On March 31, 2000, pursuant to the Texas restructuring legislation, Entergy Gulf States filed cost data with the PUCT for its unbundled business functions and proposed tariffs for its unbundled distribution utility. In the filing, Entergy Gulf States is seeking approval for recovery of the following, among other things:

- the unbundled distribution utility's cost of service;
- a 12% return on equity for the unbundled distribution utility; and
- a ten-year non-bypassable charge to recover estimated stranded costs and a non-bypassable charge to recover nuclear decommissioning costs.

At a prehearing conference held in April 2000, a procedural schedule for the case was established, calling for a hearing in January 2001. Management cannot predict the outcome of this proceeding.

Retail Rate Proceedings

Previous developments and information related to retail rate proceedings are presented in Note 2 to the financial statements in the Form 10-K.

Filings with the APSC (Entergy Corporation and Entergy Arkansas)

In March 2000, Entergy Arkansas filed its annually redetermined energy cost rate with the APSC in accordance with the energy cost recovery rider formula. The filing reflected that an increase was warranted to collect an under-recovery of energy costs for 1999. The increased energy cost recovery rate is effective April 2000 through March 2001.

Filings with the PUCT and Texas Cities

PUCT Fuel Cost Review (Entergy Corporation and Entergy Gulf States)

Based on the settlement agreement discussed in Note 2 to the financial statements in the Form 10-K, Entergy Gulf States adopted a methodology for calculating its fixed fuel factor based on the market price of natural gas. This calculation and any necessary adjustments will occur semi-annually and continue until December 2001.

The amounts collected under Entergy Gulf States' fixed fuel factor through December 2001 are subject to fuel reconciliation proceedings before the PUCT, including a fuel reconciliation case filed by Entergy Gulf States in July 1999. In February 2000, Entergy Gulf States reached a settlement with all but one of the parties to that proceeding. Entergy Gulf States reconciled approximately $731 million (after excluding approximately $14 million related to Cajun issues to be handled in a subsequent proceeding) of fuel and purchased power costs. The settlement reduces Entergy Gulf States' requested surcharge in the reconciliation filing from $14.7 million to $2.2 million. This settlement was approved by the PUCT in an order dated April 12, 2000, confirming an interim order that allowed Entergy Gulf States to begin the recovery of the $2.2 million surcharge between April 2000 and January 2001. In addition, Entergy Gulf States agreed to file a fuel reconciliation case by January 12, 2001 covering the period from March 1, 1999 through August 31, 2000. The decrease in the requested surcharge was recorded in March 2000 and is reflected in Entergy Gulf States' operating income.

Filings with the LPSC

Annual Earnings Reviews (Entergy Corporation and Entergy Gulf States)

In May 1997, Entergy Gulf States filed its fourth post-Merger earnings analysis with the LPSC. In March 2000, the LPSC ordered Entergy Gulf States to refund approximately $17.7 million to customers. Entergy Gulf States will appeal the order. Entergy Gulf States has provided adequate reserves for its annual earnings reviews based on management's estimates of the outcome of these proceedings.

Fuel Adjustment Clause Litigation

(Entergy Corporation and Entergy Louisiana)

In May 1998, a group of ratepayers filed a complaint against Entergy Corporation, Entergy Power, and Entergy Louisiana in state court in Orleans Parish purportedly on behalf of all Entergy Louisiana ratepayers. The plaintiffs seek treble damages for alleged injuries arising from alleged violations by the defendants of Louisiana's antitrust laws in connection with the costs included in fuel filings with the LPSC and passed through to ratepayers. Among other things, the plaintiffs allege that Entergy Louisiana improperly introduced certain costs into the calculation of the fuel charges, including high-cost electricity imprudently purchased from its affiliates and high-cost gas imprudently purchased from independent third party suppliers. In addition, plaintiffs seek to recover interest and attorney's fees. Exceptions were filed by Entergy, asserting that this dispute should be litigated before the LPSC and FERC. At the appropriate time, if necessary, Entergy will raise its defenses to the antitrust claims. At present, the suit in state court is stayed by stipulation of the parties.

Plaintiffs also requested that the LPSC initiate a review of Entergy Louisiana's monthly fuel adjustment charge filings and force restitution to ratepayers of all costs that the plaintiffs allege were improperly included in those fuel adjustment filings. Marathon Oil Company and Louisiana Energy Users Group have also intervened in the LPSC proceeding. Discovery at the LPSC has been conducted and is expected to continue. Direct testimony was filed with the LPSC by plaintiffs and the intervenors in July 1999. In their testimony for the period 1989 through 1998, plaintiffs purport to quantify many of their claims in an amount totaling $544 million, plus interest. The plaintiffs will likely assert additional damages for the period 1974 through 1988. The Entergy companies filed responsive and rebuttal testimony in September 1999. Rebuttal testimony by the plaintiffs and intervenors was filed in November 1999.

Entergy Louisiana and the staff of the LPSC have reached an agreement in principle for the settlement of the matter before the LPSC. The terms of the proposed settlement have not as yet been agreed to by other parties to the LPSC proceeding, and must be approved by the LPSC after any parties contesting the settlement are afforded the opportunity for a hearing. Entergy Louisiana would agree under the proposed terms to refund to customers approximately $72 million in settlement of all claims arising out of or relating to Entergy Louisiana's fuel adjustment clause filings from January 1, 1975 through December 31, 1999, except with respect to purchased power and associated costs included in the fuel adjustment clause filings for the period May 1 through September 30, 1999. Reserves were previously provided by Entergy Louisiana for the refund. If the proposed settlement is approved, Entergy Louisiana would also consent to future fuel cost recovery under a long-term gas contract based on a formula that would likely result in an under-recovery of actual costs under that contract for the remainder of its term, which runs through 2013. The future under-recovery cannot be precisely estimated at this time because it will depend upon factors that are not certain, such as the price of gas and the amount of gas purchased under the long-term contract. In recent years, Entergy Louisiana has made purchases under that contract totaling from $91 million to $121 million annually. Had the proposed settlement terms been applicable to such purchases, the under-recoveries would have ranged from $4 million to $9 million per year.

In its intervention, Marathon Oil Company and Louisiana Energy Users Group requested that the LPSC review the prudence of a contract entered into by Entergy Louisiana to purchase energy generated by a hydroelectric facility known as the Vidalia project through the year 2031. Note 9 to the financial statements in the Form 10-K contains further discussions of the obligations related to the Vidalia project. By orders entered by the LPSC in 1985 and 1990, the LPSC approved Entergy Louisiana's entry into the Vidalia contract and Entergy Louisiana's right to recover, through the fuel adjustment clause, the costs of power purchased thereunder. Additionally, the wholesale electric rates under the Vidalia power purchase contract were filed at FERC. In December 1999, the LPSC instituted a review of the following issues relating to the Vidalia project: (i) the LPSC's jurisdiction over the Vidalia project; (ii) Entergy Louisiana's management of the Vidalia contract, including opportunities to restructure or otherwise reform the contract; (iii) the appropriateness of Entergy Louisiana's recovery of 100% of the Vidalia contract costs from ratepayers; (iv) the appropriateness of the fuel adjustment clause as the method for recovering all or part of the Vidalia contract costs; (v) the appropriate regulatory treatment of the Vidalia contract in the event the LPSC approves implementation of retail competition; and (vi) Entergy Louisiana's communication of pertinent information to the LPSC regarding the Vidalia project and contract. Based on its review, the LPSC will determine whether it should disallow any of the costs of the Vidalia project included in the fuel adjustment clause.

In March 2000, Entergy Louisiana filed testimony in this sub-docket in which it takes the position that the prudence of the Vidalia contract already has been approved by final orders of the LPSC and that recovery of all amounts paid by Entergy Louisiana related to the Vidalia project pursuant to the FERC-filed rate is appropriate. The LPSC is required to file testimony on May 26, 2000. It is anticipated that hearings in this sub-docket concerning the Vidalia contract will be completed by the end of 2000.

(Entergy Corporation and Entergy New Orleans)

In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorney's fees. Exceptions to the plaintiffs' allegations were filed by Entergy, asserting, among other things, that jurisdiction over these issues rests with the Council and FERC. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. At present, the suit in state court is stayed by stipulation of the parties.

Plaintiffs also filed this complaint with the Council in order to initiate a review by the Council of their allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Discovery has begun in the proceedings before the Council. In April 2000, testimony was filed on behalf of the plaintiffs in this proceeding. The testimony asserts, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices that could have resulted in New Orleans customers being overcharged by more than $45 million over a period of years. However, it is not clear precisely what periods and damages are being alleged. Entergy intends to defend this matter vigorously, both in court and before the Council. The ultimate outcome of the lawsuit and the Council proceeding cannot be predicted at this time.

Filings with the MPSC (Entergy Corporation and Entergy Mississippi)

In March 2000, Entergy Mississippi submitted its annual performance-based formula rate plan filing for the 1999 test year. The filing indicated that no change in rate levels was warranted and the current rate levels remain in effect.

NOTE 3. COMMON STOCK (Entergy Corporation)

During the first quarter of 2000, Entergy Corporation repurchased 7,350,800 shares of common stock in the open market for an aggregate purchase price of approximately $156 million. These shares were purchased pursuant to Entergy's stock repurchase plan and also to fulfill the requirements of various stock-based compensation and benefit plans. During the first quarter of 2000, Entergy Corporation issued 433,940 shares of its previously repurchased common stock to satisfy stock options exercised and employee stock purchases. In addition, Entergy Corporation received proceeds of approximately $2.0 million from the issuance of 89,894 shares of common stock under its dividend reinvestment and stock purchase plan.

NOTE 4. LONG-TERM DEBT

(Entergy Mississippi)

On February 15, 2000, Entergy Mississippi issued $120 million of 7.75% Series First Mortgage Bonds due February 15, 2003. The proceeds are being used for general corporate purposes, including the retirement of short-term indebtedness that was incurred for working capital needs and capital expenditures.

(Entergy Arkansas)

On March 9, 2000, Entergy Arkansas issued $100 million of 7.72% Series First Mortgage Bonds due March 1, 2003. The proceeds are being used for general corporate purposes, including the retirement of short-term indebtedness that was incurred for working capital needs and capital expenditures.

(Entergy Louisiana)

On March 1, 2000, Entergy Louisiana redeemed, at maturity, $100 million of 6.00% Series First Mortgage Bonds using funds received from an open-account advance from Entergy Corporation. See **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - LIQUIDITY AND CAPITAL RESOURCES"** for a further discussion of this advance.

NOTE 5. RETAINED EARNINGS (Entergy Corporation)

On April 5, 2000, Entergy Corporation's Board of Directors declared a common stock dividend of $0.30 per share, payable on June 1, 2000, to holders of record on May 16, 2000.

NOTE 6. BUSINESS SEGMENT INFORMATION (Entergy Corporation)

See Note 14 to the financial statements in the Form 10-K for information regarding Entergy's adoption of SFAS 131 and its operating segments. Entergy's segment financial information for the first quarter of 2000 and 1999 is as follows (in thousands):

	Domestic Utility and System Energy	Power Marketing and Trading*	All Other*	Eliminations	Consolidated
2000					
Operating Revenues	$ 1,401,444	$ 346,157	$ 75,850	$ (11,959)	$ 1,811,492
Income Taxes	71,191	5,736	5,898	-	82,825
Net Income	87,338	11,297	9,775	-	108,410
Total Assets	19,556,488	616,853	3,804,322	(615,436)	23,362,227
1999					
Operating Revenues	$ 1,286,703	$ 344,438	$ 12,096	$ (3,315)	$ 1,639,922
Income Taxes	59,594	(8,223)	(6,198)	-	45,173
Net Income	82,576	(14,013)	4,343	-	72,906
Total Assets	20,193,864	572,940	2,630,391	(547,811)	22,849,384

Businesses marked with * are referred to as the "competitive businesses," with the exception of the parent company, Entergy Corporation, which is also included in the "All Other" column. The "All Other" category includes the parent, Entergy Corporation, segments below the quantitative threshold for separate disclosure, and other business activities. Other segments principally include global power development and non-utility nuclear power operations and management. Other business activities principally include the gains on the sales of businesses. The elimination of power marketing and trading mark-to-market profits on intercompany power transactions is also included in "All Other." Eliminations are primarily intersegment activity.

In the opinion of the management of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, the accompanying unaudited condensed financial statements contain all adjustments (consisting primarily of normal recurring accruals and reclassification of previously reported amounts to conform to current classifications) necessary for a fair statement of the results for the interim periods presented. However, the business of the domestic utility companies and System Energy is subject to seasonal fluctuations with the peak periods occurring during the third quarter. The results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

ENTERGY CORPORATION AND SUBSIDIARIES
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See "**PART I, Item 1, Other Regulation and Litigation**" in the Form 10-K for a discussion of legal proceedings affecting Entergy. Set forth below are updates to the information contained in the Form 10-K.

Union Pacific Railroad (Entergy Corporation and Entergy Arkansas)

See "Union Pacific Railroad" in Item 1 of Part 1 of the Form 10-K for information relating to the civil suit filed by Entergy Arkansas and Entergy Services against Union Pacific Railroad Company (Union Pacific) seeking damages and the termination of coal shipping contracts with Union Pacific because of its failure to meet its contractual obligations to ship coal to Entergy Arkansas' two coal-fired plants. In addition to rescission of the contracts and monetary damages, Entergy is seeking restitution for amounts paid to Union Pacific since the date of material breach that are above reasonable market rates. The case is scheduled for trial beginning in October 2000.

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

See "Aquila Power Corporation" in Item 1 of Part 1 of the Form 10-K for information relating to the complaint filed by Aquila Power Corporation (Aquila) against Entergy Services, as agent for the domestic utility companies, alleging that the domestic utility companies improperly reserved transmission capacity on Entergy's transmission system, resulting in the denial of Aquila's request for transmission service. FERC issued an order in March 2000 responding to Aquila's complaints. While FERC found that Entergy improperly reserved transmission capacity in the past, FERC determined it did not have authority to order monetary damages, and that refunds were not appropriate under the circumstances. Entergy has requested rehearing of certain parts of FERC's ruling.

Ratepayer Lawsuits (Entergy Corporation, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans)

See "Ratepayer Lawsuits" in Item 1 of Part I of the Form 10-K for a discussion of the lawsuits filed by ratepayers with the LPSC, the Council, and in Louisiana state courts in Orleans and East Baton Rouge Parishes. See "Fuel Adjustment Clause Litigation" in Note 2 to the financial statements herein for developments that have occurred since the filing of the Form 10-K.

Franchise Service Area Litigation (Entergy Gulf States)

See "Franchise Service Area Litigation" in Item 1 of Part 1 of the Form 10-K for information relating to the request filed by Beaumont Power and Light Company (BP&L) with the PUCT to obtain a certificate of convenience and necessity for those portions of Jefferson County, Texas, outside the boundaries of any municipality, except for the city of Beaumont, for which Entergy Gulf States provides retail electric service. In April 2000, the ALJ recommended denial of BP&L's application. In May 2000, the PUCT voted to remand the proceeding back to the ALJ to allow BP&L to provide further evidence. No procedural schedule has been set.

Ice Storm Litigation (Entergy Corporation and Entergy Gulf States)

See "Ice Storm Litigation" in Part I of the Form 10-K for information relating to the lawsuit filed by a group of Entergy Gulf States customers in Texas against Entergy Corporation, Entergy Gulf States, and other Entergy subsidiaries in state court in Jefferson County, Texas purportedly on behalf of all Entergy Gulf States customers in Texas who sustained outages in a January 1997 ice storm. On March 14, 2000, an appellate court affirmed the district court's decision to certify the class. Entergy has filed a motion for rehearing.

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

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

Item 5. Other Information

Earnings Ratios (Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

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

Ratios of Earnings to Fixed Charges

	Twelve Months Ended December 31,					March 31,
	1995	1996	1997	1998	1999	2000
Entergy Arkansas	2.56	2.93	2.54	2.63	2.08	2.48
Entergy Gulf States	1.86	1.47	1.42	1.40	2.18	2.16
Entergy Louisiana	3.18	3.16	2.74	3.18	3.48	3.39
Entergy Mississippi	2.92	3.40	2.98	3.04	2.44	2.48
Entergy New Orleans	3.93	3.51	2.70	2.59	3.00	3.38
System Energy	2.07	2.21	2.31	2.52	1.90	2.37

Ratios of Earnings to Combined Fixed Charges and Preferred Dividends

	Twelve Months Ended December 31,					March 31,
	1995	1996	1997	1998	1999	2000
Entergy Arkansas	2.12	2.44	2.24	2.28	1.80	2.14
Entergy Gulf States (a)	1.54	1.19	1.23	1.20	1.86	1.85
Entergy Louisiana	2.60	2.64	2.36	2.75	3.09	3.01
Entergy Mississippi	2.51	2.95	2.69	2.73	2.18	2.22
Entergy New Orleans	3.56	3.22	2.44	2.36	2.74	3.05

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

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits*

4(a) - Fifty-fifth Supplemental Indenture, dated as of March 1, 2000, to Entergy Arkansas' Mortgage and Deed of Trust, dated as of October 1, 1944.

27(a) - Financial Data Schedule for Entergy Corporation and Subsidiaries as of March 31, 2000.

27(b) - Financial Data Schedule for Entergy Arkansas as of March 31, 2000.

27(c) - Financial Data Schedule for Entergy Gulf States as of March 31, 2000.

27(d) - Financial Data Schedule for Entergy Louisiana as of March 31, 2000.

27(e) - Financial Data Schedule for Entergy Mississippi as of March 31, 2000.

27(f) - Financial Data Schedule for Entergy New Orleans as of March 31, 2000.

27(g) - Financial Data Schedule for System Energy as of March 31, 2000.

99(a) - Entergy Arkansas' Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.

99(b) - Entergy Gulf States' Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.

99(c) - Entergy Louisiana's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.

99(d) - Entergy Mississippi's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.

99(e) - Entergy New Orleans' Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.

99(f) - System Energy's Computation of Ratios of Earnings to Fixed Charges, as defined.

** 99(g) - Annual Reports on Form 10-K of Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy for the fiscal year ended December 31, 1999, portions of which are incorporated herein by reference as described elsewhere in this document (filed with the SEC in File Nos. 1-11299, 1-10764, 1-2703, 1-8474, 0-320, 0-5807, and 1-9067, respectively).

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, Entergy Corporation agrees to furnish to the Commission upon request any instrument with respect to long-term debt that is not registered or listed herein as an Exhibit because the total amount of securities authorized under such agreement does not exceed ten percent of Entergy Corporation and its subsidiaries on a consolidated basis.

* Reference is made to a duplicate list of exhibits being filed as a part of this report on Form 10-Q for the quarter ended March 31, 2000, which list, prepared in accordance with Item 102 of Regulation S-T of the SEC, immediately precedes the exhibits being filed with this report on Form 10-Q for the quarter ended March 31, 2000.

** Incorporated herein by reference as indicated.

(b) Reports on Form 8-K

Entergy Arkansas

A Current Report on Form 8-K, dated March 2, 2000, was filed with the SEC on March 3, 2000, reporting information under Item 5. "Other Events".

Entergy Corporation

A Current Report on Form 8-K, dated March 28, 2000, was filed with the SEC on March 31, 2000, reporting information under Item 5. "Other Events".

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

ENTERGY CORPORATION
ENTERGY ARKANSAS, INC.
ENTERGY GULF STATES, INC.
ENTERGY LOUISIANA, INC.
ENTERGY MISSISSIPPI, INC.
ENTERGY NEW ORLEANS, INC.
SYSTEM ENERGY RESOURCES, INC.

/s/ Nathan E. Langston
Nathan E. Langston
Vice President and Chief Accounting Officer
(For each Registrant and for each as
Principal Accounting Officer)

Date: May 10, 2000

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

Certificate No. N-31

Forming Part of Master

Policy No. 1

CERTIFICATE OF INSURANCE

DECLARATIONS AND

BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Certificate of Insurance

This is to certify that the persons and organizations designated in Item 1 of the Declarations are named insureds under the Master Policy - Nuclear Energy Liability Insurance (Secondary Financial Protection), herein called the "Master Policy", issued by Nuclear Energy Liability Insurance Association.

Such insurance as is provided by the Master Policy applies, through this certificate, only:

(a) to the insureds identified in Items 1 and 2 of the Declarations,

(b) for the certificate period stated in Item 6 of the Declarations,

(c) to bodily injury or property damage

(1) with respect to which the primary financial protection described in Item 4 of the Declarations would apply but for exhaustion of its limit of liability as described in Condition 6 of the Master Policy, and

(2) which is caused during the certificate period stated in Item 6 of the Declarations by a nuclear incident arising out of or in connection with the nuclear reactor described in Item 3 of the Declarations, and

(3) which is discovered and for which written claim is made against the insured not later than ten years after the end of the certificate period stated in Item 6 of the Declarations. However, with respect to bodily injury or property damage caused by an extraordinary nuclear occurrence this subparagraph (3) shall not operate to bar coverage for bodily injury or property damage which is discovered and for which written claim is made against the insured not later than twenty years after the date of the extraordinary nuclear occurrence.

Declarations

Item 1. Named insureds and addresses:

(a) Boston Edison Company - 800 Boylston Street, Boston, Massachusetts 02119

(b)

Item 2. Additional insureds:

Any other person or organization who would be insured under the primary financial protection identified in Item 4 of the Declarations but for exhaustion of the limit of liability of such primary financial protection.

Item 3. Description and location of nuclear reactor: Pilgrim Nuclear Power Station located in Plymouth County, Massachusetts.

Item 4. (a) Identification of primary financial protection applicable to the nuclear reactor and limit(s) of liability thereof:

Nuclear Energy Liability Insurance Association's
Policy NF-188 $108,500,000

Mutual Atomic Energy Liability Underwriters'
Policy MF- 58 $ 31,500,000

(b) The following endorsements, attached to the primary financial protection policies listed in Item 4 (a) also apply to the insurance afforded by the Master Policy through this certificate as though they were attached hereto:

(1) Waiver of Defenses Endorsement (Extraordinary Nuclear Occurrence) and

(2) Supplementary Endorsement - Waiver of Defenses - Reactor Construction at the Facility,

(c) The limits of liability provided under the primary financial protection specified in Item 4 (a) above are not shared with any other reactor except as follows:

No exceptions.

Item 5. Limits of Liability: The amount of retrospective premium actually received by the companies plus the amount of the companies' contingent liability, if any, pursuant to Conditions 2, 3 and 4 of the Master Policy.

Item 6. Certificate Period: Beginning at 12:01 a.m. on the first day of August, 1977 and continuing to the effective date and time of cancellation or termination of the Master Policy or this certificate, whichever first occurs, eastern standard time.

Item 7. Maximum retrospective premium (exclusive of allowance for premium taxes) payable pursuant to Condition 2 of the Master Policy with respect to each nuclear incident: $3,875,000.

Item 8. Premium payable pursuant to Condition 1 of the Master Policy for the period from August 1, 1977 through December 31 following: $ 1,948.35

BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Know All Men By These Presents, that the undersigned do hereby acknowledge that they are named insureds under the Master Policy described in the above Certificate of Insurance and Declarations. The named insureds do hereby covenant with and are held and are firmly bound to the members of Nuclear Energy Liability Insurance Association subscribing the Master Policy (hereinafter called the "companies") to pay to the companies all retrospective premiums and allowances for premium taxes which shall become due and payable in accordance with the Master Policy, as it may be changed from time to time, with interest on such premiums and allowances for taxes to be computed at the rate provided in the Master Policy from the date payment thereof is specified to be due the companies in written notice to the first named insured as provided in Condition 2 of the Master Policy until paid;

And it is hereby expressly agreed that copies of written notices of retrospective premiums and allowances for premium taxes due and payable or other evidence of such amounts due and payable sworn to by a duly authorized representative of the companies shall be prima facie evidence of the fact and extent of the liability of the named insureds for such amounts;

And it is further expressly agreed that the named insureds will indemnify the companies against any and all liability, losses and expenses of whatsoever kind or nature (including but not limited to interest, court costs, and counsel fees) which the companies may sustain or incur (1) by reason of the failure of the named insureds to comply with the covenants and provisions of this Bond and (2) in enforcing any of the covenants or provisions of this Bond, or any provisions of the Master Policy relating to such covenants or provisions;

For the purpose of recording this agreement, a photocopy acknowledged before a Notary Public to be a true copy hereof shall be regarded as an original.

The preceding Certificate of Insurance, Declarations and Bond form a part of the Master Policy. Cancellation or termination of the Master Policy or the Certificate of Insurance shall not affect the named insured's obligations under the policy or the Bond to pay the retrospective premiums and allowances for premium taxes, as provided in this Certificate and Condition 2 of the Master Policy.

IN WITNESS WHEREOF, the named insureds have caused this Certificate, these Declarations and this Bond for Payment of Retrospective Premiums, to be signed and sealed by a duly authorized officer, to be effective August 1, 1977 eastern standard time.

Attest or Witness

Named Insureds:

Boston Edison Company
(Named Insured - Type or Print)

By ______________ (SEAL)
(Signature of Officer)

____
(Type or Print Name & Title of Officer)
Date: ______________

____
(Named Insured - Type or Print)

By ______________ (SEAL)
(Signature of Officer)

____
(Type or Print Name & Title of Officer)
Date: ______________

Countersigned this First day of November, 1982 at Boston, Massachusetts by:
MARSH & McLENNAN INC.
BY: ______________
VICE PRESIDENT
Authorized Agent

____
(Named Insured - Type or Print)

By ______________ (SEAL)
(Signature of Officer)

____
(Type or Print Name & Title of Officer)
Date: ______________

IN WITNESS WHEREOF, the companies subscribing the Master Policy have caused the Certificate of Insurance and the Declarations to be signed on their behalf by the President of Nuclear Energy Liability Insurance Association to be effective August 1, 1977 eastern standard time, and countersigned below by a duly authorized representative.

Attest or Witness

For the Subscribing Companies of

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

BY: ______________________
Burt C. Proom, President

Countersigned by ______________________
(Authorized Representative)

NUCLEAR ENERGY LIABILITY INSURANCE
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ENDORSEMENT TO CERTIFICATE NO. N -0031
FORMING PART OF MASTER POLICY NO. 1
NUCLEAR ENERGY LIABILITY INSURANCE
(SECONDARY FINANCIAL PROTECTION)

In consideration of its being designated the named insured in Certificate No. N -0031 by Endorsement thereto and issued concurrently herewith, Entergy Nuclear Generation Company hereby executes the following Bond:

BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Know All Men By These Presents, that the undersigned does hereby acknowledge that Entergy Nuclear Generation Company is the named insured under Master Policy No. 1 described in the Certificate of Insurance and Declarations of Certificate No. N -0031, which was originally issued to and signed by Boston Edison Company with a Certificate Period beginning on August 1, 1977 and as amended. The undersigned does hereby covenant with and is held and is firmly bound to the subscribing members of Nuclear Energy Liability Insurance Association (hereinafter called the "companies") to pay to the companies all retrospective premiums and allowances for premium taxes which shall become due and payable in accordance with the terms of Master Policy No. 1, as it may be changed from time to time, with interest on such premiums and allowances for taxes to be computed at the rate provided in Master Policy No. 1 from the date payment thereof is specified to be due the companies in a written notice to the first named insured, as provided in Condition 2 of Master Policy No. 1 until paid.

And it is hereby expressly agreed that copies of written notices of retrospective premiums and allowances for premium taxes due and payable or other evidence of such amounts due and payable sworn to by a duly authorized representative of the companies shall be prima facie evidence of the fact and extent of the liability of the named insureds for such amounts.

And it is further expressly agreed that the named insureds will indemnify the companies against any and all liability, losses and expenses of whatsoever kind or nature (including but not limited to interest, court costs and counsel fees) which the companies may sustain or incur (1) by reason of the failure of the named insureds to comply with the covenants and provisions of this Bond or (2) in enforcing any of the covenants or provisions of this Bond, or any provisions of Master Policy No. 1 relating to such covenants or provisions.

For the purpose of recording this agreement a photocopy acknowledged before a Notary Public to be a true copy hereof shall be regarded as an original.

ACCEPTED BY: Entergy Nuclear Generation Company

Jerry W Yelverton
(Signature of Officer)

Jerry W. Yelverton
(Type or Print Name)

President & CEO
(Title)

December 6, 1999
(Date)

ACCEPTED BY: Boston Edison Company

James D. Rappoli
(Signature of Officer)

JAMES D. RAPPOLI
(Type or Print Name)

VICE PRESIDENT AND TREASURER
(Title)

11/9/99
(Date)

Effective Date of this Endorsement: **July 13, 1999**
12:00 P.M. Standard Time

To form a part of Certificate No. **N -0031**

Issued to: **Entergy Nuclear Generation Company**

Date of Issue: **July 13, 1999**

For the subscribing companies

By George D. Irwin
PRESIDENT
MARSH USA INC.
BY:
Countersigned by Edward R. Ford

Endorsement No: **35**

NUCLEAR ENERGY LIABILITY INSURANCE

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ENDORSEMENT TO CERTIFICATE NO. N -0031
FORMING PART OF MASTER POLICY NO. 1
NUCLEAR ENERGY LIABILITY INSURANCE
(SECONDARY FINANCIAL PROTECTION)

It is agreed that:

1. On and after the Effective Date stated below, Item 1 of the Declarations which are part of Certificate No. N -0031 originally issued to and signed by Boston Edison Company with a <u>Certificate</u> Period beginning on August 1, 1977, is amended as follows:

   Item 1. Named insureds and addresses:

   Entergy Nuclear Generation Company
   1340 Echelon Parkway
   Jackson, Mississippi 39213

2. All liabilities and obligations of Boston Edison Company under Certificate No. N -0031 are hereby transferred to and assumed by Entergy Nuclear Generation Company.

3. This endorsement amends none of the other provisions of the "Certificate of Insurance, Declarations and Bond for Payment of Retrospective Premiums" of said Certificate No. N -0031.

THE ABOVE BOND FORMS A PART OF MASTER POLICY NO. 1. CANCELLATION OR TERMINATION OF MASTER POLICY NO. 1 OR CERTIFICATE NO. N -0031 SHALL NOT AFFECT THE OBLIGATIONS OF THE NAMED INSUREDS UNDER MASTER POLICY NO. 1 OR THE BONDS TO PAY THE RETROSPECTIVE PREMIUMS AND ALLOWANCES FOR PREMIUM TAXES AS PROVIDED IN CERTIFICATE NO. N -0031 AND CONDITION 2 OF MASTER POLICY NO. 1.

IN WITNESS WHEREOF, the undersigned named insured has caused this Bond for Payment of Retrospective Premiums, to be signed and sealed by a duly authorized officer, to be effective from and after the date stated below, eastern standard time.

Attest or Witness

Joseph L Blount

Named Insured:

Entergy Nuclear Generation Company
(Named Insured - Type or Print)

By Jerry W Yelverton (Seal)
(Signature of Officer)

Jerry W. Yelverton
President & CEO
(Type or Print Name & Title of Officer)

Date: December 6, 1999

Effective Date of this Endorsement: **July 13, 1999**
12:00 P.M. Standard Time

To form a part of Certificate No. **N -0031**

Issued to: **Entergy Nuclear Generation Company**

Date of Issue: **July 13, 1999**

For the subscribing companies
By [signature]
PRESIDENT
MARSH USA INC.

Endorsement No: **36**

Countersigned by BY: Edward R. Ford

NUCLEAR ENERGY LIABILITY INSURANCE
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ANNUAL PREMIUM ENDORSEMENT

CALENDAR YEAR 2000

1. **ANNUAL PREMIUM:** It is agreed that the Annual Premium due the companies for the period designated above is: **$7,500.00**

Effective Date of this Endorsement: **January 1, 2000** (12:01 A.M. Standard Time)

To form a part of Certificate No **N -0031**

Issued To: **Entergy Nuclear Generation Company**

Date of Issue: **November 30, 1999**

For the subscribing companies

By ______________________ President

Endorsement No: **37**

Countersigned by ______________________

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Entergy

ANNUAL REPORT 1999

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HIGHLIGHTS
Entergy Corporation and Subsidiaries

(Dollars in millions, except per share amounts)	1999	% Change	1998	% Change	1997
FINANCIAL RESULTS					
Total operating revenues	$8,773	(23.7%)	$11,495	20.5%	$9,539
Earnings applicable to common stock	$ 552	(25.3%)	$ 739	198.1%	$ 248
Earnings per share	$ 2.25	(25.0%)	$ 3.00	191.3%	$ 1.03
Average shares outstanding (in millions)	245.1	(0.5%)	246.4	2.6%	240.2
Net cash flow provided by operating activities	$1,307	(25.4%)	$ 1,753	(2.2%)	$1,793
Net debt	$5,875	8.8%	$ 5,401	(42.9%)	$9,461
DOMESTIC ELECTRIC UTILITY OPERATING DATA					
Retail kilowatt-hour sales (in millions)	100,519	0.3%	100,224	3.2%	97,113
Peak demand (in megawatts)	20,664	0.4%	20,591	5.4%	19,545
Retail customers – year-end (in thousands)	2,522	1.1%	2,495	1.6%	2,455
Total employees – year-end	12,214	(3.8%)	12,697	(25.8%)	17,108

Financial performance measures reflect the divestiture program that Entergy carried out in 1998 and early 1999 as part of its refocused strategy. Earnings per share of $3.00 in 1998 included a $1.00 per share gain on the sale of London Electricity. Divestitures of over $4 billion in assets are also reflected in decreased revenues and cash flows in 1999, compared with 1998 levels. And the divestiture program is the key factor in reduced debt at year-end 1998 and 1999, compared with debt levels in earlier years.

Entergy's focused strategy, which we adopted in 1998, means doing what we do best in a big way. Our strategy is based on scale and specialization in core competencies – power development and nuclear generation – and renewed attention to our core utility business. Entergy owns, manages, or invests in nearly 30,000 megawatts of electric generation domestically and internationally. Our utilities deliver [illegible] in Arkansas, Louisiana, Mississippi, and Texas. We're also a leading provider of wholesale energy marketing and trading services, [illegible]

• Entergy's 1999 earnings per share from operations were up 8.3 percent over the 1998 level, when adjusted for weather and other one-time items – achieving our target growth rate of 8 to 10 percent.

• Entergy completed the first U.S. purchase of a nuclear plant. Pilgrim Nuclear Station achieved record efficiency and added nearly 6 cents to 1999 earnings per share.

• Our power development business gained a critical advantage by securing a supply of state-of-the-art turbine generators.

• As Entergy continued to improve customer service, utility regulators received 33 percent fewer customer complaints in 1999.

• The enactment of transition plans in Texas and Arkansas helped resolve uncertainty in the utility's transition to competition and reduced our stranded investment exposure.

Entergy's refocused strategy, which we adopted in 1998, means doing what we do best in a big way. Our strategy is based on scale and specialization in core competencies – power development and nuclear generation – and renewed attention to our core utility business. Entergy owns, manages, or invests in nearly 30,000 megawatts of electric generation domestically and internationally. Our utilities deliver electricity to 2.5 million customers in Arkansas, Louisiana, Mississippi, and Texas. We're also a leading provider of wholesale energy marketing and trading services. Highlights of the past year include:

Dear Entergy Stakeholders:

In its first full year, Entergy's refocused strategy delivered measurable results. A year ago we talked about strategy – today we can talk about successes. A year ago we talked about change – today the story is consistent performance.

Today we are more financially sound, more focused in our strategy, and more disciplined in our decisions. We're delivering better service to our customers, and we're more committed to our communities and to our social and environmental responsibilities.

1999 performance. Entergy earned $2.25 per share in 1999, compared with $3.00 per share in 1998, which included a gain of $1.00 per share on the sale of London Electricity. Entergy's 1999 operational earnings increased more than 8 percent over those in 1998 when the impacts of weather and other one-time items are removed. Given that we have sold over $4 billion in assets, the fact that 1999 operational earnings were up strongly over 1998 is a positive reflection on both our strategy and our ability to execute.

From May 1998, when new management took the helm, through the end of 1999, Entergy's total shareholder return was 17 percent, outpacing the Standard & Poor's (S&P) Electric Companies Index, which returned a negative 6 percent. Nonetheless, with all the successes of 1999, shareholder return cannot be counted among them. Although our stock continued to perform well against our peers in 1999, Entergy's stock price mirrored a bad year for our entire industry. While the NASDAQ and S&P 500 reached record highs, the S&P Electric Companies Index declined 20 percent. In the first two months of 2000, both the S&P 500 and the S&P Electric Companies Index declined, while Entergy under-performed both measures.

While the decline in Entergy and other electric stocks can be blamed on a number of factors, such as rising interest rates, it largely reflects the many uncertainties facing our industry. Our assignments in 2000 are: to clear up as many of the uncertainties facing Entergy as possible, to articulate a clear vision for Entergy

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following the transition to competition, and to continue to execute and deliver on our commitments.

Focus and specialization. Over the past year, we've become more convinced of the need to focus on wholesale market opportunities. Our strategy is based on specialization in power development and nuclear operations, complemented by a strong utility business. This strategy aligns what we do well with real market opportunities in a defined geographic area: the eastern United States and Europe.

Entergy is the third-largest power producer in the country, with an outstanding record in both nuclear and fossil-fired operations. These are businesses where we can leverage skills that come with our scale.

We believe nuclear power is an important part of this country's future, but ultimately there will be room for only three or four operators. The business is too complex, the risks too high unless you have a very broad organization, and companies with only one or two plants will exit the market. Entergy will benefit not just from a diverse set of skills and an uncommonly deep organization, but also from a large number of assets to manage the operational and financial risk.

Entergy is also one of the largest operators of gas-fired generation in the United States, and we're the nation's biggest purchaser of natural gas. We have a unique opportunity to expand our position in gas-fired generation, because our home state of Louisiana has the biggest domestic natural gas reserves and an extensive pipeline system. To build on our scale advantage, we have secured from General Electric a substantial number of clean, efficient gas-fired turbines with a proven operating record. At the same time, we have moved aggressively to identify and lock down attractive sites for new plants, many in our home region in the Southeast.

Specializing in nuclear and gas-fired generation also builds on another Entergy strength – environmental leadership. While the United States struggles to address global climate change and regional air quality issues, Entergy's generating fleet has emission rates among the lowest in the nation. Nuclear generation produces no carbon dioxide or any other airborne pollutant. Natural gas is the least carbon-intensive fossil fuel, and gas-fired generation also produces significantly lower emissions of sulfur dioxide, nitrogen oxides, and other pollutants, compared with coal-fired generation.

Energy commodity trading is an essential part of our wholesale strategy. Our focus is not proprietary or speculative trading. We trade to manage the price risk associated with our asset-based strategy and to maximize the value of the assets. We continue to believe that both electric and gas trading capabilities are essential. Gas is the underlying commodity used to fuel generation of electricity, and large customers – such as industrial plants and municipal utilities – want access to both gas and electricity in order to manage their energy needs and minimize their risk exposure.

Execution and discipline. A sound strategy is only the beginning – continuous execution is critical. It's easy to stub your toe in this business. An extended outage at a nuclear plant, a power project behind schedule, or being on the wrong side of a trade in a volatile commodity market can not only impair earnings, but also destroy the market's confidence.

We have proven our operating expertise in electric generation and our ability to develop merchant plant projects in competitive markets. But we have not fully proven our ability to manage the price risk or the construction/start-up risk on the scale and scope that our plan contemplates – seven to ten projects under development at all times. In 2000, we will aggressively seek joint ventures or outsourcing arrangements to improve our ability to manage price risk and to manage the construction of the various power plants we have planned.

While we're confident of our strategy, we must be ready to make adjustments as the market changes. We're well aware that the economically irrational actions of competitors can dramatically change what once appeared to be a favorable market opportunity. We are mindful that U.S. power markets could shift quickly from

"We're focused on earning goodwill by improving service to our customers and by making long-term commitments to and investments in our communities."

Chief Executive Officer J. Wayne Leonard at Entergy's Low-Income Customer Assistance Summit in November 1999. The first-of-its-kind summit brought together representatives of low-income advocacy groups, utility regulatory agencies, nonprofit organizations, and Entergy management. The goal was to open a constructive dialogue on how best to meet the needs of Entergy's low-income and disadvantaged customers in Arkansas, Louisiana, Mississippi, and Texas.

tight to overbuilt markets. We must have the discipline to avoid getting caught up in a bigger-is-better game and suffering the "winner's curse" of overbidding for assets.

We must also have the discipline to stick to what we do well. We believe that trying to do everything in-house is a competitive disadvantage. Build-or-buy strategies can be extremely risky, expensive, and time-consuming. To the extent possible, we want to maintain low fixed costs and high operational flexibility. That means we will continuously seek partnerships and outsourcing arrangements to acquire scale or skill advantages without getting bigger, and without diluting our focus or our earnings.

For example, in 1999 we outsourced Information Technology to a world-class provider. We need to be premier in IT, but we don't need to own the technology. In fact, a rapidly changing technology that is not core to our business is a significant distraction.

In 1999, we exited a number of markets – even in our businesses selected for growth – because we could not overwhelm the limited opportunities available or manage the identified risks. In Australia, a relatively small market, we cancelled a high fixed-cost coal project with substantial environmental and market price risks, and we closed our office there.

Finally, discipline means maintaining our focus on satisfying the expectations of our shareholders while meeting our responsibilities to our customers, our lenders, our employees, our communities, and the environment.

Customer service and competition. We intend to remain in the utility business. The utility is not only a stable source of earnings and cash, it is also the point of contact with ultimate customers. Customers will soon have a choice of suppliers, and we have no intention of ceding this market to others. We are not trying to buy goodwill by aggressively advertising, as some of our competitors are doing. We're focused instead on earning goodwill by improving service to our customers and by making long-term commitments to and investments in our communities.

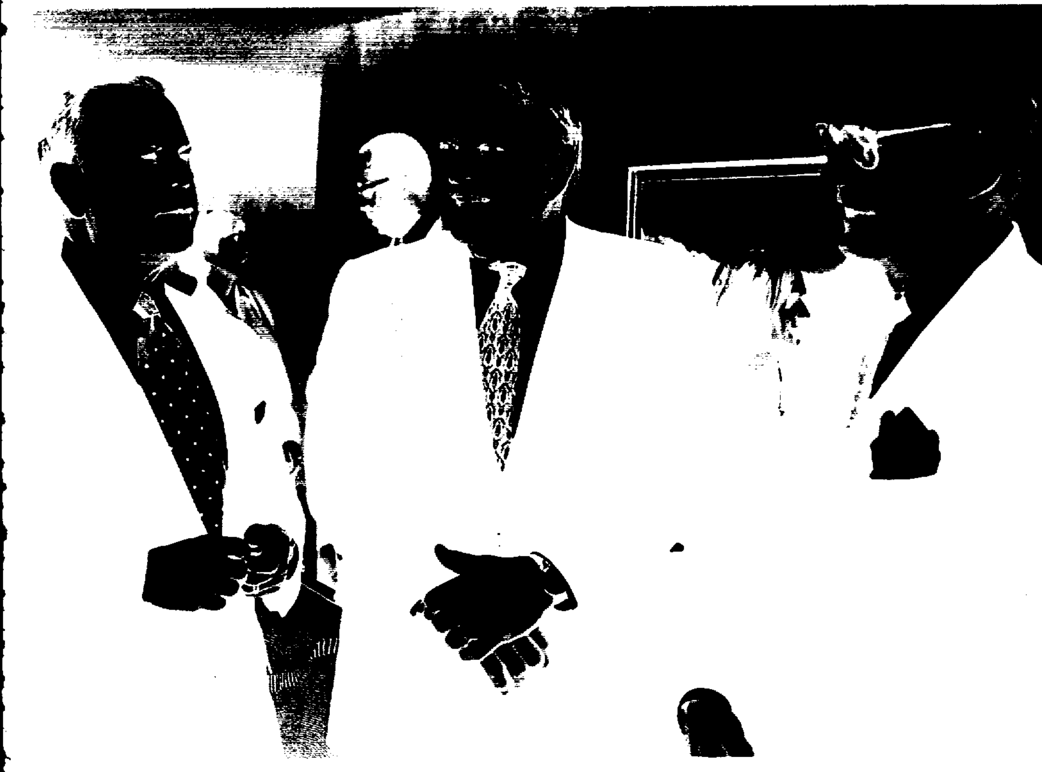
In 1999 we continued to improve performance in all aspects of customer service and reliability. Outages declined 26 percent, and customer complaints declined 33 percent. Our call centers reduced the average response time from about a minute to 15 seconds, and 95 percent of all callers surveyed said they had a favorable experience. While other utilities closed customer service offices, we opened new ones. While more and more utilities centralized operations, we put more and more of the decisions for meeting customer needs close to the people who actually come in contact with the customer.

We believe that the true measure of our performance is how we serve all our customers, including the many in our service area who live on low incomes. We sponsored a low-income summit in New Orleans where we invited low-income advocates and experts to assist us in our efforts.

At the same time, we're working to ensure that we have a fair chance to compete for customers in the future. The enactment of transition legislation in Texas and Arkansas – while a positive procedural step forward – is just the beginning. We are now in the midst of various regulatory filings and planning efforts to implement the transition in these two states. At the same time, we're involved in transition discussions in our other jurisdictions and are hopeful that these will yield positive results this year.

One factor that is critical to creating a competitive market and to realizing the benefits of deregulation is a transmission system that's responsive to market needs. It's increasingly obvious that the Independent System Operator model supported by some will produce a balkanized system lacking appropriate incentives for economic efficiency. Entergy has offered an innovative proposal – an independent transmission company, or Transco, that would operate our system. We were the first utility company to be given permission by the Federal Energy Regulatory Commission to go forward with this plan. We're actively finalizing details, such as pricing mechanisms, and seeking like-minded partners.

"Entergy is the third-largest power producer in the country, with an outstanding record in both nuclear and fossil-fired operations. These are businesses where we can leverage skills that come with our scale."



Chairman Robert v.d. Luft (center) speaks with two new members of Entergy's Board of Directors after the January 2000 Board meeting. Thomas "Mack" McLarty (left) and William Percy have joined the Board in the past year, along with Dennis Reilley, while three veterans – John Cooper, John Palmer, and Robert Pugh have retired. Since 1998, when the Board took decisive action to establish a new direction for Entergy, it has overseen the company's refocused strategy.

Our goals and commitments. As we look to the future, we measure our progress toward clear goals:

- Profitable growth in our wholesale businesses with development of 1,500 megawatts of new generation and acquisition of 1,000 megawatts of nuclear capacity a year.
- Demonstrated success in completing projects that meet our objectives, on time and within budget.
- Successful execution of a strategy to build capabilities that capitalize on our strong position in natural gas.
- Constructive management of the transition to competition in jurisdictions served by our utility companies, to preserve the value of our assets and our ability to compete.
- Continued improvement in the levels of service and reliability we provide our utility customers.
- Continuous improvement in all Entergy operations, and in particular our objective of creating the safest possible work environment, following a 41 percent decline in lost-time incidents in 1999.

Ultimately, we will be measured against our goal of 8 to 10 percent annual earnings growth. To maintain that rate of growth, we will need to manage risks that are new to us, such as changes in commodity prices, particularly prices of natural gas and electricity. We will also need to remain flexible to capture newly available opportunities. These might include acquiring more nuclear plants as they come on the market or selling interests in our current assets if favorable terms are offered.

As we pursue our goals, we are also committed to fulfilling the responsibilities of our corporate citizenship. Our commitment to our communities extends well beyond Entergy's outstanding environmental record, the financial support we provide to our communities, or the countless volunteer hours of our employees.

Entergy's utility service area includes some of the poorest regions of the country. In the Delta Region of Arkansas, Louisiana, and Mississippi, income per capita is half the national average. Here, generation after generation has been caught in an endless cycle of under-funded schools, poor health care, and low wages. Entergy is determined to make a difference in these communities.

A "New Markets Initiative" being considered by Congress is aimed at bringing $15 billion of investment to the Delta and other under-served markets. There is growing bipartisan support for the goals of the initiative. We urge all of you to support this and other efforts not only to create new economic opportunities, but also to provide equal opportunity for our children by improving our nation's health care and public education systems.

Our thanks. We're grateful to you, our stakeholders, for your continued support. We thank the entire Board of Directors for their conscientious effort to question, challenge, and improve our plans and performance, and for their support for our mission to be both financially successful and socially and environmentally responsible. We especially want to recognize three veterans who have retired from the Board – John Cooper, John Palmer, and Bob Pugh – for their counsel and support.

And finally, we thank the management team and the more than 12,000 Entergy employees who prove by their actions every day that "you can count on me." There are a lot of things we do well, but nothing we can't do better. We are all working together to be the best at what we do every day and to make a difference in the communities we serve. We will deliver on our commitments to all our stakeholders, regardless of the obstacles.

Sincerely,

Robert v.d. Luft
Chairman

J. Wayne Leonard
Chief Executive Officer

We're aligning power development and energy marketing in an integrated wholesale strategy. Over the past year, we've refined our power development growth strategy in two ways. Power projects are part of an integrated wholesale energy business that's capitalizing on our position in natural gas and expanding on essential capabilities in energy marketing. We believe success requires focus; therefore, we are concentrating power development activities on a few key geographic areas where we have established strengths.

CONTINUED ON PAGE 14

POWER DEVELOPMENT

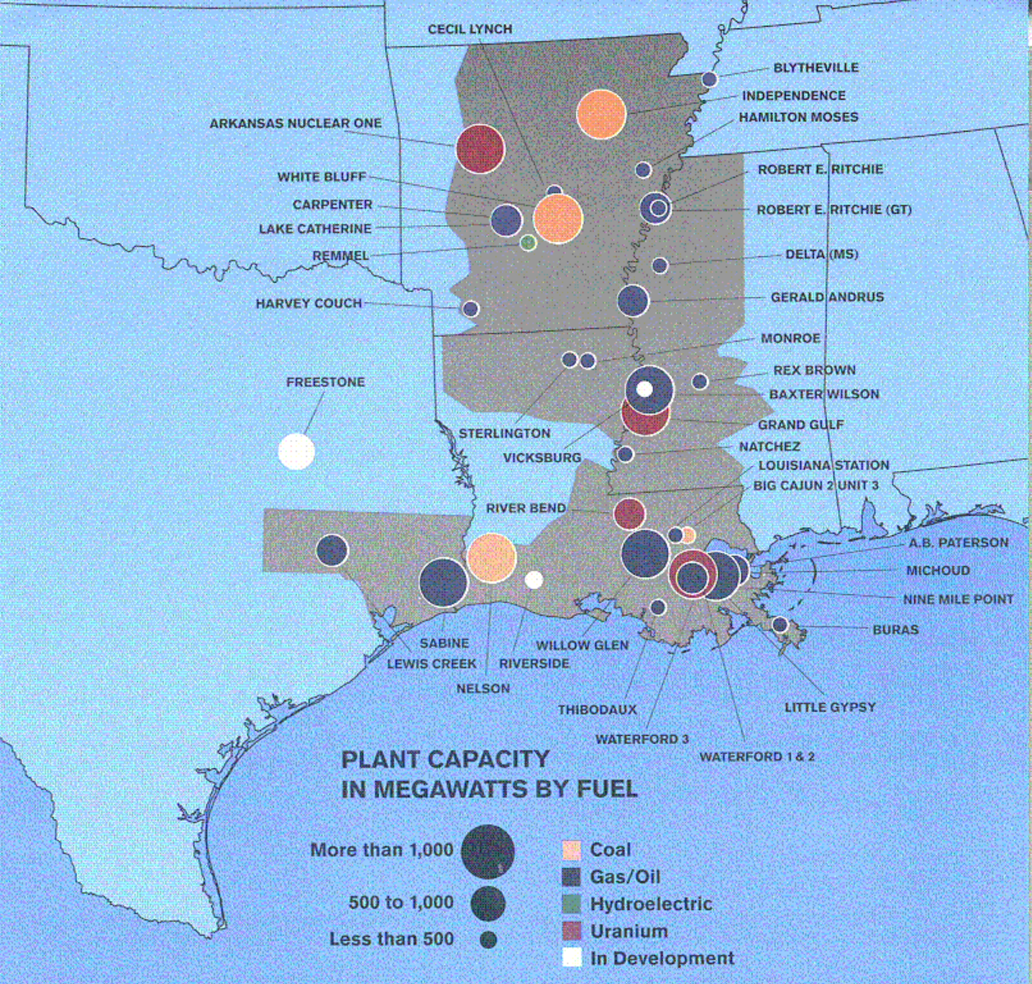
Dave Rutter is director of business development at Entergy Power Group. Dave leads the team that's planning, developing, financing, and constructing the 425-megawatt Riverside project – a joint venture with PPG Industries in Lake Charles, Louisiana.

To integrate our strategic efforts, we've combined Entergy Power Group and Entergy Power Marketing into Entergy Wholesale Operations (EWO). We brought in a new leadership team, closed offices, and combined operations in Houston. We refocused the strategy, exiting Australia and maintaining our position in Latin America, while concentrating efforts on the eastern United States and Europe. Within our areas of focus for power development, our goal is to add more than 1,500 megawatts per year to our portfolio, beginning in 2000. We've allocated $3.9 billion of capital investment to EWO over the next five years to fund projects and opportunities that meet or exceed our risk and return hurdles.

In the fall of 1999, we signed multi-year agreements with General Electric to provide a secure, flexible, economical supply of turbines. The agreements – for 32 gas turbines and four steam turbines – give us competitive advantages in a very tight turbine market. Entergy's scale in power operations enabled us to secure favorable terms and conditions for the agreement. Using consistent technology for our power development projects creates economies of scale and gives us the flexibility to shift resources among our plants. And the GE turbines offer unsurpassed efficiency and environmental benefits.

Commercial operation will begin this year at two state-of-the-art generating plants in the United Kingdom: Saltend and Damhead Creek. These high-efficiency, combined-cycle gas turbine facilities will quickly replace older, higher-cost generation in the market.

Saltend is a 1,200-megawatt plant – the largest merchant plant built in the United Kingdom to date. Due to construction delays – which should have no impact on the long-term value of the plant – we expect to phase in operations at Saltend and have the full plant on-line in mid-2000. The 800-megawatt Damhead Creek project is expected to reach commercial operation in the fourth quarter of 2000. CONTINUED ON PAGE 18

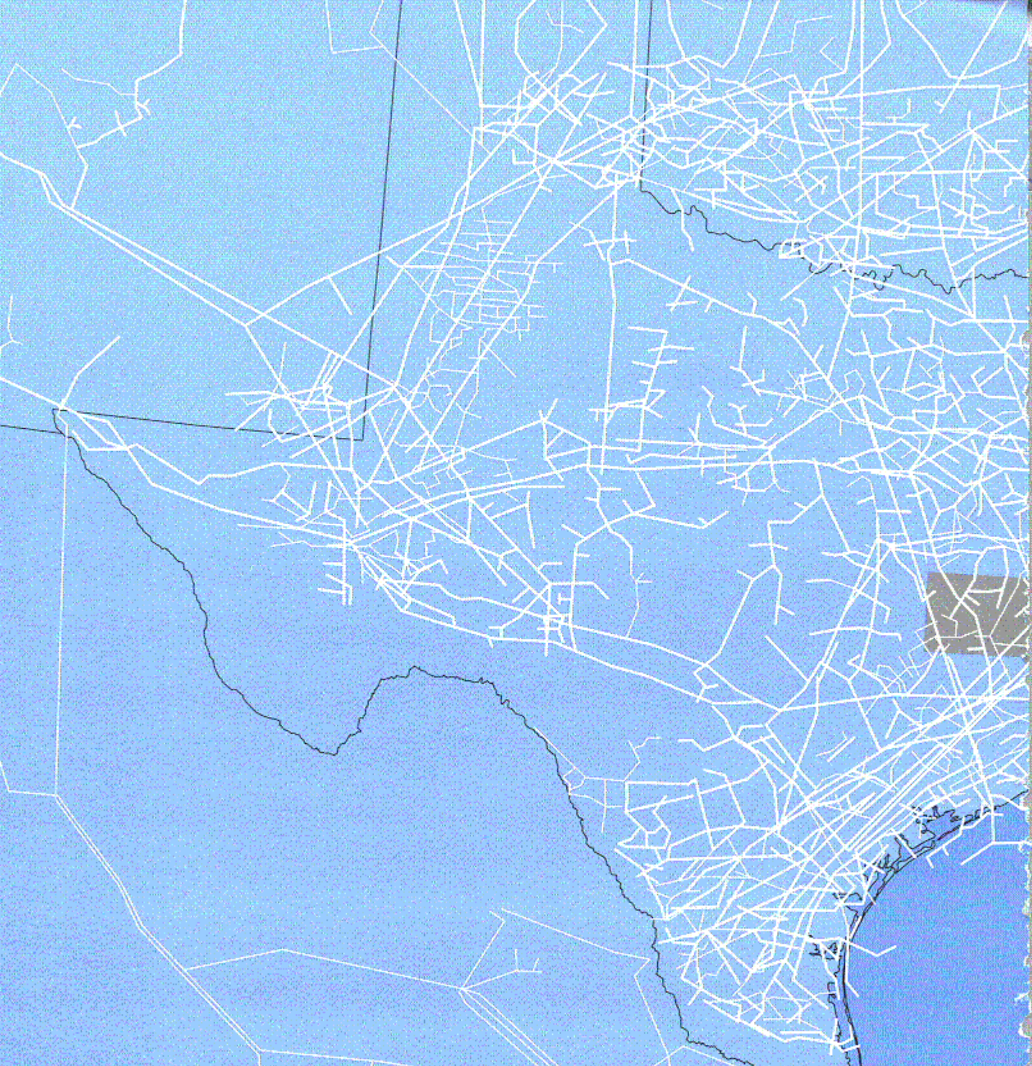


Building on Our Home Base

ENTERGY GENERATING PLANTS IN AND AROUND OUR UTILITY SERVICE AREA

C-1

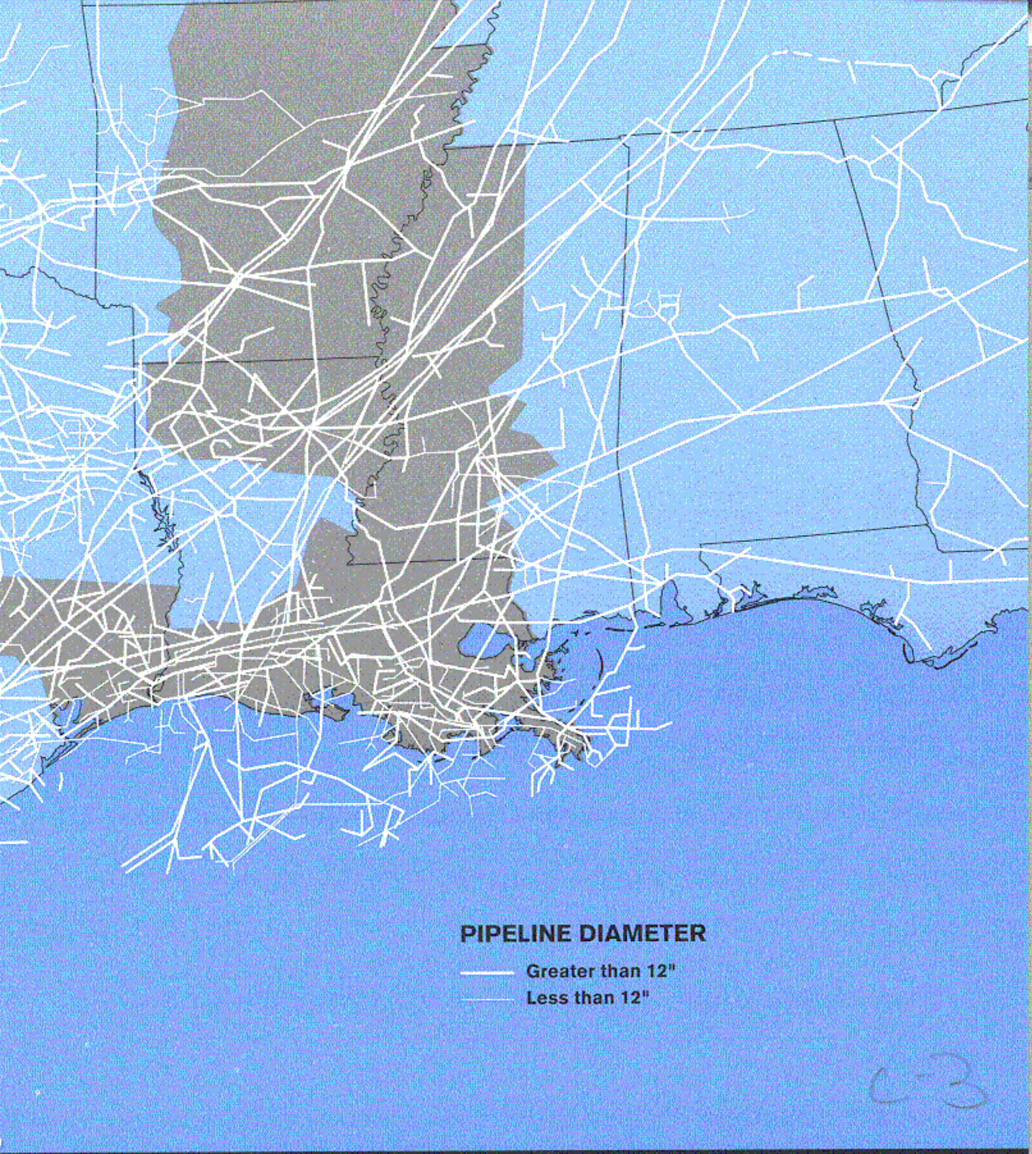
Entergy power development is building on a core strength and focusing on our home base. Entergy owns or leases over 22,000 megawatts of generating capacity in or around our four-state service area. In power development, our primary focus is on our home base. Entergy Wholesale Operations (EWO) expects projects in its home region over the next five years to use more than half of the 32 gas combustion turbines ordered from General Electric. EWO is currently seeking regulatory approvals for a 300-megawatt peaking plant in Vicksburg, Mississippi, planned for operation in 2001. EWO is beginning financing for two additional plants planned for operation in 2002: the 425-megawatt Riverside Plant in Louisiana, jointly owned with PPG Industries, and the 1,000-megawatt Freestone Plant in Texas. In addition, EWO is actively seeking permits for sites inside and outside our service territory for new power plant projects.



Tapping into a Natural Advantage

NATURAL GAS PIPELINES IN AND AROUND THE ENTERGY SERVICE AREA

Entergy's service territory is situated on the largest natural gas supply in the United States. Louisiana alone contains 20 percent of the nation's natural gas resources, with multiple pipelines and significant storage. Entergy maintains one of the largest gas generation fleets in the United States, with 16,000 megawatts of gas-fired generation. Entergy buys more natural gas than anybody else in the United States – more than 425 million mcfs a year. Our wholesale strategy is designed to leverage our strong position in natural gas. We seek to be in a position to seize the considerable arbitrage opportunities in the market – that is, take advantage of changes in the relative prices of gas and electricity. We're pursuing opportunities to create a joint venture that would bring together components of our wholesale business with gas pipeline and marketing operations.



C-3

We're pursuing opportunities to create a joint venture that would bring together components of our wholesale business with gas pipeline and marketing operations. We think Entergy is an attractive partner for a natural gas company, thanks to our 16,000 megawatts of gas-fired generation – the largest fleet in the United States.

We believe that a joint venture makes more sense than paying a premium to acquire natural gas assets or attempting to build capabilities by ourselves. Such a joint venture could catapult Entergy to the top tier of U.S. energy marketers and would immediately contribute to Entergy earnings.

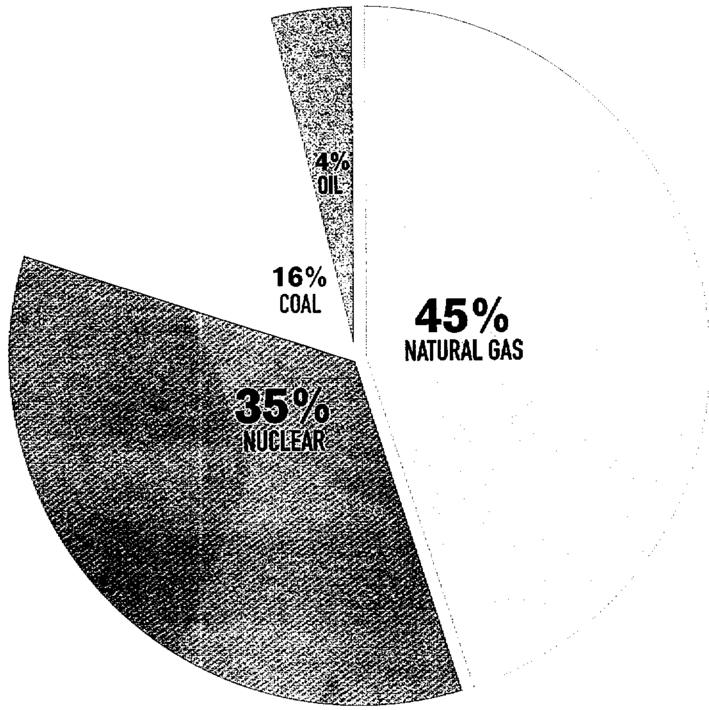
We're tightly focusing our power development activities, making investments in areas where we have developed thorough knowledge of the market and have a unique asset position.

In addition to the United States, another area of focus is Europe. Our objective is to be a major independent supplier to the emerging competitive wholesale electricity markets in targeted European markets. We intend to do this by building a complementary portfolio of generation assets, coupled with state-of-the-art power marketing and trading capabilities. We have a power development team in place with experience on projects in Europe, including two of only three true merchant plants in the United Kingdom, and a power marketing and trading team ranked among the top in the U.K. by an industry publication. In January 2000, EWO proposed development of an 800-megawatt natural gas-fired combined cycle merchant power plant in Spain. Financial close could be as early as 2001, with commercial operation projected to begin in 2004.

As we focused on expanding our presence in Europe and the United States in 1999, we exited from Australia. Our decision to withdraw from the Tarong coal project there is an example of the discipline we're applying to power development. While the project was attractive, there were significant risks we couldn't quantify or control, which created uncertainty about achieving our financial objectives.

Clean, Competitive Electric Generation

SOURCES AND RELATIVE EMISSIONS OF ENTERGY'S DOMESTIC GENERATION



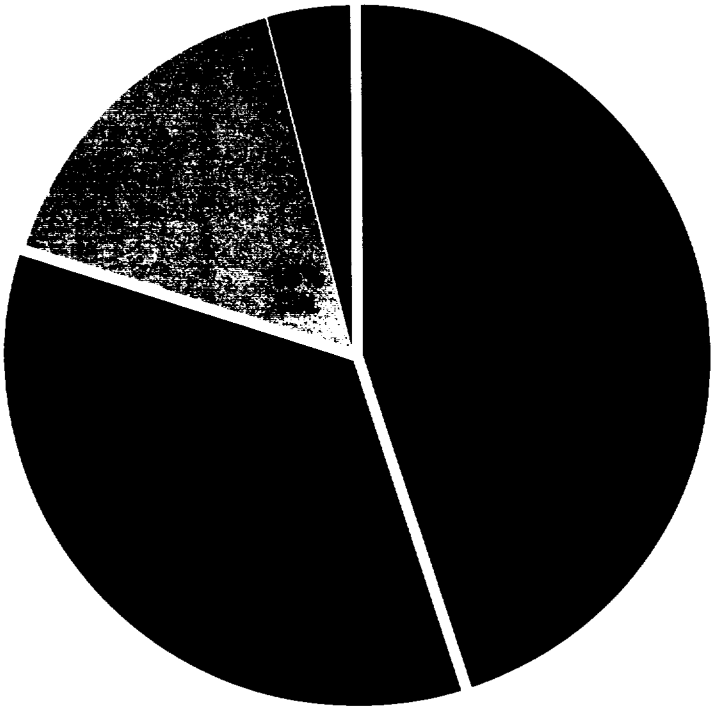
	100 LARGEST UTILITIES		ENTERGY
	High	Average	
Sulfur Dioxide	30.0	7.6	2.6
Nitrogen Oxide	10.0	3.7	2.4
Carbon Dioxide	2,534	1,509	1,228

EMISSIONS IN POUNDS PER MEGAWATT-HOUR OF ELECTRICITY PRODUCED
Source: Natural Resources Defense Council, based on 1996 statistics; Entergy statistics for 1998

Entergy's generating plants have an environmental edge. Clean natural gas and nuclear generation provide 80 percent of Entergy's total production. While [illegible] environmental restrictions related to ozone and global climate change have created uncertainty for many utilities, Entergy is in a favorable position to meet them [illegible]. Per unit of energy, combustion of natural gas emits 42 percent less carbon dioxide than coal, while nuclear generation produces no CO_2. Entergy's sulfur dioxide emission rate is about two-thirds lower than the average for the 100 largest U.S. utilities, and our nitrogen oxide emission rate about one-third lower. Emerging environmental trends do not only align well with our current generation portfolio but also support our growth strategies [illegible].

Clean, Competitive Electric Generation

SOURCES AND RELATIVE EMISSIONS OF ENTERGY'S DOMESTIC GENERATION



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NUCLEAR GENERATION

Marla Hill is an electrician at Arkansas Nuclear One and coordinator of ANO's Industrial Safety Team. ANO was the first, and is still the only nuclear site in the nation, to win VPP STAR status from the U.S. Occupational Safety and Health Administration.

DER

We're building the premier national nuclear company on our proven expertise. In a year when Entergy completed the nation's first nuclear plant purchase, we continued to build the leading national nuclear company with bidding, negotiations, and agreements in process on several additional plants.

We identified nuclear generation as a core strength when we developed our refocused strategy in 1998. We recognized that Entergy is among a select group of premier operators that can benefit from consolidation in the nuclear industry. As a national nuclear operator, we can capture economies of scale and reduce risk.

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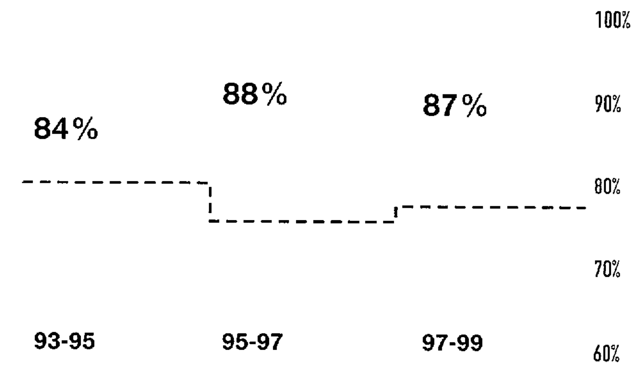
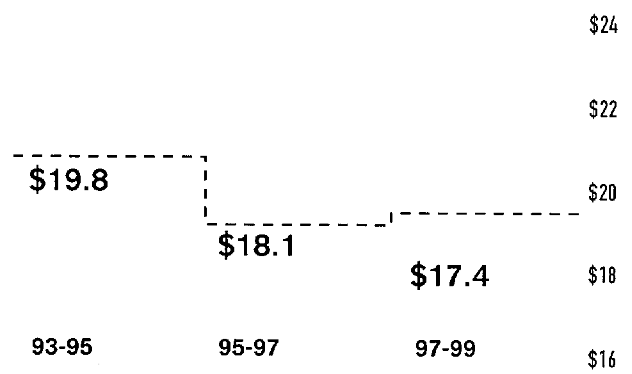
A Premier Nuclear Operator

ENTERGY'S NUCLEAR CAPACITY FACTOR – REGULATED PLANTS



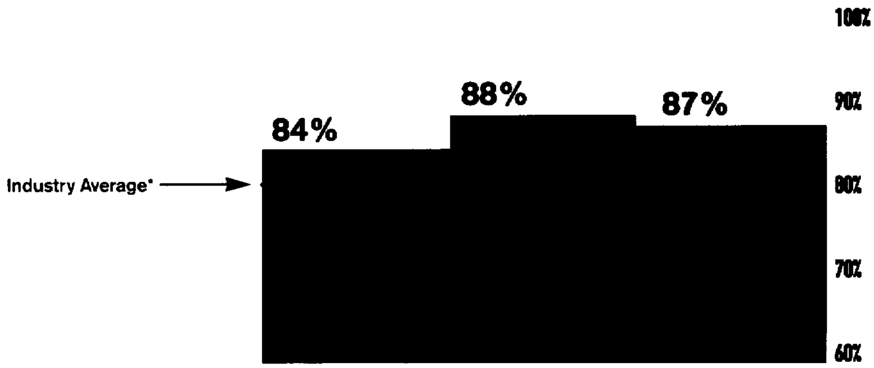
ENTERGY'S NUCLEAR PRODUCTION COSTS – REGULATED PLANTS



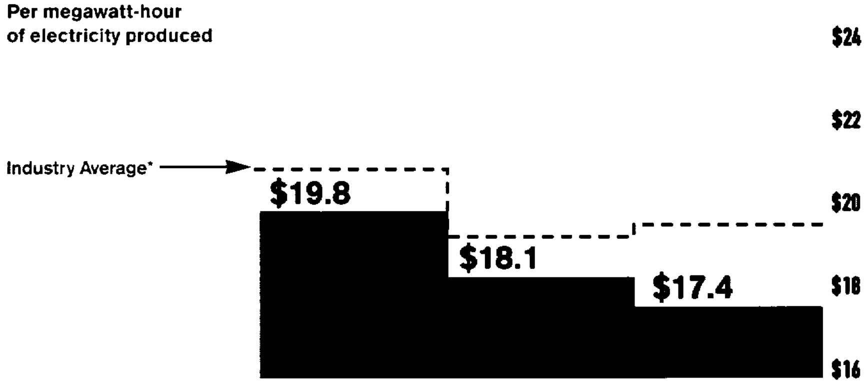
Entergy's regulated nuclear plants rank among the nation's best in reliability, safety, and cost efficiency.

A Premier Nuclear Operator

ENTERGY'S NUCLEAR CAPACITY FACTOR – REGULATED PLANTS



ENTERGY'S NUCLEAR PRODUCTION COSTS – REGULATED PLANTS
Per megawatt-hour
of electricity produced



*Industry information not available for 1999; in charts above, industry average for 1996–1998 is used for comparison with Entergy figures for 1997–1999.

Entergy's regulated nuclear plants rank among the nation's best in reliability, safety, and cost efficiency. In the past three years, Entergy's nuclear plants operated at an 87 percent combined capacity factor – a comparison of the plants' actual power output with their maximum capacity. A select group of premier nuclear operators will have the opportunity to create value by improving performance at nuclear plants. We will apply our expertise in plant operations, and add economies of scale as our fleet grows. By expanding our nuclear portfolio, we can seize a unique opportunity to add nuclear wholesale generation in a market where few companies have competitive expertise.

Entergy Nuclear, Inc. (ENI) can capture upside opportunities by applying our expertise to operate plants more efficiently, by making improvements that increase generating capacity, and by extending plants' useful lives. ENI can realize further upside opportunities through synergies with the Entergy Wholesale Operations strategy, such as construction of gas-fired generation on nuclear plant sites and power marketing.

We believe that the competition for nuclear plants is limited to a few operators with records of running plants safely and at high capacity factors. We believe that a typical large plant can contribute to earnings per share within the first year following acquisition. While we seek to manage our financial risk with power purchase agreements – as we have done in our purchase of Pilgrim Nuclear Station – we want to invest in plants that will be competitive after any such agreements expire.

We have evaluated all the nuclear plants in the United States and have a thorough understanding of each unit's strengths and weaknesses. As the transition to competition continues across the United States, we believe companies with one or two plants will divest their nuclear assets. We've begun to see that happening, and we expect a great deal of activity in the next 18 months.

Pilgrim Nuclear Station joined our fleet in July, when Entergy and Boston Edison closed the nation's first nuclear plant sale, less than eight months after the companies agreed to transfer ownership. Operations at the 670-megawatt plant have exceeded our expectations. Pilgrim was the primary driver in 1999 earnings per share of 6 cents from our nuclear growth business.

Since we acquired Pilgrim, it has operated at a 92 percent capacity factor – a comparison of a plant's actual power output with its maximum capacity – through the end of 1999. In fact, December 1999 was the best month of operations in Pilgrim's history, as the plant operated at 99.9 percent of capacity.

Our capital investment plan includes $1.7 billion to purchase and operate additional nuclear plants over the next five years. We expect to acquire five to eight plants, mostly in the Northeast and Midwest, more than doubling our nuclear capacity to more than 10,000 megawatts.

We're making progress in the Northeast – one of our key regions of interest for nuclear expansion. In February 2000, ENI reached agreement with the New York Power Authority to buy NYPA's FitzPatrick and Indian Point 3 nuclear power plants, which have a combined capacity of 1,800 megawatts. On February 24, 2000, another party presented an unsolicited bid. Subsequently, Entergy and the other party revised their offers. The NYPA Board of Trustees is considering both revised offers. Acquiring Indian Point 3 would favorably position Entergy to pursue acquisition of the 1,000-megawatt Indian Point 2 plant. Consolidated Edison recently announced its intention to sell that unit.

In December, ENI contracted with Rochester Gas and Electric Corporation to lease and operate the two Nine Mile Point nuclear plants, with a total of 1,754 megawatts of generating capacity. RG&E exercised its right of first refusal to acquire a controlling interest in Nine Mile Point 2 and to buy Nine Mile Point 1 from Niagara Mohawk. ENI intervened as a party to a proceeding filed with the New York Public Service Commission regarding the sale of ownership interests to a third party. In the proceeding, the staff of the New York Public Service Commission stated that it will explore various alternatives for the future ownership and operation of the Nine Mile plants.

Another aspect of our nuclear strategy is applying our expertise to manage decommissioning for nuclear plants that are ceasing operations, as an additional source of earnings and knowledge. We've been managing nuclear plant decommissioning activities at the Maine Yankee plant since 1998. And in June, we landed our second decommissioning contract at Northeast Utilities' Millstone Unit 1 in Connecticut, where we are pursuing ownership of Units 2 and 3.

Growth Opportunities in Nuclear Operations

U.S. NUCLEAR GENERATING PLANTS

C-4

Entergy is building a national nuclear strategy. In a competitive U.S. market, only a few companies will have the skilled personnel and scale of operations necessary to successfully operate nuclear power plants. Opportunities abound with 38 utilities operating 64 sites, mostly in the eastern United States. Entergy's nuclear growth strategy is focused on the Northeast and Midwest. We own and operate six nuclear units, and we have contracts to manage decommissioning at two other units. We have reached agreements to purchase two additional units and to operate two others, and we are among the bidders for another.

Steve Young is a journeyman lineman in the Clinton Network in Mississippi. Steve has been with Entergy for 15 years. He represents the customer focus and solid work ethic behind Entergy's improved customer service and reliability.

UTILITY OPERATIONS

RVI

We're focusing on service and reliability in our core utility business. Entergy's utility operations remain the backbone of our company. The utility represents nearly 85 percent of our assets, contributes over 90 percent of our earnings, and is an important source of cash as we build our growth businesses. It's also important as a point of contact with all types of customers –

we know that success in our wholesale energy businesses requires knowing what customers want.

While our utility business will shrink as the generation component is deregulated, we believe that the distribution business remains a source of value and potential growth. We're experiencing 4 percent annual growth in the commercial and residential segments of our utility business. The strong relationships we continue to build with our retail customers today will be of critical importance tomorrow when customers will be able to choose their retail energy provider.

Our success depends on strong customer relationships, based on reliability, excellent service, competitive prices, and trust. We've allocated $4.2 billion of capital investment over the next five years to our utility business. We have worked with regulators to identify needs and to plan investments in our system to improve reliability and customer service.

Service interruption frequency is down 26 percent from 1998, and complaints to regulators have followed that downward trend. We're also bringing service decision-making closer to the customer – bucking the trend among utilities across the country. While other utilities are closing customer service offices, we've opened them.

Our demonstrated commitment to customer service is reflected in improved relationships with regulators and other public officials. These relationships are critical to the progress we've made in reducing regulatory and legislative uncertainty in the states where Entergy has utility operations and in our successful transition to competition.

We're focusing on competition, and we've formed a new Transition to Competition Team to lead this effort. In 1999, constructive transition legislation was enacted in Texas and Arkansas, reducing Entergy's potential stranded investment exposure and helping to set a positive precedent for other states. In early 2000, we made the initial filings required by the transition legislation in Arkansas and Texas. We're creating a new competitive retail energy

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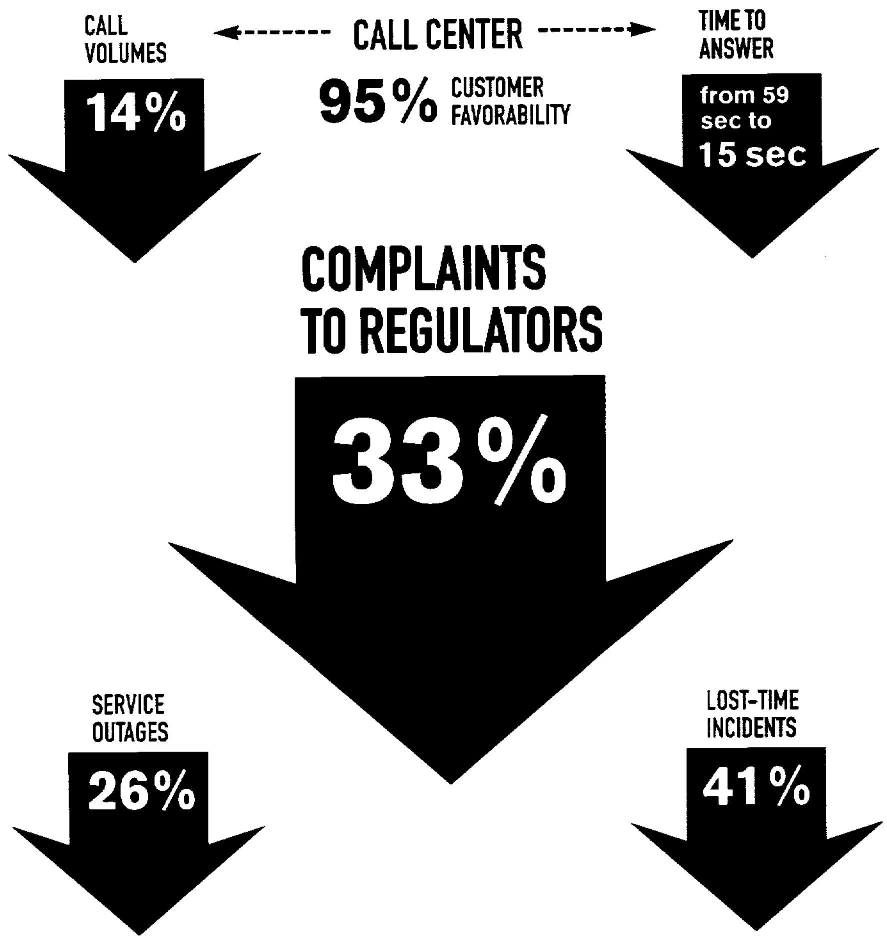
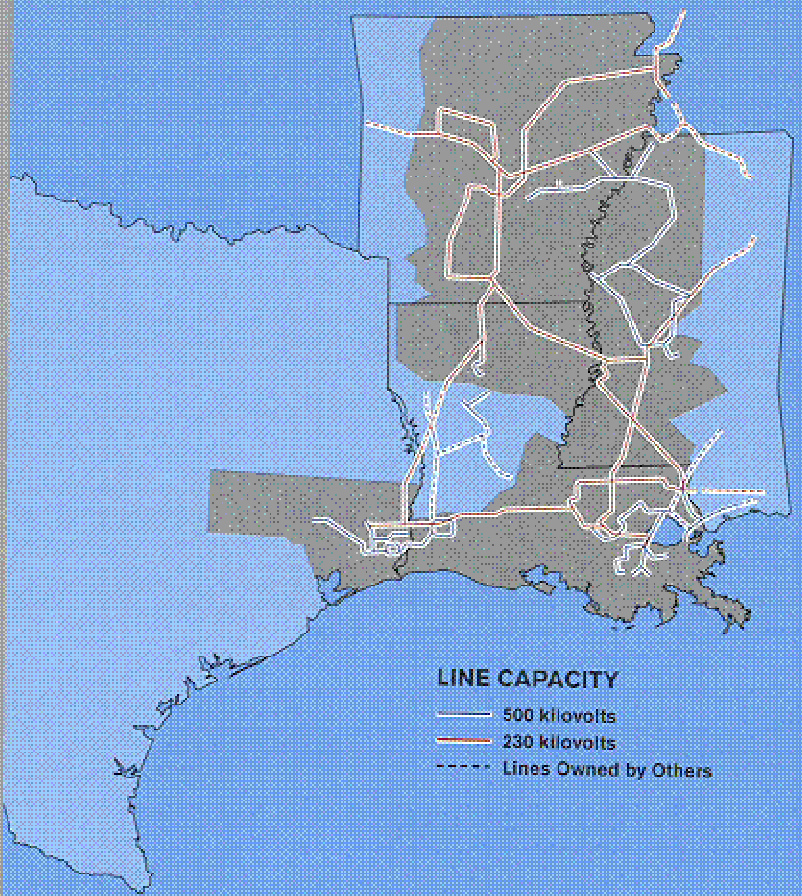
All Signs Point to Improved Service

IMPROVEMENTS IN CUSTOMER SERVICE, 1999 VS. 1998



Entergy is improving service and reliability for utility customers, and they're responding with higher favorability ratings and fewer complaints. The success of Entergy's utility business depends on customer service, reliability, competitive price, and trust. Our ability to work with regulators, in turn, depends on a demonstrated commitment to customer service. Beginning in 1998, we refocused on our core utility business – and our customers. Since that time, we've made substantial investments in improved reliability and customer service, we've improved employee safety, and we've hired more than 500 employees in customer service areas.



Enhancing the Value of Transmission

ENTERGY'S ELECTRIC TRANSMISSION SYSTEM AND UTILITY SERVICE AREA

C-5

Entergy's innovative Transco proposal provides transmission for a competitive generation market. Entergy's transmission system comprises 15,500 miles of interconnected lines, with a book value of $1.6 billion. To support the transition to competitive markets for electric generation, Entergy has proposed an independent transmission company – or Transco – that would operate our system. Transmission assets would be operated by the Transco, in exchange for a passive ownership stake, so we could maintain a stream of earnings from our system and plan any eventual divestiture to realize its full value. At the same time, the Transco structure would help provide an efficient market for generation. The Transco would have a profit incentive to maintain high reliability standards, and it could fund construction of its own facilities to alleviate congestion.

service provider in preparation for retail open access in those states by January 2002.

In Louisiana, we hope to bring an agreement on transition issues to state regulators later this year. Restructuring discussions are also ongoing in Mississippi, although no legislation is expected in the near term.

Electric transmission is a key issue in the transition to competition. Federal and state regulators are focusing on the ownership and operation of utilities' transmission systems, seeking to ensure that all competitive generating companies have access to an efficient market for their power. We need to resolve the transmission issue by January 1, 2002. Our goal is to create a solution that allows us to realize the full value of our investment in transmission, and to create a structure that provides reliable transmission for all users.

Entergy has proposed an independent, incentive-driven transmission company – or Transco – that would control and operate Entergy's transmission system and those of other companies. The Transco would be a limited liability company, governed by an independent board with no ties to Entergy or to any power market participant. Transco employees would be subject to a code of conduct approved by the Federal Energy Regulatory Commission (FERC).

In response to our request for guidance, FERC ruled in July 1999 that a Transco like ours can be acceptable under requirements for ISOs. Our Transco is also consistent with FERC's rule, issued at year-end, requiring utilities to join regional transmission organizations. Based on this positive guidance, we're proceeding to develop our proposal – focusing on issues of structure and transmission pricing – and seeking participation of additional transmission owners. We expect to complete federal and state regulatory approval processes and have the Transco operational no later than January 1, 2002.

Building on success to create value. In 2000 and beyond, Entergy's refocused strategy will build on our initial success of the past year and will continue to create value for shareholders.

We begin 2000 with a strong cash position made possible by the successful divestiture of $4.6 billion in non-core assets in 1998 and early 1999. With expected strong cash flow over the 2000–2004 period, Entergy will be able to maintain a strong cash position and sound financial integrity, even after funding execution of our strategy.

Initially, our wholesale and nuclear businesses will consume cash to fuel growth, but over the five-year period these businesses are expected to yield over $1.1 billion of operating cash flow. And during the same period, the utility should yield about $6.3 billion of cash from operations.

In July 1999, the Board of Directors authorized the purchase of up to $750 million of Entergy common stock. We expect to take 18 to 24 months from date of authorization to complete the program. The stock buyback reflects confidence in our strategy and in our ability to execute it – making Entergy stock a sound investment.

We're moving forward with a sense of urgency, driven by the challenges of competition that are now upon us. Our goals for the next five years include:

- Developing scale and skills in our competitive businesses – with the development of 1,500 megawatts of new generation and the acquisition of 1,000 megawatts of nuclear capacity a year – and maintaining high levels of performance to achieve strong earnings growth.
- Managing the transition to competition in our utility business to enhance the value of our assets and our ability to compete in the new environment, with a strategy based on outstanding customer service.
- Delivering premier returns to shareholders, with annual earnings growth of 8 to 10 percent and strong cash flow over the next five years.

FINANCIAL REVIEW
Entergy Corporation and Subsidiaries

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA

Entergy Corporation and Subsidiaries

In thousands, except percentages and per share amounts	1999	1998(a)	1997(b)	1996(c)	1995
SELECTED FINANCIAL DATA AS REPORTED:					
Operating revenues	$ 8,773,228	$11,494,772	$ 9,538,926	$ 7,163,526	$ 6,273,072
Consolidated net income	$ 595,026	$ 785,629	$ 300,899	$ 490,563	$ 562,534*
Earnings per share	$ 2.25	$ 3.00	$ 1.03	$ 1.83	$ 2.13*
Dividends declared per share	$ 1.20	$ 1.50	$ 1.80	$ 1.80	$ 1.80
Book value per share, year-end	$ 29.78	$ 28.82	$ 27.23	$ 28.51	$ 28.41
Common shares outstanding:					
At year-end	239,037	246,620	245,842	232,960	227,766
Weighted average	245,127	246,396	240,208	229,084	227,670
Total assets	$22,985,087	$22,836,694	$27,000,700	$22,956,025	$22,265,930
Long-term obligations(d)	$ 7,252,697	$ 7,349,349	$10,154,330	$ 8,335,150	$ 7,484,248
Preferred and preference stock	$ 558,105	$ 655,978	$ 673,460	$ 797,941	$ 954,415
Long-term debt (excluding currently maturing debt)	$ 6,612,583	$ 6,596,617	$ 9,068,325	$ 7,590,804	$ 6,777,124
Return on average common equity	7.77%	10.71%	3.71%	6.41%	8.11%
Cash from operations	$ 1,307,369	$ 1,752,698	$ 1,792,771	$ 1,580,253	$ 1,541,438
DOMESTIC UTILITY ELECTRIC REVENUES:					
Residential	$ 2,231,091	$ 2,299,317	$ 2,271,363	$ 2,277,647	$ 2,177,348
Commercial	1,502,267	1,513,050	1,581,878	1,573,251	1,491,818
Industrial	1,878,363	1,829,085	2,018,625	1,987,640	1,810,045
Governmental	163,403	172,368	171,773	169,287	154,032
Total retail	5,775,124	5,813,820	6,043,639	6,007,825	5,633,243
Sales for resale	397,844	448,842	359,881	376,011	334,874
Other	98,446	(126,340)	135,311	67,104	119,901
Total	$ 6,271,414	$ 6,136,322	$ 6,538,831	$ 6,450,940	$ 6,088,018
DOMESTIC UTILITY ELECTRIC SALES: (Millions of KWH)					
Residential	30,631	30,935	28,286	28,303	27,704
Commercial	23,775	23,177	21,671	21,234	20,719
Industrial	43,549	43,453	44,649	44,340	42,260
Governmental	2,564	2,659	2,507	2,449	2,311
Total retail	100,519	100,224	97,113	96,326	92,994
Sales for resale	9,714	11,187	9,707	10,583	10,471
Total	110,233	111,411	106,820	106,909	103,465

* Represents income before cumulative effect of accounting changes.

(a) Includes the effects of the sale of London Electricity and CitiPower in December 1998.

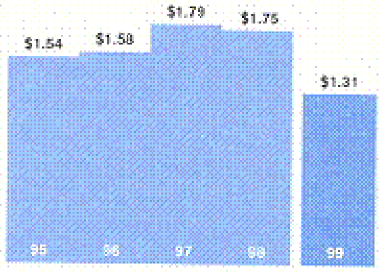
(b) Includes the effects of the London Electricity acquisition in February 1997.

(c) Includes the effects of the CitiPower acquisition in January 1996.

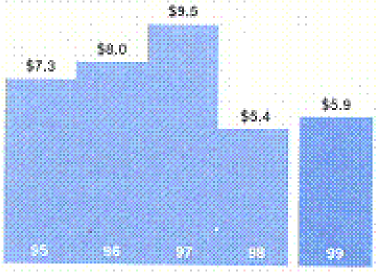
(d) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, preference stock, preferred securities of subsidiary trusts and partnership, and noncurrent capital lease obligations.

EARNINGS PER SHARE
In Dollars

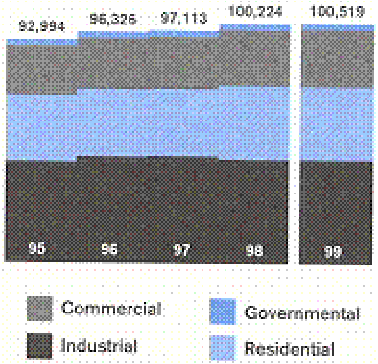
CASH FROM OPERATIONS
In Billions of Dollars



NET DEBT
In Billions of Dollars



DOMESTIC UTILITY RETAIL
ELECTRIC SALES In Millions of KWH



FORWARD-LOOKING INFORMATION

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 or its affiliated companies may be influenced by factors that could cause actual outcomes to be materially different than anticipated. Such factors include, but are not limited to, the effects of weather, the performance of generating units, the risk of owning and operating nuclear plants, fuel prices and availability, regulatory decisions and the effects of changes in law, litigation results, capital spending requirements, the evolution of competition, changes in technology, changes in accounting standards, changes in capital structure and ownership of assets, risks associated with the electricity and other energy commodity markets, interest rate changes and changes in financial markets generally, changes in foreign currency exchange rates, and other factors.

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GLOSSARY

BOSTON EDISON

Boston Edison Company. In July 1999, Entergy's non-utility nuclear power business purchased the Pilgrim Nuclear Station from Boston Edison.

CITIPOWER

CitiPower Pty., an electric distribution company serving Melbourne, Australia and surrounding suburbs, which was acquired by Entergy effective January 5, 1996 and was sold by Entergy effective December 31, 1998.

DOMESTIC UTILITY COMPANIES

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, collectively.

ENTERGY

Entergy Corporation and its various direct and indirect subsidiaries.

ENTERGY CORPORATION

Entergy Corporation, a Delaware corporation.

ENTERGY GULF STATES

Entergy Gulf States, Inc., including its wholly owned subsidiaries – Varibus Corporation, GSG&T, Inc., Prudential Oil & Gas, Inc., and Southern Gulf Railway Company.

ENTERGY LONDON

Entergy London Investments plc, formerly Entergy Power UK plc (including its wholly owned subsidiary, London Electricity plc), which was sold by Entergy effective December 4, 1998.

LONDON ELECTRICITY

London Electricity plc – a regional electric company serving London, England, which was acquired by Entergy London effective February 1, 1997 and was sold by Entergy effective December 4, 1998.

MERGER

The combination transaction, consummated on December 31, 1993, by which Entergy Gulf States became a subsidiary of Entergy Corporation.

PILGRIM

Pilgrim Nuclear Station, 670 MW facility located in Plymouth, Massachusetts purchased in July 1999 by Entergy's non-utility nuclear power business.

SYSTEM ENERGY

System Energy Resources, Inc.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Operations

Net cash flow from operations totaled $1.3 billion, $1.8 billion, and $1.8 billion for the years ended December 31, 1999, 1998, and 1997, respectively.

Entergy's consolidated cash flow from operations decreased as compared to 1998 primarily due to less cash provided by competitive businesses. The decrease was also due to the completion of rate phase-in plans for some of the domestic utility companies during 1998.

In 1999, competitive businesses used $9.3 million of operating cash flow from operations compared with $151.7 million they contributed in 1998. This change was primarily due to the sales of London Electricity and CitiPower in December 1998. Both businesses contributed operating cash flow in 1998 but did not contribute at all in 1999. Offsetting the decrease in operating cash flow in 1999 are the sales of Efficient Solutions, Inc. in September 1998 and Entergy Security, Inc. in January 1999. These businesses used operating cash flow in 1998 and used none in 1999. Also, the power marketing and trading business used less operating cash flow in 1999 than in 1998.

In prior years, rate phase-in plans for some of the domestic utility companies contributed to cash flow from operations. But Entergy Gulf States' Louisiana retail phase-in plan for River Bend was completed in February 1998, Entergy Mississippi's phase-in plan for Grand Gulf 1 was completed in September 1998, and Entergy Arkansas' phase-in plan for Grand Gulf 1 was completed in November 1998. Therefore, these phase-in plans did not contribute to operating cash flow in 1999. Entergy New Orleans' phase-in plan for Grand Gulf 1 will be completed in 2001.

Investing Activities

Net cash provided by investing activities decreased in 1999 due to the sales in 1998 of London Electricity and CitiPower, and higher construction expenditures in 1999. The increased construction expenditures were primarily due to construction of the Saltend and Damhead Creek power plants by Entergy's global power development business, spending on customer service and reliability improvements by the domestic utility companies, and the return to service of generation plants at Entergy Arkansas, Entergy Louisiana, and Entergy New Orleans.

The following items partially offset the overall decrease:

• $947.4 million of the proceeds from the sale of London Electricity in 1998 was used to purchase notes receivable which matured in August 1999. Upon maturity, $321.4 million of the proceeds was reinvested in other temporary investments consisting of U.S. dollar-denominated commercial paper and bank deposits; and

• the sales of Entergy Security, Inc. in January 1999 and Entergy Power Edesur Holding, LTD and several telecommunications businesses in June 1999.

Financing Activities

Net cash used in financing activities decreased in 1999 primarily due to:

• the retirement in 1998 of debt associated with the acquisition of London Electricity and CitiPower;

• a reduction in dividend payments made by Entergy Corporation in 1999 compared to 1998.

Partially offsetting the overall decrease were the following uses:

• the 1999 repayment of bank borrowings by Entergy Corporation and Entergy Technology Holding Company (ETHC) with a portion of the proceeds from the sale of Entergy Security, Inc.;

• the redemption of preferred stock in 1999 at Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana; and

• the repurchase of Entergy Corporation common stock.

CAPITAL RESOURCES AND OUTLAYS

Entergy requires capital resources for:

• construction/capital expenditures;
• debt and preferred stock maturities;
• capital investments;
• funding of subsidiaries; and
• dividend and interest payments.

For the years 2000 through 2004, Entergy plans to spend $9.8 billion in a capital investment plan focused on improving service at the domestic utility companies and growing its global power development and nuclear operations businesses. The estimated allocation in the plan is $4.2 billion to the domestic utility companies, $3.9 billion to the global power development business, and $1.7 billion to the nuclear operations business. Management provides more information on construction expenditures and long-term debt and preferred stock maturities in Notes 5, 6, 7, and 9 to the financial statements.

Entergy's sources to meet the above requirements include:

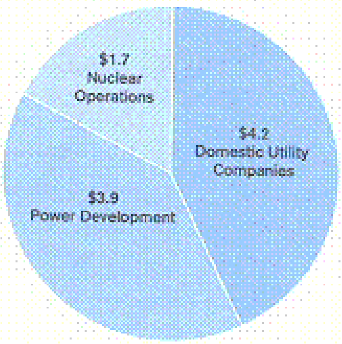
• internally generated funds;
• cash on hand;
• debt or preferred stock issuances;
• bank financing under new or existing facilities;
• short-term borrowings; and
• sales of assets.

The capital investment plan discussed above is subject to modification based on the ongoing effects of transition to competition planning and the ability to recover the regulated utility costs in rates. Additionally, the plan is contingent upon Entergy's ability to access the capital necessary to finance the planned expenditures, and significant borrowings may be necessary for Entergy to implement these capital spending plans.

The domestic utility companies have plans to issue debt in 2000, the proceeds of which will be used for general corporate purposes, including capital expenditures, the retirement of short-term indebtedness, and, in the case of Entergy Gulf States, the mandatory redemption of preference stock. On February 15, 2000, Entergy Mississippi issued $120 million of 7.75% Series First Mortgage Bonds due February 15, 2003. On March 9, 2000, Entergy Arkansas issued $100 million of 7.72% Series First Mortgage Bonds due March 1, 2003. Proceeds of both issuances will be used, in part, for the retirement of short-term indebtedness that was incurred for working capital needs and capital expenditures.

On February 25, 2000, Entergy Corporation obtained a 364-day term loan in the amount of $120 million, accruing interest at a rate of 6.7%. The proceeds are being used to make an open-account advance to Entergy Louisiana in order to repay maturing debt. Entergy Corporation will use any remaining proceeds for general corporate purposes and working capital needs.

CAPITAL INVESTMENT PLAN 2000-2004
In Billions



During 1999, cash from operations, the sale of businesses, and cash on hand met substantially all investing and financing requirements of the domestic utility companies and System Energy. Entergy Corporation received $532.3 million in dividend payments from its subsidiaries in 1999.

All debt and common and preferred stock issuances are subject to regulatory approval. Preferred stock and debt issuances are subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The domestic utility companies have sufficient capacity under these issuance tests to consummate the financings planned for 2000. The domestic utility companies may also establish special purpose trusts or limited partnerships as financing subsidiaries for the purpose of issuing quarterly income preferred securities.

Management expects the domestic utility companies and System Energy to continue to refinance or redeem higher cost debt and preferred stock prior to maturity, to the extent market conditions and interest and dividend rates are favorable.

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Entergy's ability to invest in domestic and foreign generation businesses is subject to the Securities Exchange Commission's (SEC's) regulations under the Public Utility Holding Company Act of 1935, as amended (PUHCA). These regulations limit to 50% of consolidated retained earnings the total amount that Entergy may invest in domestic and foreign generation businesses at the time an investment is made. Using the proceeds from the sales of London Electricity and CitiPower, Entergy's foreign exempt utility and exempt wholesale generator subsidiaries have the ability to make significant additional investments in domestic and foreign generation businesses without the need of further investment by Entergy Corporation.

Entergy's global power development business is currently constructing two combined-cycle gas turbine merchant power plants in the UK. Saltend, a 1,200 MW plant in northeast England, will provide steam and electricity to BP Chemicals' nearby industrial complex, with the remaining electricity to be sold into the UK national power pool. Approximately 75 MW of the capacity will be sold to BP Chemicals under a power purchase agreement with a term of 15 years. Originally scheduled for commercial operation in January 2000, Saltend's completion has been delayed due to construction problems at the site. The construction contractor has submitted a revised construction schedule after substantial analysis, and currently estimates a phased-in completion of the three-unit plant with the full plant in service by June 30, 2000. The total cost of Saltend is currently estimated to be approximately $824 million. The second plant, an 800 MW facility known as Damhead Creek, is located in southeast England. It is expected to begin commercial operation in the fourth quarter of 2000. Management estimates the total cost of Damhead Creek at approximately $582 million. The financing of the construction of these two power plants is discussed in Note 7 to the financial statements.

In October 1999, Entergy's global power development business obtained an option to acquire twenty-four GE7FA advanced technology gas turbines, four steam turbines, and eight GE7EA advanced technology gas turbines. Delivery of the turbines is scheduled for 2001 through 2004. The total cost of the turbines, including long-term service agreements with GE Power Systems, is approximately $2.0 billion. Management plans to use the turbines in future generation projects of the global power development business, and anticipates that the acquisition of the turbines will be funded by a combination of cash on hand, project financing, and other external financing. Payments scheduled for the acquisition of these turbines are $273 million in 2000, $415 million in 2001, and $311 million in 2002.

On July 13, 1999, Entergy's non-utility nuclear power business bought the 670 MW Pilgrim Nuclear Station, located in Plymouth, Massachusetts, from Boston Edison. The acquisition included the plant, real estate, materials and supplies, and nuclear fuel for a purchase price of $81 million. The purchase price was funded with a portion of the proceeds from the sales of non-regulated businesses. As part of the Pilgrim purchase, Boston Edison transferred a $471 million decommissioning trust fund to Entergy's non-utility nuclear power business. After a favorable tax determination regarding the trust fund, Entergy returned $43 million of the trust fund to Boston Edison. Based on cost estimates provided by an outside consultant, Entergy believes that Pilgrim's decommissioning fund will be adequate to cover future decommissioning costs for the Pilgrim plant without any additional deposits to the trust.

Entergy's nuclear business has an outstanding offer to NYPA for the acquisition of NYPA's 825 MW James A. FitzPatrick nuclear power plant located near Oswego, New York and NYPA's 980 MW Indian Point 3 nuclear power plant located in Westchester County, New York. On February 24, 2000, NYPA received a competing offer for the purchase of these plants. It is anticipated that the NYPA Board of Trustees will meet in mid to late March to consider the offers. If Entergy's offer is accepted, management expects to close the acquisition by the fourth quarter of 2000. Entergy would pay $50 million in cash at the closing of the purchase, plus seven annual installments of approximately $108 million each commencing one year from the date of the closing. Entergy projects that these installments will be paid from the proceeds of the sale of power from the plants and that Entergy will invest an additional $100 million in the plants.

"In October 1999, Entergy's global power development business obtained an option to acquire twenty-four GE7FA advanced technology gas turbines, four steam turbines, and eight GE7EA advanced technology gas turbines."

Entergy has also made investments in energy-related businesses, including power marketing and trading. Under PUHCA, the SEC imposes a limit equal to 15% of consolidated capitalization on the amount that may be invested in such businesses without specific SEC approval. Entergy's capacity to make additional investments at December 31, 1999 was approximately $2.2 billion.

In 1999, Entergy Corporation paid $291.5 million in cash dividends on its common stock. Declarations of dividends on Entergy's common stock are made at the discretion of the Board. The Board evaluates the level of Entergy common stock dividends based upon Entergy's earnings and financial strength. Dividend restrictions are discussed in Note 8 to the financial statements.

In October 1998, the Board approved a plan for the repurchase of Entergy common stock through December 31, 2001 to fulfill the requirements of various compensation and benefit plans. The stock repurchase plan provides for purchases in the open market of up to 5 million shares, for an aggregate consideration of up to $250 million. In July 1999, the Board approved the commitment of up to an additional $750 million toward the repurchase of Entergy common stock through December 31, 2001. Shares are being purchased on a discretionary basis. See Note 5 to the financial statements for stock repurchases and issuances made during 1999.

Entergy's capital and refinancing requirements and available lines of credit are more thoroughly discussed in Notes 4, 5, 6, 7, 9, and 10 to the financial statements.

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

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf 1;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

The Capital Funds Agreement and other Grand Gulf 1-related agreements are more thoroughly discussed in Note 9 to the financial statements.

SIGNIFICANT FACTORS AND KNOWN TRENDS

DOMESTIC TRANSITION TO COMPETITION

The electric utility industry for years has been preparing for the advent of competition in its business, particularly in generation operations. For most electric utilities, the transition from a regulated monopoly to a competitive business is challenging and complex. The new electric utility environment presents opportunities to compete for new customers and creates the risk of loss of existing customers. It presents opportunities to enter into new businesses and to restructure existing businesses.

For Entergy, it is a formidable undertaking, made uniquely difficult because the domestic utility companies operate in five retail regulatory jurisdictions and are subject to the System Agreement, which contemplates the integrated operation of Entergy's electric generation and transmission assets throughout the retail service territories. Entergy is striving to achieve consistent paths to competition in all five retail regulatory jurisdictions. Progress was made in 1999 when the Arkansas and Texas legislatures enacted laws to bring about electric utility competition. More progress is expected in 2000 as Entergy continues to work with regulatory and legislative officials in all jurisdictions in designing the rules surrounding a competitive electricity industry.

State Regulatory and Legislative Activity

Arkansas — In April 1999, the Arkansas legislature enacted a law providing for competition in the electric utility industry through retail open access on January 1, 2002. With retail open access, generation operations will become a competitive business, but transmission and distribution operations will continue to be regulated. The Arkansas Public Service Commission (APSC) may delay implementation of retail open access, but not beyond June 30, 2003. The provisions of the new law:

- require utilities to separate (unbundle) their costs into generation, transmission, distribution, and customer service functions;
- require operation of transmission facilities by an organization independent from the generation, distribution, and retail operations;
- provide for the determination of and mitigation measures for generation market power, which could require generation asset divestitures;
- allow for recovery of stranded and transition costs if the costs are approved by the APSC;
- allow for the securitization of approved stranded costs; and
- freeze residential and small business customer rates for three years by utilities that will recover stranded costs.

"Entergy is striving to achieve consistent paths to competition in all five retail regulatory jurisdictions. Progress was made in 1999 when the Arkansas and Texas legislatures enacted laws to bring about electric utility competition."

Entergy Arkansas filed separate generation, transmission, distribution, and customer service rates with the APSC in December 1999. The rates were based on the cost-of-service study that formed the basis of the rates included in the 1997 settlement agreement discussed in Note 2 to the financial statements. Hearings on the rate filing are scheduled for September 2000. If approved, these rates will become effective July 1, 2001. Entergy Arkansas also filed notice with the APSC in December 1999 of its intent to recover stranded costs. The APSC and various participants in the industry, including Entergy Arkansas, are currently in the process of implementing the legislation through various rulemaking and other proceedings.

Texas — In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provides for retail open access by most electric utilities, including Entergy Gulf States, on January 1, 2002. With retail open access, generation and a new retail provider operation will be competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail provider function will be the primary point of contact with the customers for most services beyond initiation of electric service and restoration of service following an outage. The provisions of the new law:

- require a rate freeze through January 1, 2002 with frozen rates beyond that for residential and small commercial customers of incumbent utilities;
- require utilities to separate (unbundle) their generation, transmission and distribution, and retail electric provider functions. Entergy Gulf States filed its plan in January 2000 with the Public Utility Commission of Texas (PUCT) to separate its functions. The plan included separate transmission and distribution companies;
- require operation in a non-discriminatory manner of transmission and distribution facilities by an organization independent from the generation and retail operations by the time competition is implemented;
- allow for recovery of stranded costs incurred in purchasing power and providing electric generation service if the costs are approved by the PUCT;
- allow securitization of regulatory assets and stranded costs;
- provide for the determination of and mitigation measures for generation market power; and
- require utilities to file separated data and proposed transmission, distribution, and competition tariffs by April 1, 2000.

The market power measures include a limit on the ownership of generation assets by a power generation company within a specified region. The implications of this limit are uncertain for Entergy Gulf States and the Entergy system. However, it is possible that Entergy Gulf States could be required to divest some of its generation assets if Entergy Gulf States is found to have generation market power. The legislation also requires affected utilities to sell at auction, at least 60 days before January 1, 2002, entitlements to at least 15% of their installed generation capacity in Texas. The obligation to auction capacity entitlements continues for up to 60 months after January 1, 2002, or until 40% of customers in the jurisdiction have chosen an alternative supplier, whichever comes first.

The PUCT and various participants in the industry are currently in the process of implementing the legislation through various rulemaking and other proceedings. Two significant rules have been issued by the PUCT:

- A code of conduct was approved by the PUCT in December 1999 to ensure that utilities do not allow affiliates to have a business advantage over competitors. The rules allow the continuation of shared services affiliates, such as Entergy Operations and Entergy Services. Entergy adopted an internal code of conduct to ensure compliance with the new rules.

- Rules governing the separated costs filing have been issued. Included is a provision establishing, as an alternative to a market-based return on equity, a presumptively reasonable return on equity for a distribution utility at 200 basis points over its cost of debt. The provision allows the utility to provide evidence that the return should be higher. The rules also provide that the utility may propose a performance-based enhancement to the authorized rate of return, based on distribution and transmission company independence. Management does not agree with the arbitrary level set in the rule, and will seek a higher return in its separated costs filing. A workshop has been held by the PUCT to discuss opportunities to seek a performance-based return.

Louisiana — In March 1999, the Louisiana Public Service Commission (LPSC) deferred making a decision on whether electric industry competition is in the public interest. However, the LPSC staff, outside consultants, and counsel were directed to work together to analyze and resolve issues related to competition and then recommend a plan for its implementation to be considered by the LPSC by January 1, 2001. The LPSC staff, outside consultants, counsel, and industry members are working together to develop a plan to be submitted to the LPSC.

Mississippi — The Mississippi Public Service Commission (MPSC) issued a transition plan in June 1998 and continues to hold periodic hearings and request informational filings regarding various potential effects of retail competition. In February 2000, legislation was introduced to Mississippi to establish a study committee to consider competition and provide a report to the legislature by December 1, 2000. Management does not expect deregulation in Mississippi to occur prior to 2003. See Note 2 to the financial statements for additional information.

New Orleans — In 1997, Entergy New Orleans filed an electric business restructuring plan with the Council of the City of New Orleans, Louisiana (Council). The Council has not established a procedural schedule to consider electricity restructuring or Entergy's plan. The Council is conducting hearings regarding retail gas competition. Entergy New Orleans has filed a plan in that proceeding outlining the conditions under which it could support retail gas competition. The outcome of this proceeding is uncertain.

Federal Regulatory and Legislative Activity

Open Access Transmission and Entergy's Transco Proposal — Competition within the wholesale electric energy market increased with the implementation of open access transmission. Open access allows any supplier to transmit electricity to its customers over transmission facilities owned by a different company. In 1996, the Federal Energy Regulatory Commission (FERC) required all public utilities that it regulates to provide wholesale transmission access to third parties. FERC also required utilities to implement and maintain an open access same-time information system. Entergy's domestic utility companies made filings with FERC to comply with the FERC requirements.

FERC policy strongly favors independent control of transmission operations to enhance competitive wholesale power markets. In response to this policy, Entergy proposed the formation of a regional transmission company (Transco) and sought guidance from FERC on the proposal. The proposed Transco would be:

- a separate, independent, incentive-driven transmission company regulated by FERC;
- governed by an independent board of directors with no ties to Entergy or to any power market participant;
- composed of the transmission system assets transferred to it by the domestic utility companies and other transmission owners;
- operated and maintained by employees who would work exclusively for the Transco and would not be employed by Entergy or the domestic utility companies; and
- passively owned with no voting rights by the domestic utility companies and other members who transfer assets.

In July 1999, FERC responded to Entergy's proposal and stated that passive ownership of a Transco by a generating company or other market participant could meet FERC's current independence and governance requirements under certain circumstances. However, FERC raised concerns about the following issues regarding Entergy's proposal:

- the selection process for the Transco's board of directors;
- the Transco board's fiduciary obligations to the member companies;
- the ability of the Transco to raise additional capital; and
- restrictions on transactions between the Transco and the member companies.

Management expects to make additional filings during 2000 with federal, state, and local regulatory authorities addressing these and other issues and seeking necessary approvals for the formation of the Transco. If approved, the Transco could become operational in 2001.

In a rulemaking that will affect the Transco, FERC issued Order 2000 in December 1999. Order 2000 calls for owners and operators of transmission lines in the United States to join regional transmission organizations (RTOs) on a voluntary basis. Order 2000 requires public utilities that own, operate, or control interstate transmission facilities to file by October 15, 2000 a proposal for how they intend to participate in an RTO or, alternatively, to describe the steps they have taken to do so or the reasons why it is not feasible to participate in an RTO. FERC's Order 2000 requires that RTOs be effective no later than December 15, 2001.

FERC is maintaining flexibility as to the structure of RTOs. For example, it appears that RTOs may be for-profit or not-for-profit and may be organized as joint ventures or legal entities of various types. However, RTOs will be required, among other things, to be independent market participants, to have sufficient regional scope to maintain reliability and efficiency, to be non-discriminatory in granting service, and to maintain operational control over their regional transmission systems.

The Transco, an independent, for-profit transmission company which has already been proposed to FERC by the domestic utility companies, is Entergy's preferred approach for complying with FERC's Order 2000. However, Entergy is also exploring other means for complying with Order 2000.

"Management expects to make additional filings during 2000 with federal, state, and local regulatory authorities addressing these and other issues and seeking necessary approvals for the formation of the Transco. If approved, the Transco could become operational in 2001."

Deregulation Legislation — Over the past several years, a number of bills have been introduced in the United States Congress to deregulate the generation function of the electric power industry. The bills generally have provisions that would give retail consumers the ability to choose their own electric service provider. Entergy Corporation has supported some deregulation legislation in Congress that would lead to an orderly transition to competition and would also repeal PUHCA and the Public Utility Regulatory Policies Act of 1978 (PURPA). Congressional sentiment appears to be against mandating retail competition by a certain date and in favor of clarifying state authority to order retail choice for consumers. Congress adjourned in 1999 without final action on a deregulation bill by a committee of the House or Senate.

Industrial and Commercial Customers

The domestic utility companies face the risk of losing customers due to competition. Some of their large industrial and commercial customers are exploring ways to reduce their energy costs. In particular, cogeneration is an option available to a significant portion of the domestic utility companies' industrial customer base. The domestic utility companies have responded by working with some customers and negotiating electric service contracts that provide service at rates lower than would otherwise be charged. Despite these actions, Entergy Gulf States and Entergy Louisiana have lost revenue in recent years from large industrial customers who have completed cogeneration projects. However, material losses to cogeneration are not expected in 2000.

STATE AND LOCAL RATE REGULATION

The retail regulatory basis for setting rates for electric service is shifting in some jurisdictions from traditional, exclusively cost-of-service regulation to include performance-based elements. Performance-based formula rate plans are designed to reward increased efficiency and productivity, with utility shareholders and customers sharing in the benefits. Entergy Mississippi and Entergy Louisiana have implemented performance-based rate plans. These companies made the following filings resulting in rate reductions in 1999:

- Entergy Louisiana submitted its formula rate plan filing for the 1998 test year and implemented a rate reduction of approximately $15.0 million, effective August 1, 1999. Entergy Louisiana's filing is subject to further review by the LPSC, which may result in an additional change in rates.
- Entergy Mississippi implemented a $13.3 million rate reduction, effective May 1999, based on its formula rate plan filing for the 1998 test year. In June 1999, Entergy Mississippi revised its filing, resulting in an additional rate reduction of approximately $1.5 million, effective July 1999.

"The retail regulatory basis for setting rates for electric service is shifting in some jurisdictions from traditional, exclusively cost-of-service regulation to include performance-based elements. Performance-based formula rate plans are designed to reward increased efficiency and productivity."

All 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 reflects completion of rate phase-in plans, lower costs of service ordered by regulators, and lower authorized returns on common equity. The domestic utility companies' retail and wholesale rate matters and proceedings are discussed more thoroughly in Note 2 to the financial statements.

OTHER ELECTRIC UTILITY TRENDS

Utility mergers and joint ventures involving domestic and overseas companies are another continuing trend in the industry. In some areas of the country, utilities have either sold or are attempting to sell all or a substantial portion of their generation assets in order to focus their businesses on transmission and/or distribution services. Entergy, through its global power development and non-utility nuclear power businesses, intends to expand its generation business. While the global power development business is focused on building new power plants or modifying existing plants, the nuclear business expansion plan focuses on acquiring generation assets of other utilities.

In some areas of the United States, municipalities are exploring the possibility of establishing their own electric distribution systems, which would result in both residential and large industrial customers leaving some investor-owned utilities. If the efforts of a municipality are successful, the investor-owned utility may be unable to recover some costs incurred for the purpose of serving those customers.

CONTINUED APPLICATION OF SFAS 71 AND STRANDED COST EXPOSURE

The domestic utility companies' and System Energy's financial statements primarily reflect assets and costs based on existing cost-based ratemaking regulation in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Under traditional ratemaking practice, regulated electric utilities are granted exclusive geographic franchises to sell electricity. In return, the utilities are obligated to make investments and incur obligations to serve customers. Prudently incurred costs are recovered from customers along with a return on investment. Regulators may require utilities to defer collecting from customers some operating costs until a future date. These deferred costs are recorded as regulatory assets in the financial statements. In order to continue applying SFAS 71 to its financial statements, a utility's rates must be set by an independent regulator on a cost-of-service basis and the rates must be charged to and collected from customers.

As the generation portion of the utility industry moves toward competition, it is likely that generation rates will no longer be set on a cost-of-service basis. When that occurs, the generation portion of the business could be required to discontinue application of SFAS 71. The result of discontinuing application of SFAS 71 could be the recording of asset impairments and the removal of regulatory assets and liabilities from the balance sheet. Management believes that definitive outcomes have not yet been determined regarding the transition to competition in each of Entergy's jurisdictions. Therefore, the regulated operations of the domestic utility companies and System Energy continue to apply SFAS 71. Arkansas and Texas have enacted retail open access laws as described above, but Entergy believes that significant issues remain to be addressed by Arkansas and Texas regulators, and the enacted laws do not provide sufficient detail to determine definitively the impact on Entergy Arkansas' and Entergy Gulf States' regulated operations.

As Entergy's domestic utility companies move toward competition, there are costs or commitments that have been incurred under a regulated pricing system that might be impaired or not recovered in a competitive market. These costs are referred to as stranded costs. The restructuring laws enacted in Arkansas and Texas provide an opportunity for the recovery of stranded costs following review and approval by the APSC or the PUCT. Nearly all of Entergy's exposure to stranded costs involves commitments that were approved by regulators. These exposures include the following:

- the allowed cost of constructing its nuclear generating plants (the domestic utility companies' net investment in nuclear generation is provided in Note 1 to the financial statements);

- long-term contracts to purchase power under the Unit Power Sales Agreement and associated with the Vidalia project, which may require paying above-market prices in a competitive environment (detail concerning these obligations is provided in Note 9 to the financial statements);
- nuclear power plant decommissioning costs (detail concerning these costs is provided in Note 9 to the financial statements);
- the construction cost of some fossil-fueled generating plants and related contracts to buy fuel that may be above-market price in a competitive market (detail concerning the domestic utility companies' net investment in generation other than nuclear, which is primarily fossil fueled, is provided in Note 1 to the financial statements, and detail concerning certain fuel contracts is provided in Note 9 to the financial statements); and
- regulatory assets reflected in the balance sheets.

As of December 31, 1999, the amount of these potentially strandable costs for Entergy reflected in the financial statements is approximately $1.8 billion at Entergy Arkansas, $3.3 billion at Entergy Gulf States, $2.5 billion at Entergy Louisiana, and $0.3 billion at Entergy Mississippi. The estimated net present value of the obligations described above that are not reflected in the balance sheets for Entergy is approximately $0.9 billion at Entergy Arkansas, $0.4 billion at Entergy Gulf States, $1.5 billion at Entergy Louisiana, $0.6 billion at Entergy Mississippi, and $0.3 billion at Entergy New Orleans. In the normal course of business, depreciation, amortization, and payments under the contractual obligations will continue to reduce these amounts. The actual amount of these costs and obligations that will be identified as stranded will be determined in regulatory proceedings. These proceedings will commence in Arkansas and Texas in 2000. The outcome of the proceedings cannot be predicted and will depend upon a number of variables including the timing of stranded cost determination, the values attributable to certain strandable assets, assumptions concerning future market prices for electricity, and other factors. In addition, because transition legislation or regulation is not in place in Louisiana, Mississippi, or New Orleans, Entergy cannot predict how those jurisdictions will treat stranded costs and whether Entergy will be able to recover all or a part of the costs in those jurisdictions.

Until the proceedings in Arkansas and Texas provide a greater level of certainty, it is anticipated that both Entergy Arkansas and Entergy Gulf States will continue to apply SFAS 71 to their regulated operations. SFAS 71 will continue to be applied in the Louisiana, Mississippi, and New Orleans jurisdictions pending legislative or regulatory developments relating to transition to competition. If SFAS 71 is no longer applied by the respective domestic utility companies and System Energy, and regulation or legislation does not allow for recovery of all or a portion of its stranded costs, there could be a material adverse impact on the respective domestic utility companies' and

Entergy's financial statements. However, Entergy believes that the amount of costs that will be stranded without a means of recovery or mitigation for the domestic utility companies will be significantly less than the amounts referred to above. The application of SFAS 71 is discussed more thoroughly in Note 1 to the financial statements.

"The restructuring laws enacted in Arkansas and Texas provide an opportunity for the recovery of stranded costs following review and approval by the APSC or the PUCT. Nearly all of Entergy's exposure to stranded costs involves commitments that were approved by regulators."

YEAR 2000 ISSUES

Entergy did not experience any significant problems in operations due to the rollover to year 2000, and there were no power outages caused by the rollover. Entergy will continue to monitor additional dates during 2000 that could be affected by the rollover to year 2000, but does not expect material problems based on its testing and the results of the January 1, 2000 rollover.

Management expects to spend approximately $54 million for maintenance and modification costs related to year 2000 issues between 1998 and mid-2000. Entergy has incurred approximately $51 million of this total through December 1999. The maintenance or modification costs associated with year 2000 compliance are expensed as incurred, while the costs of new software are capitalized and amortized over the software's useful life. The costs are being funded through operating cash flows. In certain of Entergy's jurisdictions, the expenses have been deferred and will be recovered from ratepayers into 2002. Total capitalized costs for projects accelerated due to year 2000 were estimated to be $20 million, which is the amount Entergy has incurred through December 1999.

MARKET RISKS DISCLOSURE

Entergy is exposed to the following market risks:

- the commodity price risk associated with its power marketing and trading business;
- the interest rate risk associated with certain of its variable rate credit facilities; and
- the interest rate and equity price risk associated with its investments in decommissioning trust funds.

Entergy's power marketing and trading business enters into sales and purchases of electricity and natural gas for delivery in the future. Because the market prices of electricity and natural gas can be volatile, Entergy's power marketing and trading business is exposed to risk arising from differences between the fixed prices in its commitments and fluctuating market prices. To mitigate its exposure, Entergy's power marketing and trading business enters into electricity and natural gas futures, swaps, option contracts, and electricity forward agreements. The business also manages its exposure with policies limiting its exposure to market risk and daily monitoring of its potential financial exposure.

Entergy's power marketing and trading business uses a value-at-risk model (VAR) as one measure of market risk for the traded portfolio. VAR acts in conjunction with stress testing, position reporting, and profit and loss reporting in order to measure and control the risk inherent in the traded portfolio. The primary use of VAR is to provide a benchmark for market risk contained in the trading portfolio. VAR does not function as a comprehensive measure of all risks in a portfolio. Furthermore, VAR is only an appropriate risk measure for products traded in relatively liquid markets.

Management's VAR methodology uses a variance/covariance approach to the measurement of market risk. The variance/covariance approach assumes that prices follow a "random-walk" process in which prices are lognormally distributed. This approach requires the following inputs:

- a one-tailed test with a 95% confidence interval that measures the probability of loss;
- a 20-day window for measuring volatility;
- cross-product correlation matrix that measures the tendency of different basis products to move together; and
- inter-temporal correlation matrix that measures the tendency of commodities with different delivery periods to move together.

Power marketing and trading's VAR was approximately $3.3 million as of December 31, 1999 and $6.1 million as of December 31, 1998. During 1999, the average month-end VAR was $3.7 million, with a high month-end VAR of $7.1 million and a low month-end VAR of $2.0 million.

Management's calculation of value-at-risk exposure represents an estimate of reasonably possible net losses that would be recognized on its portfolio of derivative financial instruments, assuming hypothetical movements in prices. It does not represent the maximum possible loss or an expected loss that may occur, because actual future gains and losses will differ from those estimated, based upon actual fluctuations in market rates, operating exposures, and the timing thereof, and changes in the portfolio of derivative financial instruments during the year.

Entergy uses interest rate swaps to reduce the impact of interest rate changes on certain variable-rate credit facilities associated with its global power development business. Under the interest rate swap agreements, Entergy receives floating-rate interest payments and pays fixed-rate interest rate payments over the life of the agreements. The floating-rate interest that Entergy receives is approximately equal to the interest it must pay on the variable-rate credit facilities. Therefore, through the use of the swap agreements, Entergy effectively achieves a fixed rate of interest on the credit facilities. These swaps are discussed more thoroughly in Note 7 to the financial statements.

Entergy is exposed to fluctuations in equity prices and interest rates through its nuclear decommissioning trust funds. The Nuclear Regulatory Commission requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, and Pilgrim. The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. Management believes that its exposure to market fluctuations will not affect results of operations for the ANO, River Bend, Grand Gulf, and Waterford 3 trust funds because of the application of regulatory accounting principles. The Pilgrim trust fund holds approximately $341 million of fixed-rate, fixed-income securities as of December 31, 1999. These securities have an average coupon rate of 6.67%, an average duration of 6.2 years, and an average maturity of 9.5 years. The Pilgrim trust fund also holds equity securities worth approximately $81 million as of December 31, 1999. These securities are held in a fund which is designed to approximate the Standard & Poor's 500 Index. The decommissioning trust funds are discussed more thoroughly in Notes 1 and 9 to the financial statements.

"Entergy Corporation's consolidated net income in 1999 decreased compared to 1998 primarily due to the absence of London Electricity's results of operations in 1999 because of the sale of the business in December 1998, and the gains on the sales of London Electricity and CitiPower reflected in 1998 results."

RESULTS OF OPERATIONS

Entergy's results of operations are discussed in two business categories, "Domestic Utility Companies and System Energy" and "Competitive Businesses." Domestic Utility Companies and System Energy is Entergy's predominant business segment, contributing 73% of Entergy's operating revenue and 93% of its net income in 1999. Competitive Businesses include the following segments detailed in Note 13 to the financial statements: power marketing and trading, Entergy London, CitiPower, and all other. "All other" principally includes global power development, non-utility nuclear power, and the parent company, Entergy Corporation. The elimination of power marketing and trading mark-to-market profits on intercompany power transactions is also included in all other. Note 13 to the financial statements provides a detailed breakdown of financial information by business segment.

Net income for the year ended December 31, 1998 reflected the results of operations for Entergy London, CitiPower, Efficient Solutions, Inc., Entergy Security, Inc., Entergy Power Edesur Holdings, and several telecommunications businesses. These businesses were sold between late 1998 and mid-1999, and are therefore not included in some or all of 1999's results of operations.

NET INCOME

Entergy Corporation's consolidated net income in 1999 decreased compared to 1998 primarily due to:

- the absence of London Electricity's results of operations in 1999 because of the sale of the business in December 1998; and
- the gains on the sales of London Electricity and CitiPower reflected in 1998 results.

The decrease is partially offset by gains on the sales of other businesses in 1999, the loss on Efficient Solutions reflected in 1998 results, a 5% increase in domestic utility net income, and a reduction in the net loss for the power marketing and trading business.

Entergy Corporation's consolidated net income in 1998 increased compared to 1997 primarily due to the gains on the sales of London Electricity and CitiPower and the UK windfall profits tax reflected in 1997 results.

DOMESTIC UTILITY COMPANIES AND SYSTEM ENERGY

Revenues and Sales

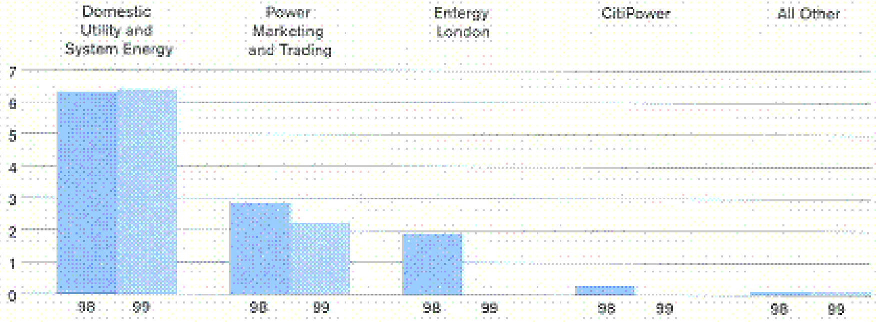
The changes in electric operating revenues for Entergy's domestic utility companies and System Energy for 1999 and 1998 are as follows:

Description	Increase/(Decrease) 1999	1998
	(In millions)	
Base revenues	**$ 81.2**	**$(290.3)**
Rate riders	**(164.1)**	**(108.6)**
Fuel cost recovery	**188.7**	**(80.6)**
Sales volume/weather	**5.3**	**187.3**
Other revenue (including unbilled)	**74.3**	**(191.0)**
Sales for resale	**(50.3)**	**80.7**
Total	**$ 135.1**	**$(402.5)**

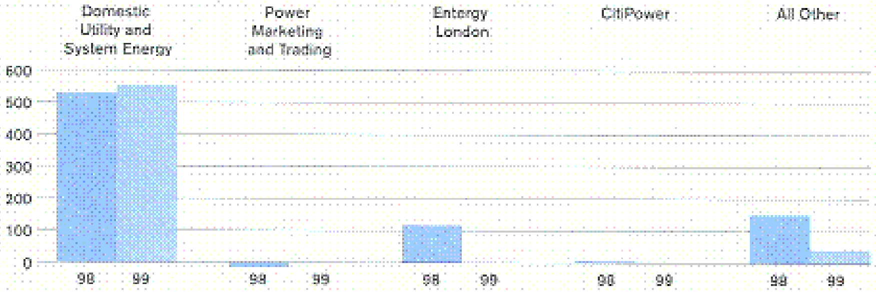
Base Revenues — In 1999, base revenues increased $81.2 million primarily due to:

- a $93.6 million reversal in June 1999 of regulatory reserves associated with the accelerated amortization of accounting order deferrals in conjunction with the

OPERATING REVENUES BY BUSINESS SEGMENT In Billions of Dollars



NET INCOME BY BUSINESS SEGMENT In Millions of Dollars



settlement agreement in Entergy Gulf States' Texas November 1996 and 1998 rate filings. The settlement agreement was approved by the PUCT in June 1999. The net income effect of this reversal is largely offset by the amortization of rate deferrals discussed below; and

- a reduction in the amount of reserves recorded in 1999 at Entergy Gulf States compared to 1998 for the anticipated effects of rate proceedings in Texas.

Partially offsetting these increases were:

- annual base rate reductions implemented for Entergy Gulf States' Louisiana and Texas retail customers in 1998 and 1999 and Entergy Mississippi customers in 1999; and
- reserves recorded by Entergy Gulf States' Louisiana jurisdiction, Entergy Louisiana, and Entergy New Orleans in 1999 for potential rate actions or rate refunds.

C-8

In 1998, base revenues decreased primarily due to base rate reductions, reserves for refunds, and other regulatory adjustments totaling $216.5 million ($129.0 million net of tax) at Entergy Gulf States.

These rate reductions and other pending rate proceedings are discussed in Note 2 to the financial statements.

Rate Rider Revenues — Rate rider revenues do not affect net income because specific incurred expenses offset them.

In 1999, rate rider revenues decreased $164.1 million due to a revised Grand Gulf rider implemented at Entergy Arkansas and Entergy Mississippi. The revised rider eliminated revenues attributable to the Grand Gulf phase-in plans, which were completed in 1998, and implemented the Grand Gulf Accelerated Recovery Tariff (GGART), allowing accelerated recovery and payment of a portion of the two companies' Grand Gulf purchased power obligations. The tariffs became effective in January 1999 and October 1998, respectively.

In 1998, rate rider revenues decreased $108.6 million due to the decline in the Grand Gulf 1 cost recovery rate rider revenues at Entergy Arkansas, reflecting scheduled reductions in the phase-in plan that was completed in November 1998. Rate rider revenues also decreased due to reductions required by the settlement agreement between the APSC and Entergy Arkansas. The settlement agreement with the APSC is discussed in Note 2 to the financial statements.

Fuel Cost Recovery Revenues — Fuel cost recovery revenues do not affect net income because they are an increase to revenues that are offset by specific incurred fuel costs.

In 1999, fuel cost recovery revenues increased $188.7 million primarily due to:

- an increased fuel factor and a new fuel surcharge implemented in Entergy Gulf States' Texas jurisdiction in 1999;
- recovery of higher-priced fuel and purchased power costs at Entergy Louisiana due to nuclear outages at Waterford 3 in 1999; and
- an increase in the energy cost recovery rate effective April 1999 and the completion of a customer refund obligation in 1998 which lowered 1998 fuel cost recovery at Entergy Arkansas.

In 1998, fuel cost recovery revenues decreased $80.6 million primarily due to lower pricing at Entergy Louisiana resulting from a change in generation mix.

Sales Volume — In 1998, sales volume increased $187.3 million as a result of significantly warmer weather at all of the domestic utility companies.

Other Revenue — In 1999, other revenue increased $74.3 million primarily due to a change in estimated unbilled revenues for the domestic utility companies. The changed estimate more closely aligns the fuel component of unbilled revenues with regulatory treatment. This change is expected to affect comparisons to applicable prior period amounts through the first quarter of 2000. Comparative impacts are also affected by seasonal variations in demand.

In 1998, other revenue decreased $191 million primarily due to the revenue portion of the gain recognized in December 1997 on the settlement by Entergy Gulf States of litigation with Cajun Electric Cooperative (Cajun), the effect of which was partially offset by regulatory reserves recorded at Entergy Gulf States in 1997. Other revenue also decreased due to unfavorable pricing of unbilled revenues resulting from rate reductions at Entergy Gulf States.

Sales For Resale — In 1999, sales for resale decreased $50.3 million primarily due to the loss of certain municipal and co-op customer contracts at Entergy Arkansas.

In 1998, sales for resale increased due to increased sales to non-associated companies, particularly at Entergy Arkansas, and increased demand at Entergy Gulf States.

Expenses

Fuel and Purchased Power Expenses — In 1999, fuel and purchased power expenses increased due to:

- higher gas and purchased power prices as well as increased gas usage at Entergy Arkansas and Entergy Louisiana;
- higher fuel recovery due to an increased fuel factor and fuel surcharge in Entergy Gulf States' Texas jurisdiction; and
- an increased energy cost recovery rate in 1999 and the completion of a customer refund obligation in 1998 which lowered 1998 fuel cost recovery at Entergy Arkansas.

These increases were partially offset by decreased fuel expenses at Entergy Mississippi as a result of lower total generation.

Other Operation and Maintenance Expenses — In 1999, other operation and maintenance expenses increased primarily due to increased customer service and reliability improvements throughout the system, increases in storm damage accruals and loss reserves across the system, and increases in maintenance work at Entergy Arkansas and Entergy Mississippi.

In 1998, other operation and maintenance expenses increased primarily due to the 1997 settlement of litigation with Cajun, which resulted in the transfer of the 30% interest in River Bend owned by Cajun to Entergy Gulf States. Entergy Gulf States' operating expenses in 1998 included 100% of River Bend's operation and maintenance expenses, as compared to 70% of such expenses for the year ended December 31, 1997.

This increase was partially offset by decreased non-refueling outage related contract work and maintenance performed at Entergy Louisiana and lower contract labor, materials and supplies expense, and insurance and materials and supplies refunds at System Energy.

Depreciation and Amortization Expenses — In 1999, depreciation and amortization expenses decreased due to:

- lower depreciation at Entergy Gulf States as a result of the write-down of the River Bend abeyed plant as required by the Texas rate settlement and a review of plant in-service dates; and
- reduction in principal payments associated with the sale and leaseback in 1989 of a portion of Grand Gulf 1 at System Energy.

Other Regulatory Charges — In 1999, other regulatory charges decreased due to:

- lower accruals for transition costs in 1999 at Entergy Arkansas;
- a change in the amortization period for deferred River Bend finance charges in the Entergy Gulf States' Texas retail jurisdiction; and
- deferral of Year 2000 costs at Entergy Gulf States and Entergy Louisiana in accordance with an LPSC order.

These decreases were partially offset by increased charges at System Energy as a result of the implementation of the GGART at Entergy Arkansas and Entergy Mississippi.

In 1998, other regulatory charges increased primarily due to:

- additional accruals of $74.0 million ($45.0 million net of tax) for the transition cost account at Entergy Arkansas; and
- the decrease in the under-recovery of Grand Gulf 1-related costs at Entergy Mississippi.

The increase was partially offset by the $15.3 million ($9.3 million net of tax) reversal of 1997 reserves at Entergy Arkansas for previously deferred radioactive waste facility costs in December 1998.

Entergy Arkansas' settlement agreement with the APSC established the transition cost account to collect earnings in excess of an allowed return on equity for offset against potential stranded costs when retail access is implemented.

Amortization of Rate Deferrals — In 1999, amortization of rate deferrals decreased due to the completion of Grand Gulf 1 rate phase-in plans at Entergy Arkansas and Entergy Mississippi in 1998. These decreases were partially offset by increased amortization at Entergy Gulf States due to a reduction of accounting order deferrals in June 1999 in accordance with the Texas settlement agreement.

In 1998, amortization of rate deferrals decreased because of the completion of rate phase-in plans at Entergy Arkansas, Entergy Gulf States (Louisiana jurisdiction), and Entergy Mississippi.

Other

Other Income — In 1999, other income increased primarily due to an increase in Allowance for Funds Used During Construction (AFUDC) resulting from an adjustment recorded in the third quarter of 1999 on certain capital projects.

In 1998, other income increased primarily due to lower reserves for regulatory adjustments recorded in 1998 than in 1997 at Entergy Gulf States.

This increase was partially offset by interest income related to the settlement by Entergy Gulf States of litigation with Cajun recorded in December 1997.

Interest Charges — In 1999, interest on long-term debt decreased due to retirement and refinancing of long-term debt at the domestic utility companies and System Energy.

Other interest increased in 1999 primarily due to interest on the potential refund of System Energy's proposed rate increase.

In 1998, interest charges decreased due to the retirement of certain long-term debt at the domestic utility companies and System Energy.

COMPETITIVE BUSINESSES

Revenues and Sales

Competitive business revenues decreased approximately $2.8 billion for the year ended December 31, 1999. The decrease was primarily due to the sales of Entergy London and CitiPower in 1998 and decreased sales revenues in the power marketing and trading business. The decreased sales revenues in the power marketing and trading business resulted from decreased electricity trading volume in the peak summer months in 1999 compared to 1998. However, the impact on net income from these decreased revenues was more than offset by decreased fuel and purchased power expenses as discussed below, resulting in a reduction in operating loss for this business for the year ended December 31, 1999. The decrease in revenues was partially offset by an increase for the non-utility nuclear business resulting primarily from acquisition and operation of the Pilgrim plant in 1999.

Competitive business revenues increased $2.4 billion in 1998 primarily due to increased sales volume in the power marketing and trading business. This business' volume increased dramatically in 1998 due to increased marketing efforts and significantly warmer weather. The impact on net income from these revenues is offset by increased power purchased for resale as discussed below.

Expenses

Fuel and Purchased Power Expenses — Fuel and purchased power expenses decreased for the year ended December 31, 1999, primarily due to:

- the business sales previously discussed;
- decreased electricity trading volume in the power marketing and trading business; and
- a $44 million ($27 million net of tax) counterparty default incurred in 1998 by the power marketing and trading business.

These decreases are partially offset by increased gas trading volume in the power marketing and trading business.

In 1998, purchased power expenses increased primarily due to significantly increased power trading by the power marketing and trading business. The power marketing and trading business also incurred a $44 million ($27 million net of tax) counterparty default in 1998.

Other Operation and Maintenance Expenses — Other operation and maintenance expenses decreased for the year ended December 31, 1999 primarily due to the business sales previously discussed. The decrease was partially offset by:

- an increase for the power marketing and trading business resulting primarily from increased risk management and back-office support; and
- an increase for the non-utility nuclear power business resulting primarily from acquisition and operation of the Pilgrim plant in 1999.

In 1998, other operation and maintenance expenses increased primarily due to:

- acquisition of security companies whose operation and maintenance expenses were included in 1998 but not in 1997; and
- higher transmission expenses for the power marketing and trading business due to significantly increased power trading sales volume.

Other

Other Income — Other income decreased for the year ended December 31, 1999, due primarily to the gains recorded in 1998 on the sales of Entergy London of $327.3 million ($246.8 million net of tax) and CitiPower of $29.8 million ($19.3 million net of tax). The decrease was partially offset by the following:

- interest income of $58.5 million in 1999 on the proceeds of the sales of Entergy London and CitiPower;
- a $26.7 million ($17 million net of tax) gain on the sale of Entergy Power Edesur Holdings in June 1999;
- a $12.9 million ($8.0 million net of tax) gain on the sale of Entergy Hyperion Telecommunications in June 1999;
- a $22.0 million ($6.4 million net of tax) gain on the sale of Entergy Security, Inc. in January 1999, including a true-up recognized in December 1999;

• a $7.6 million ($4.9 million net of tax) favorable adjustment to the final sale price of CitiPower in January 1999;

• a $68.6 million ($35.9 million net of tax) loss on the sale of Efficient Solutions, Inc. (formerly Entergy Integrated Solutions, Inc.) in September 1998;

• $32.8 million ($21.3 million net of tax) of write-downs of Entergy's investments in two Asian projects in 1998; and

• favorable experience on warranty reserves for the businesses sold during 1998.

In 1998, other income increased primarily due to the gains recorded on the sales of Entergy London of $327.3 million ($246.8 million net of tax) and CitiPower of $29.8 million ($19.3 million net of tax).

This increase in 1998 was partially offset by:

• the $68.6 million ($35.9 million net of tax) loss on the sale of Efficient Solutions, Inc. in September 1998; and

• $32.8 million ($21.3 million net of tax) of write-downs of Entergy's investments in electric generation projects in Asia, one of which was sold.

INCOME TAXES

The effective income tax rates for 1999, 1998, and 1997 were 37.5%, 25.3%, and 61.0%, respectively. The effective income tax rate increased in 1999 primarily due to the items discussed below that occurred in 1998. The increase was partially offset by the recording of deferred tax benefits in 1999 related to expected utilization of foreign tax credits.

The effective income tax rate decreased in 1998 principally due to:

• the UK windfall profits tax of $234.1 million at Entergy London recognized in 1997;

• the tax effects of the settlement by Entergy Gulf States of litigation with Cajun in 1997;

• recognition of $44 million of deferred tax benefits in 1998 related to expected utilization of Entergy's capital loss carryforwards; and

• a $31.7 million reduction in taxes because of reductions in the UK corporation tax rate from 31% to 30% in the third quarter of 1998.

These decreases were partially offset by a reduction in the UK corporation tax rate from 33% to 31% in 1997, which lowered taxes in 1997 by $64.7 million.

REPORT OF MANAGEMENT

Management of Entergy Corporation and its 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 in the United States. 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 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 Entegrity, 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 Audit Committee of our Board of Directors, composed solely of Directors who are not employees of our company, meets with the independent auditors, management, and internal accountants periodically to discuss internal accounting controls and auditing and financial reporting matters. The Audit Committee appoints the independent accountants, subject to ratification by the shareholders. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets periodically with the independent auditors and the chief internal auditor without management, providing free access to the Committee.

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.

J. Wayne Leonard

J. WAYNE LEONARD
Chief Executive Officer

C. JOHN WILDER
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Entergy Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of retained earnings, comprehensive income and paid-in-capital, and of cash flows present fairly, in all material respects, the financial position of Entergy Corporation and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 17, 2000

CONSOLIDATED STATEMENTS OF INCOME

Entergy Corporation and Subsidiaries

In thousands, except share data, for the years ended December 31,	1999	1998	1997
OPERATING REVENUES:			
Domestic electric	$6,271,414	$6,136,322	$6,538,831
Natural gas	110,355	115,355	137,345
Steam products	15,852	43,167	43,664
Competitive businesses	2,375,607	5,199,928	2,819,086
Total	8,773,228	11,494,772	9,538,926
OPERATING EXPENSES:			
Operating and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	2,082,875	1,706,028	1,677,041
Purchased power	2,442,484	4,585,444	2,318,811
Nuclear refueling outage expenses	76,057	83,885	73,857
Other operating and maintenance	1,705,545	1,988,040	1,886,149
Decommissioning	45,988	46,750	52,552
Taxes other than income taxes	339,284	362,153	365,439
Depreciation and amortization	698,881	938,179	927,456
Other regulatory charges (credits) – net	8,113	35,136	(18,545)
Amortization of rate deferrals	122,347	237,302	421,803
Total	7,521,574	9,982,917	7,704,563
Operating income	1,251,654	1,511,855	1,834,363
OTHER INCOME (DEDUCTIONS):			
Allowance for equity funds used during construction	29,291	12,445	10,057
Gain on sale of assets – net	71,926	274,961	26,432
Miscellaneous – net	154,423	85,618	(236,340)
Total	255,640	373,024	(199,851)
INTEREST AND OTHER CHARGES:			
Interest on long-term debt	476,877	735,601	797,266
Other interest – net	82,471	65,047	51,624
Distributions on preferred securities of subsidiaries	18,838	42,628	21,319
Allowance for borrowed funds used during construction	(22,585)	(10,761)	(7,937)
Total	555,601	832,515	862,272
INCOME BEFORE INCOME TAXES	951,693	1,052,364	772,240
Income taxes	356,667	266,735	471,341
CONSOLIDATED NET INCOME	595,026	785,629	300,899
Preferred dividend requirements and other	42,567	46,560	53,216
EARNINGS APPLICABLE TO COMMON STOCK	$ 552,459	$ 739,069	$ 247,683
Earnings per average common share:			
Basic and diluted	$2.25	$3.00	$1.03
Dividends declared per common share	$1.20	$1.50	$1.80
Average number of common shares outstanding:			
Basic	245,127,460	246,396,469	240,207,539
Diluted	245,326,883	246,572,328	240,347,697

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME, AND PAID-IN CAPITAL

Entergy Corporation and Subsidiaries

In thousands, for the years ended December 31,	1999		1998		1997	
RETAINED EARNINGS:						
Retained Earnings – Beginning of period	$2,526,888		$2,157,912		$2,341,703	
Add – Earnings applicable to common stock	552,459	$552,459	739,069	$739,069	247,683	$247,683
Deduct:						
Dividends declared on common stock	294,352		369,498		432,268	
Capital stock and other expenses	(1,472)		595		(794)	
Total	292,880		370,093		431,474	
Retained Earnings – End of period	$2,786,467		$2,526,888		$2,157,912	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):						
Balance at beginning of period	$(44,739)		$(69,817)		$21,725	
Foreign currency translation adjustments	(22,043)	(22,043)	23,078	23,078	(91,542)	(91,542)
Net unrealized investment losses	(5,023)	(5,023)	—	—	—	—
Balance at end of period	$(73,805)		$(44,739)		$(69,817)	
Comprehensive Income		$525,393		$762,147		$156,141
PAID-IN CAPITAL:						
Paid-in Capital – Beginning of period	$4,630,609		$4,613,572		$4,320,591	
Add:						
Gain on reacquisition of subsidiaries' preferred stock	—		—		273	
Common stock issuances related to stock plans	5,554		17,037		292,870	
Total	5,554		17,037		293,143	
Deduct:						
Capital stock discount and other expenses	—		—		162	
Total	—		—		162	
Paid-in Capital – End of period	$4,636,163		$4,630,609		$4,613,572	

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, as of December 31,	1999	1998
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Cash	$ 108,198	$ 386,764
Temporary cash investments – at cost, which approximates market	1,105,521	797,731
Total cash and cash equivalents	1,213,719	1,184,495
Other temporary investments – at cost, which approximates market	321,351	—
Notes receivable	2,161	959,328
Accounts receivable:		
Customer	290,331	280,648
Allowance for doubtful accounts	(9,507)	(10,300)
Other	207,898	197,362
Accrued unbilled revenues	298,616	245,350
Total receivables	787,338	713,060
Deferred fuel costs	240,661	169,589
Fuel inventory – at average cost	94,419	90,408
Materials and supplies – at average cost	392,403	374,674
Rate deferrals	30,394	37,507
Deferred nuclear refueling outage costs	58,119	37,138
Prepayments and other	78,567	77,749
Total	3,219,132	3,643,948
Other Property and Investments:		
Investment in subsidiary companies – at equity	214	214
Decommissioning trust funds	1,246,023	709,018
Non-utility property – at cost (less accumulated depreciation)	317,165	275,421
Non-regulated investments	198,003	487,586
Other – at cost (less accumulated depreciation)	16,714	16,041
Total	1,778,119	1,488,280
Utility Plant:		
Electric	23,163,161	22,704,572
Plant acquisition adjustment	408,929	423,195
Property under capital lease	768,500	789,045
Natural gas	186,041	183,621
Steam products	—	80,537
Construction work in progress	1,500,617	911,278
Nuclear fuel under capital lease	284,476	282,595
Nuclear fuel	87,693	29,690
Total Utility Plant	26,399,417	25,404,533
Less – accumulated depreciation and amortization	10,898,661	10,075,951
Utility plant – net	15,500,756	15,328,582
Deferred Debits and Other Assets:		
Regulatory assets:		
Rate deferrals	16,581	125,095
SFAS 109 regulatory assets – net	1,068,006	1,141,318
Unamortized loss on reacquired debt	198,631	191,786
Other regulatory assets	637,870	528,179
Long-term receivables	32,260	34,617
Other	533,732	354,889
Total	2,487,080	2,375,884
TOTAL ASSETS	$22,985,087	$22,836,694

See Notes to Consolidated Financial Statements.

In thousands, as of December 31,	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Currently maturing long-term debt	$ 194,555	$ 255,221
Notes payable	120,715	296,790
Accounts payable	707,678	522,072
Customer deposits	161,909	148,972
Taxes accrued	445,677	284,847
Accumulated deferred income taxes	72,640	31,976
Nuclear refueling outage costs	11,216	16,991
Interest accrued	129,028	185,688
Co-owner advances	7,018	4,073
Obligations under capital leases	178,247	176,270
Other	125,749	58,909
Total	2,154,432	1,981,809
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,310,340	3,538,332
Accumulated deferred investment tax credits	519,910	565,744
Obligations under capital leases	205,464	220,209
FERC settlement – refund obligation	37,337	43,159
Other regulatory liabilities	199,139	153,163
Decommissioning	703,453	243,400
Transition to competition	157,034	90,623
Regulatory reserves	378,307	674,310
Accumulated provisions	279,425	252,321
Other	535,156	498,989
Total	6,325,565	6,280,250
Long-term debt	6,612,583	6,596,617
Preferred stock with sinking fund	69,650	167,523
Preference stock	150,000	150,000
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated deferrable debentures	215,000	215,000
Shareholders' Equity:		
Preferred stock without sinking fund	338,455	338,455
Common stock, $.01 par value, authorized 500,000,000 shares; issued 247,082,345 shares in 1999 and 246,829,076 shares in 1998	2,471	2,468
Paid-in capital	4,636,163	4,630,609
Retained earnings	2,786,447	2,526,888
Accumulated other comprehensive loss:		
Cumulative foreign currency translation adjustment	(68,782)	(46,739)
Net unrealized investment losses	(5,023)	—
Less – treasury stock, at cost (8,045,434 shares in 1999 and 208,907 shares in 1998)	231,894	6,186
Total	7,457,857	7,445,495
Commitments and Contingencies (Notes 2, 9, 10, and 11)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$22,985,887	$22,836,694

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands, for the years ended December 31,	1999	1998	1997
OPERATING ACTIVITIES:			
Consolidated net income	$595,026	$785,629	$300,899
Noncash items included in net income:			
Gain on Cajun settlement	—	—	(246,022)
Amortization of rate deferrals	122,347	237,302	421,803
Reserve for regulatory adjustments	10,531	130,603	381,285
Other regulatory charges (credits) – net	8,113	35,136	(18,545)
Depreciation, amortization, and decommissioning	744,869	984,929	980,008
Deferred income taxes and investment tax credits	(284,644)	(64,563)	(252,955)
Allowance for equity funds used during construction	(29,291)	(12,465)	(10,057)
Gain on sale of assets – net	(71,926)	(274,941)	(26,432)
Changes in working capital (net of effects from acquisitions and dispositions):			
Receivables	9,246	24,176	(99,411)
Fuel inventory	(1,359)	28,439	20,272
Accounts payable	35,233	31,229	181,243
Taxes accrued	158,733	58,505	143,151
Interest accrued	(56,552)	(37,937)	(9,849)
Deferred fuel	(71,072)	(18,993)	(28,412)
Other working capital accounts	45,285	43,209	(102,303)
Provision for estimated losses and reserves	(59,464)	(133,880)	(22,423)
Changes in other regulatory assets	(36,379)	(13,684)	28,016
Proceeds from settlement of Cajun litigation	—	—	102,299
Other	108,673	(49,996)	50,204
Net cash flow provided by operating activities	1,307,369	1,752,698	1,792,771
INVESTING ACTIVITIES:			
Construction/capital expenditures	(1,195,750)	(1,143,612)	(847,223)
Allowances for equity funds used during construction	29,291	12,465	10,057
Nuclear fuel purchases	(137,649)	(102,747)	(89,237)
Proceeds from sale/leaseback of nuclear fuel	137,093	128,210	144,442
Proceeds from sale of businesses	351,082	2,275,014	54,153
Investment in other nonregulated/nonutility properties	(81,273)	(85,014)	(2,039,370)
Proceeds from notes receivable	956,356	—	—
Purchases of other temporary investments	(321,351)	(947,444)	—
Decommissioning trust contributions and realized change in trust assets	(61,766)	(73,641)	(68,139)
Other	(42,258)	—	(15,966)
Net cash flow provided by (used in) investing activities	(366,225)	63,231	(2,851,283)

See Notes to Consolidated Financial Statements.

In thousands, for the years ended December 31,	1999	1998	1997
FINANCING ACTIVITIES:			
Proceeds from the issuance of:			
Long-term debt	1,113,370	1,904,074	2,047,282
Preferred securities of subsidiary trusts and partnerships	—	—	382,323
Common stock	15,320	19,341	305,379
Retirement of:			
Long-term debt	(1,195,451)	(3,151,680)	(751,669)
Repurchase of common stock	(245,004)	(2,964)	—
Redemption of preferred stock	(98,597)	(17,481)	(124,367)
Changes in short-term borrowings – net	(165,506)	205,412	142,025
Dividends paid:			
Common stock	(291,483)	(373,441)	(438,183)
Preferred stock	(43,621)	(46,809)	(51,270)
Net cash flow provided by (used in) financing activities	(910,972)	(1,463,548)	1,511,520
Effect of exchange rates on cash and cash equivalents	(948)	1,567	(11,164)
Net increase in cash and cash equivalents	29,224	353,948	441,844
Cash and cash equivalents at beginning of period	1,184,495	830,547	388,703
Cash and cash equivalents at end of period	$1,213,719	$1,184,495	$830,547
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest – net of amount capitalized	$601,739	$833,728	$831,307
Income taxes	373,537	273,935	390,238
Noncash investing and financing activities:			
Change in unrealized appreciation of decommissioning trust assets	$ 41,582	$ 46,325	$ 30,951
Treasury shares issued to acquire security business	—	—	$ 21,464
Net assets acquired from Cajun settlement	—	—	$319,056
Decommissioning trust fund acquired from Pilgrim acquisition	$471,284	—	—

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries, including the domestic utility companies and System Energy.

As required by generally accepted accounting principles, all significant intercompany transactions have been eliminated in the consolidated financial statements. The domestic utility companies and System Energy 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.

Entergy Corporation sold its investments in Entergy London and CitiPower in December 1998. Accordingly, the consolidated balance sheet does not include amounts for these entities as of December 31, 1998. The consolidated statements of income and cash flows for 1998 include amounts for Entergy London and CitiPower through the dates of their respective sales.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

REVENUES AND FUEL COSTS

Entergy Arkansas, Entergy Louisiana, and Entergy Mississippi generate, transmit, and distribute electricity primarily to retail customers in Arkansas, Louisiana, and Mississippi, respectively. Entergy Gulf States generates, transmits, and distributes electricity primarily to retail customers in Texas and Louisiana. Entergy Gulf States also distributes gas to retail customers in and around Baton Rouge, Louisiana. 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 are intended to recover operating expenses 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. System Energy's proposed rate increase is discussed in Note 2 to the financial statements.

The domestic utility companies accrue estimated revenues for energy delivered since the latest billings. The domestic utility companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, both of which allow either current recovery or deferral of fuel costs until such costs are reflected in the related revenues. Fixed fuel factors remain 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 from mortgage bond indentures.

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

Total net utility plant of $15.5 billion as of December 31, 1999, includes $8.2 billion of production plant, of which $6.8 billion is nuclear; $1.6 billion of transmission plant; $3.2 billion of distribution plant; and $2.5 billion of other plant.

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 approximated 2.9% in 1999, 3.0% in 1998, and 3.2% in 1997.

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 realized in cash through depreciation provisions included in rates.

JOINTLY-OWNED GENERATING STATIONS

Certain Entergy subsidiaries jointly own electric generating facilities with third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 1999, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Generating Stations	Fuel Type	Total Megawatt Capability	Ownership[1]	Investment	Accumulated Depreciation
				(In millions)	
Grand Gulf Unit 1	**Nuclear**	**1,200**	**90.00%[1]**	**$3,483**	**$1,313**
Independence Units 1 and 2	**Coal**	**1,678**	**47.90%**	**456**	**195**
White Bluff Units 1 and 2	**Coal**	**1,659**	**57.00%**	**404**	**205**
Roy S. Nelson Unit 6	**Coal**	**550**	**70.00%**	**403**	**199**
Big Cajun 2 Unit 3	**Coal**	**540**	**42.00%**	**227**	**106**

(1) Includes an 11.5% leasehold interest held by System Energy. System Energy's Grand Gulf 1 lease obligations are discussed in Note 10 to the financial statements.

INCOME TAXES

Entergy Corporation and its subsidiaries file a U.S. 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 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 ratemaking treatment.

REACQUIRED DEBT

The premiums and costs associated with reacquired debt of the domestic utility companies and System Energy (except that allocable to the deregulated operations of Entergy Gulf States) 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.

INVESTMENTS

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy has recorded on the consolidated balance sheet $136 million of additional value in its decommissioning trust funds. This increase represents the amount by which the fair value of the securities held in such funds exceeds the amounts deposited plus the earnings on the deposits. In accordance with the regulatory treatment for decommissioning trust funds, the domestic utility companies and System Energy have recorded an offsetting amount in unrealized gains on investment securities as a regulatory liability in other deferred credits.

Decommissioning trust funds for Pilgrim do not receive regulatory treatment. Accordingly, unrealized gains recorded on the assets in Pilgrim's trust funds are recognized as a separate component of shareholders' equity because these assets are classified as available for sale.

FOREIGN CURRENCY TRANSLATION

All assets and liabilities of Entergy's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of the period. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation adjustments are reflected in a separate component of shareholders' equity. Current exchange rates are used for U.S. dollar disclosures of future obligations denominated in foreign currencies.

EARNINGS PER SHARE

The average number of common shares outstanding for the presentation of diluted earnings per share were greater by approximately 199,000 shares in 1999, 176,000 shares in 1998, and 140,000 shares in 1997, than the number of such shares for the presentation of basic earnings per share due to Entergy's stock option and other stock compensation plans discussed more thoroughly in Note 5 to the financial statements.

Options to purchase approximately 5,205,000, 149,000, and 225,000 shares of common stock at various prices were outstanding at the end of 1999, 1998, and 1997, respectively, but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares at the end of each of the years presented.

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 meet 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. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. 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 the application 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 an impairment may exist that could require further write-offs of plant assets.

Emerging Issues Task Force (EITF) 97-4: "Deregulation of the Pricing of Electricity – Issues Related to the Application of FASB Statements No. 71 and 101" specifies that SFAS 71 should be discontinued at a date no later than when the effects of a transition to competition plan for all or a portion of the entity subject to such plan are reasonably determinable. Additionally, EITF 97-4 promulgates that regulatory assets to be recovered through cash flows derived from another portion of the entity that continues to apply SFAS 71 should not be written off; rather, they should be considered regulatory assets of the segment that will continue to apply SFAS 71.

As described in "Management's Financial Discussion and Analysis – Significant Factors and Known Trends," management believes that definitive outcomes have not yet been determined regarding transition to competition in any of Entergy's jurisdictions. Therefore, the regulated operations of the domestic utility companies and System Energy continue to apply SFAS 71. Arkansas and Texas have enacted retail open access laws, but Entergy believes that significant issues remain to be addressed by Arkansas and Texas regulators, and the enacted laws do not provide sufficient detail to reasonably determine the impact on Entergy Arkansas' and Entergy Gulf States' regulated operations.

TRANSITION TO COMPETITION LIABILITIES

In conjunction with the transition to competition of the electric utility industry in certain jurisdictions in which the domestic utility companies operate, regulatory mechanisms have been established to mitigate potential stranded costs. These mechanisms include the transition cost account at Entergy Arkansas, which is discussed further in Note 2 to the financial statements. Also included is a provision in the Texas transition legislation that allows depreciation on transmission and distribution assets to be directed toward generation assets. The liabilities recorded as a result of these mechanisms are classified as "transition to competition" deferred credits.

DOMESTIC OPERATING COMPANY DEREGULATED OPERATIONS

Entergy Gulf States does not apply regulatory accounting principles to its wholesale jurisdiction, steam department, Louisiana retail deregulated portion of River Bend, and the 30% interest in River Bend formerly owned by Cajun. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 24%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Gulf States to sell the electricity from the deregulated assets to Louisiana retail customers at 4.6 cents per KWH or off-system at higher prices, with certain provisions for sharing such incremental revenue above 4.6 cents per KWH between ratepayers and shareholders.

The results of these deregulated operations before interest charges for the years ended December 31, 1999, 1998, and 1997 are as follows (in thousands):

	1999	1998	1997
Operating revenues	**$166,509**	$178,303	$155,471
Operating expenses			
Fuel, operating, and maintenance	126,917	137,579	89,987
Depreciation	35,141	39,497	36,351
Total operating expense	162,058	177,076	126,338
Income tax expense	628	1,154	9,416
Net income from deregulated utility operations	$ 3,823	$ 73	$ 19,717

The net investment associated with these deregulated operations as of December 31, 1999 and 1998 was approximately $835 million and $864 million, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Entergy periodically reviews long-lived assets 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.

Assets regulated under traditional cost-of-service ratemaking, and thereby subject to SFAS 71 accounting, are generally not subject to impairment because 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 $1.2 billion (pre-tax) could be affected 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 jurisdictional abeyed portion of the River Bend plant and the portion of River Bend transferred from Cajun, and wholesale operations. Additionally, as noted above, the discontinuation of SFAS 71 regulatory accounting principles would require that Entergy review the affected assets for impairment.

DERIVATIVE FINANCIAL INSTRUMENTS AND COMMODITY DERIVATIVES

As a part of its overall risk management strategy, Entergy uses a variety of derivative financial instruments and commodity derivatives, including interest rate swaps and natural gas and electricity futures, forwards, and options.

Entergy accounts for derivative financial instruments used to mitigate interest rate risk in accordance with hedge accounting. Gains or losses from rate swaps used for such purposes that are sold or terminated are deferred and amortized over the remaining life of the debt instrument being hedged by the interest rate swap. If the debt instrument being hedged by the interest rate swaps is extinguished, any gain or loss attributable to the swap would be recognized in the period of the transaction. Additional information concerning Entergy's interest rate swaps outstanding as of December 31, 1999 is included in Note 7 to the financial statements.

Entergy's power marketing and trading business engages in price risk management activities for trading purposes. To conduct these activities, the business uses futures, forwards, swaps, and options, and uses the mark-to-market method of accounting. Under the mark-to-market method of accounting, forwards, futures, swaps, options, and other financial instruments with third parties are reflected at market value in the balance sheets. Changes in the assets and liabilities from these instruments (resulting primarily from newly originated transactions and the impact of price movements) are recognized currently in the statements of income. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value, and volatility factors underlying the commitments.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective for Entergy in 2001. This statement requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, and measured at fair value. The statement also requires the designation and reassessment of all hedging relationships. The changes in fair value of derivatives will be recognized in earnings or in comprehensive income, depending on the type of hedge relationship involved. Entergy has not completed its analysis of the effect that the adoption of SFAS 133 will have on its financial position, results of operations, or cash flows.

In February 2000, the FASB issued an SFAS exposure draft which would be effective for fiscal years beginning after June 15, 2001. The proposed SFAS would require initial measurement and recognition of the liability for closure and removal of long-lived assets, including decommissioning, at fair value at the time the SFAS is adopted. Determination of fair value will likely require the estimation and discounting of future cash flows using an expected present value technique. An asset partially offsetting the liability would be determined by further discounting the liability to the time it was first incurred, which is initial contamination of a nuclear plant. This asset and the related accumulated depreciation would be presented with other plant costs on the balance sheet because the cost of decommissioning/closing the plant would be recognized as part of the total cost of the plant asset. Any difference between the liability recognized and the related net asset recognized at the time the proposed SFAS is adopted would be treated as a cumulative effective adjustment in the statement of income, unless it is probable that the difference will ultimately be recoverable from or refundable to customers. In that case, a regulatory asset or liability would be recorded. Decommissioning expense following the effective date of the proposed SFAS would be determined independently of the regulatory treatment of such expense and could be higher than the current level of expense being recognized. Amortization of any regulatory asset or liability recorded at the time of adoption of the SFAS would mitigate any impact on net income.

2. RATE AND REGULATORY MATTERS

ELECTRIC INDUSTRY RESTRUCTURING

Arkansas

In April 1999, the Arkansas legislature enacted a law providing for competition in the electric utility industry through retail open access on January 1, 2002. With retail open access, generation operations will become a competitive business, but transmission and distribution operations will continue to be regulated. The APSC may delay implementation of retail open access, but not beyond June 30, 2003. The provisions of the new law:

- require utilities to separate (unbundle) their costs into generation, transmission, distribution, and customer service functions;
- require operation of transmission facilities by an organization independent from the generation, distribution, and retail operations;
- provide for the determination of and mitigation measures for generation market power, which could require generation asset divestitures;
- allow for recovery of stranded and transition costs if the costs are approved by the APSC;
- allow for the securitization of approved stranded costs; and
- freeze residential and small business customer rates for three years by utilities that will recover stranded costs.

Entergy Arkansas filed separate generation, transmission, distribution, and customer service rates with the APSC in December 1999. The rates were based on the cost-of-service study that formed the basis of the rates included in the 1997 settlement agreement. Hearings on the rate filing are scheduled for September 2000. If approved, these rates will become effective July 1, 2001. Entergy Arkansas also filed notice with the APSC in December 1999 of its intent to recover stranded costs. The APSC and various participants in the industry, including Entergy Arkansas, are currently in the process of implementing the legislation through various rulemaking and other proceedings.

Texas

In June 1999, the Texas legislature enacted a law providing for competition in the electric utility industry through retail open access. The law provides for retail open access by most electric utilities, including Entergy Gulf States, on January 1, 2002. With retail open access, generation and a new retail provider operation will be competitive businesses, but transmission and distribution operations will continue to be regulated. The new retail provider function will be the primary point of contact with the customers for most services beyond initiation of electric service and restoration of service following an outage. The provisions of the new law:

- require a rate freeze through January 1, 2002 with frozen rates beyond that for residential and small commercial customers of incumbent utilities;
- require utilities to separate (unbundle) their generation, transmission and distribution, and retail electric provider functions. Entergy Gulf States filed its plan in January 2000 with the PUCT to separate its functions. The plan included separate transmission and distribution companies;
- require operation in a non-discriminatory manner of transmission and distribution facilities by an organization independent from the generation and retail operations by the time competition is implemented;
- allow for recovery of stranded costs incurred in purchasing power and providing electric generation service if the costs are approved by the PUCT;
- allow securitization of regulatory assets and stranded costs;
- provide for the determination of and mitigation measures for generation market power; and
- require utilities to file separated data and proposed transmission, distribution, and competition tariffs by April 1, 2000.

The market power measures include a limit on the ownership of generation assets by a power generation company within a specified region. The implications of this limit are uncertain for Entergy Gulf States and the Entergy system. However, it is possible that Entergy Gulf States could be required to divest some of its generation assets if Entergy Gulf States is found to have generation market power. The legislation also requires affected utilities to sell at auction, at least 60 days before January 1, 2002, entitlements to at least 15% of their installed generation capacity in Texas. The obligation to auction capacity entitlements continues for up to 60 months after January 1, 2002, or until 40% of customers in the jurisdiction have chosen an alternative supplier, whichever comes first.

The PUCT and various participants in the industry are currently in the process of implementing the legislation through various rulemaking and other proceedings. Two significant rules have been issued by the PUCT:

• A code of conduct was approved by the PUCT in December 1999 to ensure that utilities do not allow affiliates to have a business advantage over competitors. The rules allow the continuation of shared services affiliates, such as Entergy Operations and Entergy Services. Entergy adopted an internal code of conduct to ensure compliance with the new rules.

• Rules governing the separated costs filing have been issued. Included is a provision establishing, as an alternative to a market-based return on equity, a presumptively reasonable return on equity for a distribution utility at 200 basis points over its cost of debt. The provision allows the utility to provide evidence that the return should be higher. The rules also provide that the utility may propose a performance-based enhancement to the authorized rate of return, based on distribution and transmission company independence. Management does not agree with the arbitrary level set in the rule and will seek a higher return in its separated costs filing. A workshop has been held by the PUCT to discuss opportunities to seek a performance-based return.

Louisiana

In September 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 bearing the burden of cost shifting. In 1997 and 1998, the LPSC identified areas and issues for consideration in the generic rulemaking docket on competition in the electric utility industry. In March 1999, the LPSC deferred making a decision on whether electric restructuring in Louisiana is in the public interest, but approved the development of a Louisiana specific plan for possible future implementation. The LPSC staff, outside consultants, and counsel were directed to work together to analyze and resolve outstanding issues and recommend a plan for the implementation of retail competition for consideration by the LPSC by January 1, 2001. The LPSC staff, outside consultants, counsel, and industry members are working together to develop a plan to be submitted to the LPSC.

Mississippi

Since 1996, Entergy Mississippi and the MPSC have been addressing issues regarding an orderly transition to a more competitive retail market for electricity. As a result, the MPSC issued, for informational purposes and to spur discussion, a proposed transition plan in June 1998. The plan provided for retail competition in Mississippi to begin January 1, 2001 and for recovery of allowable stranded costs through a non-bypassable charge during a transition period between January 2001 and the end of 2004. In preparing for competition, the MPSC has conducted hearings on:

• market power and reliability studies filed by the two investor-owned utilities in Mississippi;
• certification requirements and load dispatch and control rules;
• cost of service issues;
• holding company issues;

- rules and regulations that possibly could be promulgated, after appropriate state legislation, to implement retail electric competition;
- stranded costs; and
- rate caps and performance-based rates.

In February 2000, legislation was introduced in Mississippi to establish a study committee to consider retail competition and provide a report to the legislature by December 1, 2000. If this legislation passes, the transition plan discussed above would be put on hold until this report has been reviewed. Management does not expect deregulation in Mississippi to occur prior to 2003.

New Orleans

Entergy New Orleans filed an electric transition to competition plan in September 1997. This plan is similar to those filed for the other domestic utility companies. No procedural schedule has been established for consideration of that plan by the Council.

In October 1998, the Council established a procedural schedule to determine if natural gas retail competition is in the public interest. In April 1999, Entergy New Orleans filed a plan that would allow for gas retail open access in New Orleans. The plan outlines the conditions under which Entergy New Orleans could support gas retail open access should the Council find it in the public interest. Hearings on retail competition for gas service were held in November 1999. No further action has been taken by the Council.

RETAIL RATE PROCEEDINGS

Filings with the APSC

Entergy Arkansas is operating under the terms of a settlement agreement approved by the APSC in December 1997 that provides for the following:

- accelerated payment of Entergy Arkansas' Grand Gulf purchased power obligation in an amount totaling $165.3 million over the period from January 1999 to June 2004;
- collecting earnings in excess of an 11% return on equity in a transition cost account to offset stranded costs when retail access is implemented;
- a rate freeze until at least July 1, 2001; and
- rate decreases totaling $200 million over the two-year period 1998-1999. The net income effect from the rate reductions was approximately $22 million.

During 1999, Entergy Arkansas' operating expenses reflected reserves of $15.4 million ($9.5 million net of taxes) to record the 1999 accrual of excess earnings and an adjustment of the 1998 accrual. As of December 31, 1999, the transition cost account balance was $109.9 million. Additional reserves may also be required in 2000 based on earnings reviews.

In March 1999, Entergy Arkansas filed its annually redetermined energy cost rate with the APSC in accordance with the Energy Cost Recovery Rider formula and special circumstances agreement. The filing reflected that an increase was warranted to offset an under-recovery of the energy costs for 1998. The increased energy cost rate is effective April 1999 through March 2000.

Filings with the PUCT and Texas Cities

Rate Proceedings — In June 1999, the PUCT approved the settlement agreement that Entergy Gulf States entered into in February 1999. The settlement agreement resolved Entergy Gulf States' 1996 and 1998 rate proceedings and all of the settling parties' pending appeals in other matters, except for the appeal in the River Bend abeyed cost recovery proceeding discussed below. The Office of Public Utility Counsel, an intervenor in the proceeding, has appealed certain aspects of this settlement to Travis County District Court. Entergy Gulf States cannot predict the impact of the appeal. The settlement agreement provides for the following:

- an annual $4.2 million base rate reduction, effective March 1, 1999, which is in addition to the annual $69 million base rate reduction (net of River Bend accounting order deferrals) in the PUCT's second order on rehearing in October 1998;
- a methodology for semi-annual revisions of the fixed fuel factor based on the market price of natural gas;
- a base rate freeze through June 1, 2000. The Texas restructuring law extends the base rate freeze through December 2001;
- amortization of the remaining River Bend accounting order deferrals as of January 1, 1999, over three years on a straight-line basis, and the accounting order deferrals will not be recognized in any subsequent base rate case or stranded cost calculation;
- the dismissal of all pending appeals of the settling parties relating to Entergy Gulf States' proceedings with the PUCT, except the River Bend abeyed plant costs appeal discussed below; and
- the potential recovery in the River Bend appeal is limited to $115 million net plant in service as of January 1, 2002, less depreciation over the remaining life of the plant beginning January 1, 2002 through the date the plant costs are included in rate base, and any such recovery will not be used to increase rates above the level agreed to in the settlement agreement.

As a result of the settlement agreement, in June 1999, Entergy Gulf States:

- removed from its balance sheet a $207.3 million deferred asset and the associated provision recorded for unrecovered purchased power costs and deferred revenue from Nelson Industrial Steam Company, which had no net income impact on Entergy Gulf States;
- removed the reserve recorded in December 1997 for River Bend plant costs held in abeyance and reduced the plant asset, resulting in other income of $4.8 million; and

• removed the $93.9 million reserve recorded in 1998 for the amortization of River Bend accounting order deferrals to reflect the three-year amortization schedule detailed in the agreement. The income impact of this removal was largely offset by an increase in the rate of amortization of the accounting order deferrals.

In June 1999, the PUCT instituted a proceeding to consider the final adjustment of the rate refunds ordered as a result of Entergy Gulf States' November 1996 rate case. These refunds were required to occur over the fourteen-month period from August 1998 through September 1999. The PUCT issued an order in July 1999 adopting a calculation methodology which required Entergy Gulf States to refund an additional $25 million. This refund was recorded as a reduction in operating revenues.

In September and October 1999, seven cities in Entergy Gulf States' Texas service territory enacted ordinances purporting to require Entergy Gulf States to "book and hold in a suspense account all revenues from the sale of River Bend power attributable to the 30% share acquired from Cajun pending regulatory determination of the appropriate regulatory treatment of such power." The ordinances had an effective date of December 1997. Entergy Gulf States filed for a review of the ordinances at the PUCT in October 1999. In November 1999, Entergy Gulf States and the cities entered into a settlement agreement under which the parties agreed that the ordinances only required Entergy Gulf States to provide monthly informational reports concerning certain expenses, revenues, and operations associated with the 30% share. Entergy Gulf States treats the 30% share as a non-regulated operation.

Recovery of River Bend Costs — In March 1998, the PUCT disallowed recovery of $1.4 billion of company-wide abeyed River Bend plant costs which have been held in abeyance since 1988. Entergy Gulf States appealed the PUCT's decision on this matter to the Travis County District Court in Texas. In June 1999, subsequent to the settlement agreement discussed above, Entergy Gulf States removed the reserve for River Bend plant costs held in abeyance and reduced the value of the plant asset. The settlement agreement limits potential recovery of the remaining plant asset, less depreciation, to $115 million, beginning January 1, 2002 through the date the plant costs are included in rate base, and any such recovery will not be used to increase rates above the level as agreed to in the settlement agreement. The settlement agreement also prohibits Entergy Gulf States from acting on its appeal until January 1, 2002. Based on advice of counsel, management believes that it is probable that the matter will be remanded again to the PUCT for a further ruling on the prudence of the abeyed plant costs and it is reasonably possible that some portion of these costs will be included in rate base. However, no assurance can be given that additional reserves or write-offs will not be required in the future.

PUCT Fuel Cost Review — In September 1998, Entergy Gulf States filed an application with the PUCT for an increase in its fixed fuel factor and for a surcharge to Texas retail customers for the cumulative under-recovery of fuel and purchased power costs. The PUCT issued an order in December 1998 approving the implementation of a revised fuel factor and fuel and purchased power surcharge that would result in recovery of $112.1 million of under-recovered fuel costs, inclusive of interest, over a 24-month period. These increases were implemented in the first billing cycle in February 1999. North Star Steel Texas, Inc. has appealed the PUCT's order to the State District Court in Travis County, Texas. Entergy Gulf States cannot predict the outcome of this appeal.

Based on the settlement agreement discussed above, Entergy Gulf States adopted a methodology for calculating its fixed fuel factor based on the market price of natural gas. This calculation and any necessary adjustments began semi-annually as of March 1, 1999 and are scheduled to continue until December 2001. The calculation for the factor to be implemented March 1, 1999 showed that the fuel factor adopted in the December 1998 PUCT order should be reduced. This fuel factor reduction was approved by the PUCT in February 1999. The calculation for the factor to be implemented September 1, 1999 showed, and the PUCT approved on an interim basis, an increase in the fuel factor.

The amounts collected under Entergy Gulf States' fixed fuel factor are, and will continue to be, the subject of fuel reconciliation proceedings before the PUCT, including a fuel reconciliation case filed by Entergy Gulf States in July 1999. In February 2000, Entergy Gulf States reached a unanimous settlement with all parties to the proceeding. Entergy Gulf States is reconciling approximately $731 million (after excluding approximately $14 million related to Cajun issues to be handled in a subsequent proceeding) of fuel and purchased power costs. The settlement reduces Entergy Gulf States' requested surcharge in the reconciliation filing from $14.7 million to $2.2 million. Although the settlement terms are still being finalized, the parties will ask the PUCT to allow the remaining $2.2 million surcharge to be recovered beginning with the April 2000 billing cycle and continue until January 2001. In addition, Entergy Gulf States agreed to file a fuel reconciliation case by January 12, 2001 covering the period from March 1, 1999 through August 31, 2000.

In September 1999, Entergy Gulf States filed an application with the PUCT requesting an interim fuel surcharge to collect under-recovered fuel and purchased power expenses from March 1999 through July 1999. In December 1999, the PUCT approved the collection of $33.9 million over a five-month period beginning January 2000. The fuel and purchased power expenses contained in this surcharge will be subject to future fuel reconciliation proceedings.

Filings with the LPSC

Annual Earnings Reviews — In May 1995, Entergy Gulf States filed its second required post-Merger earnings analysis with the LPSC. Hearings on this review were held in December 1995. In October 1996, the LPSC ordered 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. Subsequently, Entergy Gulf States appealed the LPSC's order and obtained an injunction to stay the order, except insofar as it requires the $13.4 million reduction, which Entergy Gulf States implemented in November 1996. In addition, pursuant to an October 1996 settlement with the LPSC, Entergy Gulf States will be allowed to recover $8.1 million annually related to certain gas transportation and storage facilities costs. This amount will be applied as an offset to any refunds required. In April 1999, a Louisiana Supreme Court decision reduced the refund that Entergy Gulf States is required to make from $9.6 million to $6.0 million. The case has been remanded to the LPSC and management is continuing to evaluate the implications of this decision.

In May 1996, Entergy Gulf States filed its third required post-Merger earnings analysis with the LPSC. Based on this filing, Entergy Gulf States implemented a $5.3 million annual rate reduction in June 1996. In September 1998, the LPSC issued an order in the third required post-Merger earnings analysis that required a refund of $44.8 million for the period June 1996 through May 1997, and a prospective rate reduction of $54.6 million effective September 20, 1998. The decision is on appeal to the Louisiana Supreme Court.

In May 1997, Entergy Gulf States filed its fourth post-Merger earnings analysis with the LPSC. Hearings were concluded in 1998 and a final decision by the LPSC is expected during the second or third quarter of 2000.

In May 1998, Entergy Gulf States filed its fifth required post-Merger earnings analysis with the LPSC. This filing will be subject to review by the LPSC and may result in a change in rates. Hearings were held in May 1999 and a decision by the LPSC is expected in the fourth quarter of 2000 or the first quarter of 2001. In a bifurcated proceeding, the LPSC investigated transactions between Entergy Gulf States and other Entergy affiliates. Hearings were held in December 1999.

In May 1999, Entergy Gulf States filed its sixth required post-Merger earnings analysis with the LPSC. Hearings were held in February 2000. The timing of a final decision in the proceeding is not certain.

Entergy Gulf States' operating revenues during the fourth quarter of 1998 reflected reserves of $102.2 million ($60.9 million net of taxes) based on management's estimates of the probable outcome of the annual earnings reviews as well as the effects of the LPSC fuel cost review discussed below. Additional reserves of $36.1 million ($22.2 million net of taxes), including interest, are reflected in operating revenues in 1999. Proceedings on issues in the second, third, fourth, fifth, and sixth post-Merger earnings analyses will continue.

LPSC Fuel Cost Review — 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. In October 1996, the LPSC ordered a $34.2 million refund. The 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 an October 1996 settlement with the LPSC. Entergy Gulf States will be permitted to recover these costs in the future through base rates. In January 1999, the Louisiana Supreme Court affirmed the LPSC's October 1996 order. In accordance with this decision, Entergy Gulf States refunded $26.2 million, including interest, in August 1999. Management reserved for this refund in 1998 in connection with estimates of the probable outcome of this proceeding and the annual earnings reviews discussed above.

Formula Rate Plan Filings — In May 1997, Entergy Louisiana made its second annual performance-based formula rate plan filing with the LPSC for the 1996 test year. This filing resulted in a total rate reduction of approximately $54.5 million, which was implemented in July 1997. At the same time, rates were reduced by an additional $0.7 million and by an additional $2.9 million effective March 1998. Upon completion of the hearing process in December 1998, the LPSC issued an order requiring an additional rate reduction and refund, although the resulting amounts were not quantified. Entergy Louisiana has appealed this order and obtained a preliminary injunction pending a final decision on appeal.

In September 1998, Entergy Louisiana made its third annual performance-based formula rate plan filing with the LPSC for the 1997 test year. Entergy Louisiana settled this filing with the LPSC in the third quarter of 1999. The settlement required no further change in Entergy Louisiana's base rates. Entergy Louisiana will recover a $4.3 million excess credit as an offset to future rate reductions.

In April 1999, Entergy Louisiana submitted its fourth annual performance-based formula rate plan filing for the 1998 test year. The filing indicated that a $20.7 million base rate reduction might be appropriate. An interim rate reduction of $15.0 million was implemented effective August 1, 1999. Entergy Louisiana's filing will be subject to further review by the LPSC, which may result in an additional change in rates. Entergy Louisiana has provided reserves for the potential of further rate reductions. Hearings are scheduled with the LPSC in May 2000.

Fuel Adjustment Clause Litigation — In May 1998, a group of ratepayers filed a complaint against Entergy Corporation, Entergy Power, and Entergy Louisiana in state court in Orleans Parish purportedly on behalf of all Entergy Louisiana ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with the costs included in fuel filings with the LPSC and passed through to ratepayers. Among other things, plaintiffs allege that Entergy Louisiana improperly introduced certain costs into the calculation of the fuel charges, including imprudently purchased high-cost electricity from its affiliates and imprudently purchased high-cost gas. Plaintiffs allege that these practices violated Louisiana's antitrust laws. In addition, plaintiffs seek to recover interest and attorney fees. Exceptions have been filed by Entergy, asserting that this dispute should be litigated before the LPSC and FERC. At the appropriate time, if necessary, Entergy will raise its defenses to the antitrust claims. At present, the suit in state court is stayed by stipulation of the parties.

Plaintiffs also filed this complaint with the LPSC to initiate a review by the LPSC of Entergy Louisiana's monthly fuel adjustment charge filings and to force restitution to ratepayers of all costs that the plaintiffs allege were improperly included in those fuel adjustment filings. Marathon Oil Company and Louisiana Energy Users Group have also intervened in the LPSC proceeding. Discovery at the LPSC has been conducted and is expected to continue. Direct testimony was filed with the LPSC by plaintiffs and the intervenors in July 1999. In their testimony for the period 1989 through 1998, plaintiffs purport to quantify many of their claims in an amount totaling $544 million, plus interest. The plaintiffs will likely assert additional damages for the period 1974 through 1988. The Entergy companies filed responsive and rebuttal testimony in September 1999. Rebuttal testimony by the plaintiffs and intervenors was filed in November 1999. Direct testimony of the LPSC staff will be filed in April 2000, to which Entergy will be permitted to respond. Hearings before the LPSC are scheduled to begin in September 2000. Entergy intends to defend this matter vigorously, both in court and at the LPSC. The outcome of the lawsuit and the LPSC proceeding cannot be predicted at this time. Management has provided reserves for this, other litigation, and Entergy Louisiana's formula rate plan proceedings based on its estimate of the outcome of these proceedings.

Filings with the MPSC

In March 1999, Entergy Mississippi submitted its annual performance-based formula rate plan filing for the 1998 test year. In April 1999, the MPSC approved a prospective rate reduction of $13.3 million. This rate reduction went into effect May 1, 1999. In June 1999, Entergy Mississippi revised its March 1999 filing to include a portion of refinanced long-term debt not included in the original filing. This revision resulted in an additional rate reduction of approximately $1.5 million, effective July 1999.

Filings with the Council

1997 Settlement — Entergy New Orleans submitted its cost of service and revenue requirement filing in September 1997 to the Council. In connection with this filing, Entergy New Orleans filed a settlement agreement with the Council, which was approved in November 1998. The settlement agreement required the following:

- base rate reductions for Entergy New Orleans' electric customers of $7.1 million effective January 1, 1999, $3.2 million effective October 1, 1999, and $16.1 million effective October 1, 2000;
- a base rate reduction for Entergy New Orleans' gas customers of $1.9 million effective January 1999; and
- no base rate increases prior to October 1, 2001.

Natural Gas — The Council held hearings in May 1999 regarding the prudence of Entergy New Orleans' natural gas purchasing practices.

Fuel Adjustment Clause Litigation — In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorney fees. Exceptions to the plaintiffs' allegations were filed by Entergy, asserting, among other things, that jurisdiction over these issues rests with the Council and FERC. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. At present, the suit in state court is stayed by stipulation of the parties.

Plaintiffs also filed this complaint with the Council in order to initiate a review by the Council of their allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Discovery has begun in the proceedings before the Council. The plaintiffs have not yet stated the amount of damages they claim. Entergy intends to defend this matter vigorously, both in court and before the Council. The ultimate outcome of the lawsuit and the Council proceeding cannot be predicted at this time.

RIVER BEND COST DEFERRALS

Entergy Gulf States was amortizing $182 million of River Bend operating and purchased power costs, depreciation, and accrued carrying charges over a 20-year period; however the PUCT recently accelerated the recovery of these deferrals to a three-year recovery period ending May 1999. The settlement agreement discussed above dismissed Entergy Gulf States' appeal regarding these deferrals and allowed Entergy Gulf States to amortize the remainder of the accelerated balance as of January 1, 1999, over three years on a straight-line basis ending December 31, 2001.

GRAND GULF 1 DEFERRALS AND RETAINED SHARES

Under the settlement agreement entered into with the APSC in 1985 and amended in 1988, Entergy Arkansas retains 22% of its 36% share of Grand Gulf 1-related costs and recovers the remaining 78% of its share in rates. In the event that Entergy Arkansas is not able to sell its retained share to third parties, it may sell such energy to its retail customers at a price equal to its avoided energy cost, which is currently less than Entergy Arkansas' cost of energy from its retained share.

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 Entergy Louisiana's share of capacity and energy from Grand Gulf 1, subject to certain terms and conditions. Entergy Louisiana retains and does not recover from retail ratepayers, 18% of its 14% share of the costs of Grand Gulf 1 capacity and energy and recovers the remaining 82% of its share in rates. 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. Non-fuel operation and maintenance costs for Grand Gulf 1 are recovered through Entergy Louisiana's base rates. 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.

Under 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, 1999, the uncollected balance of Entergy New Orleans' deferred costs was $35.8 million.

FERC SETTLEMENT

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 will refund a total of approximately $62 million, plus interest, to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans through June 2004. 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 amortizing and recovering these costs 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 until 2004.

PROPOSED RATE INCREASE

System Energy applied to FERC in May 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 to the financial statements. In December 1995, System Energy implemented the $65.5 million rate increase, subject to refund, for which a portion has been reserved. After holding hearings in 1996, a FERC Administrative Law Judge (ALJ) found that portions of System Energy's request should be rejected, including a proposed increase in return on common equity from 11% to 13% and a requested change in decommissioning cost methodology. The ALJ recommended a decrease in the return on common equity from 11% to 10.86%. Other portions of System Energy's request for a rate increase were approved by the ALJ. All of the ALJ's findings are advisory, and may be accepted, modified, or rejected by FERC in a final order.

If FERC were to approve the ALJ's findings, System Energy would be required to make a refund of money collected under its proposed tariff in the amount of $228.2 million as of December 31, 1999, together with interest in the amount of $39.6 million. As of December 31, 1999, System Energy has fully provided reserves for this potential refund. It is not certain when FERC may issue a final order in this rate proceeding or whether FERC will accept, modify, or reject the ALJ's findings. Although management believes that the recorded reserves are adequate to reflect the probable outcome of this proceeding, additional reserves or write-offs could be required in the future.

Entergy Mississippi's allocation of the proposed System Energy wholesale rate increase is $21.6 million annually. In July 1995, Entergy Mississippi filed a schedule with the MPSC that defers the retail recovery 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. Under this plan, the deferral period was anticipated to have ended by September 1998, and the deferred amount would have been amortized over 48 months beginning in October 1998. Although the deferral period under the plan has ended, FERC has not yet issued an order. For that reason, Entergy Mississippi filed a revised deferral plan with the MPSC in August 1998 that provides for recovery, effective with October 1998 billings, of $11.8 million of the System Energy rate increase that was approved by the FERC ALJ's initial decision in July 1996. The $11.8 million is being amortized over the original 48-month period, which began in October 1998. The amount of System Energy's proposed increase in excess of the $11.8 million will continue to be deferred until the issuance of a final order by FERC, or October 2000, whichever occurs first. These deferred amounts, plus carrying charges, will be amortized over a 45-month period beginning in October 2000.

Entergy New Orleans' allocation of the proposed System Energy wholesale rate increase is $11.1 million annually. In February 1996, Entergy New Orleans filed a plan with the Council 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.

GRAND GULF ACCELERATED RECOVERY TARIFF

In April 1998, FERC approved the GGART that Entergy Arkansas filed as part of the settlement agreement that the APSC approved in December 1997. The tariff was designed to allow Entergy Arkansas to pay down a portion of its Grand Gulf purchased power obligation in advance of the implementation of retail access in Arkansas. The tariff provides for the acceleration of $165.3 million of its obligation over the period January 1, 1999 through June 30, 2004. The settlement agreement with the APSC is discussed above in "Filings with the APSC."

In September 1998, FERC approved the GGART for Entergy Mississippi's allocable portion of Grand Gulf, which was filed with FERC in August 1998. The tariff provides for the acceleration of Entergy Mississippi's Grand Gulf purchased power obligation in an amount totaling $221.3 million over the period October 1, 1998 through June 30, 2004.

3. INCOME TAXES

Income tax expenses for 1999, 1998, and 1997 consist of the following (in thousands):

In thousands, for the years ended December 31.	1999	1998	1997
Current:			
Federal	$452,568	$235,979	$433,444
Foreign	27,730	28,156	237,337
State	65,834	67,163	76,905
Total	546,132	331,298	747,686
Deferred – net	(153,304)	(109,474)	(312,691)
Investment tax credit			
adjustments – net	(36,161)	44,911	36,346
Recorded income tax expense	$356,667	$266,735	$471,341

Entergy's total income taxes differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 1999, 1998, and 1997 are (amounts in thousands):

In thousands, for the years ended December 31.	1999	1998	1997
Computed at statutory rate (35%)	$333,093	$368,327	$270,284
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	49,487	37,494	33,272
Depreciation	49,460	40,578	25,471
Rate deferrals – net	(254)	(511)	3,484
Amortization of investment tax credits	(29,015)	(21,285)	(19,592)
Flow-through/permanent differences	(8,042)	(3,570)	(6,537)
U.S. tax/benefit on foreign income	(9,584)	108,194	—
Non-taxable gain on sale of foreign assets	—	(20,283)	—
Foreign subsidiary basis difference	—	(58,235)	—
Reduced rate on gain on sale of foreign assets	—	(56,712)	—
Change in U.K. statutory rate	—	(31,703)	(64,670)
Non-deductible franchise fees	—	7,315	17,234
Interest on perpetual instruments	—	(5,467)	(9,094)
U.K. windfall profits tax	—	—	234,080
Change in valuation allowance	(46,315)	(106,636)	—
Other – net	17,837	9,229	(12,591)
Total income taxes	$356,667	$266,735	$471,341
Effective income tax rate	37.5%	25.3%	61.0%

Significant components of Entergy's net deferred tax liabilities as of December 31, 1999 and 1998, are as follows (in thousands):

In thousands, for the years ended December 31,	1999	1998
DEFERRED TAX LIABILITIES:		
Net regulatory assets/(liabilities)	$(1,268,257)	$(1,334,014)
Plant-related basis differences	(3,041,135)	(3,053,837)
Rate deferrals	(77,652)	(97,071)
Gain on sale of assets	—	(80,500)
Other	(201,958)	(55,700)
Total	$(4,589,002)	$(4,621,122)
DEFERRED TAX ASSETS:		
Accumulated deferred investment tax credit	178,153	192,696
Investment tax credit carryforwards	—	8,979
Net operating loss carryforwards	2,137	2,137
Capital loss carryforwards	62,754	65,939
Foreign tax credits	114,701	135,727
Alternative minimum tax credit	48,658	40,658
Sale and leaseback	238,690	240,067
Removal cost	108,572	108,858
Unbilled revenues	40,761	36,802
Pension-related items	32,734	30,911
Rate refund	142,984	110,312
Reserve for regulatory adjustments	124,078	158,839
Transition cost accrual	43,127	35,374
FERC Settlement	12,638	15,057
Other	161,074	10,719
Valuation allowance	(91,039)	(142,261)
Total	$ 1,204,022	$ 1,050,814
Net deferred tax liability	$(3,382,980)	$(3,570,308)

As of December 31, 1999, Entergy has net operating loss carryforwards of $24.5 million for state income tax purposes, all related to Entergy Gulf States. If the state net operating loss carryforwards are not utilized against income from its subsidiaries, they will expire between 2000 and 2004. The alternative minimum tax (AMT) credit carryforwards as of December 31, 1999 were $40.7 million, all related to Entergy Gulf States. This AMT credit can be carried forward indefinitely and may be applied solely against the federal income tax liability of Entergy Gulf States.

The valuation allowance is provided primarily against foreign tax credit carryforwards, which can be utilized against future United States taxes on foreign source income. If these carryforwards are not utilized, they will expire between 2000 and 2004.

At December 31, 1999, unremitted earnings of foreign subsidiaries were approximately $29.5 million. Since it is Entergy's intention to indefinitely reinvest these earnings, no U.S. taxes have been provided. Upon distribution of these earnings in the form of dividends or otherwise, Entergy could be subject to U.S. income taxes (subject to foreign tax credits) and withholding taxes payable to various foreign countries.

4. LINES OF CREDIT AND RELATED SHORT-TERM BORROWINGS

The short-term borrowings of the domestic utility companies and System Energy are limited to amounts authorized by the SEC. The current limits authorized are effective through November 30, 2001. In addition to borrowing from commercial banks, Entergy companies are authorized to borrow from the Entergy System Money Pool (money pool). The money pool is an inter-company borrowing arrangement designed to reduce the domestic utility companies' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the SEC authorized limits. The following are the SEC-authorized limits and borrowings from the money pool for the domestic utility companies and System Energy as of December 31, 1999 (there were no borrowings outstanding from external sources):

In millions	Authorized	Outstanding Borrowings
Entergy Arkansas	$ 235	$ 40.6
Entergy Gulf States	340	36.1
Entergy Louisiana	225	91.5
Entergy Mississippi	103	50.0
Entergy New Orleans	35	9.7
System Energy	140	—
Total	$1,078	$227.9

Other Entergy companies have SEC authorization to borrow from Entergy Corporation through the money pool and from external sources in an aggregate principal amount up to $265 million. These Entergy companies had $116.6 million outstanding as of December 31, 1999 borrowed from the money pool. Some of these borrowings are restricted as to use and are collateralized by certain assets.

In September 1999, Entergy Corporation amended its $250 million, 364-day bank credit facility. As of December 31, 1999, $120 million was outstanding under this facility. The weighted-average interest rate on Entergy's outstanding borrowings as of December 31, 1999 and 1998 was 7.48% and 5.97%, respectively. The commitment fee for this facility is currently .15% of the line amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior debt ratings of the domestic utility companies. There is further discussion of commitments for long-term financing arrangements in Note 7 to the financial statements.

On February 25, 2000, Entergy Corporation obtained a 364-day term loan in the amount of $120 million, the proceeds of which are being used to make an open-account advance to Entergy Louisiana in order to repay maturing debt. Entergy Corporation will use any remaining proceeds for general corporate purposes and working capital needs.

5. PREFERRED, PREFERENCE, AND COMMON STOCK

The number of shares authorized and outstanding, and dollar value of preferred and preference stock for Entergy as of December 31, 1999 and 1998 were:

	Shares Authorized and Outstanding		Total Dollar Value		Call Price Per Share as of December 31,
Dollars in thousands, as of December 31,	1999	1998	1999	1998	1999
PREFERENCE STOCK					
Cumulative, without par value:					
7.00% Series [a][b]	6,000,000	6,000,000	$150,000	$150,000	
PREFERRED STOCK					
Without sinking fund:					
Cumulative, $100 par value:					
4.16% – 5.56% Series	1,201,715	1,201,715	$120,172	$120,172	$102.50 – $108.00
6.08% – 8.56% Series	1,662,829	1,662,829	166,283	166,283	101.80 – 103.78
Cumulative, $25 par value:					
8.00% – 9.68% Series	1,480,000	1,480,000	37,000	37,000	25.00
Cumulative, $0.01 par value:					
$1.96 Series[a]	600,000	600,000	15,000	15,000	25.00
Total without sinking fund	4,944,544	4,944,544	$338,455	$338,455	
With sinking fund:					
Cumulative, $100 par value:					
7.00% – 12.00% Series[b]	350,000	1,273,971	$35,000	$127,396	
Adjustable Rate – A, 7.02%[c]	144,000	156,000	14,400	15,600	100.00
Adjustable Rate – B, 7.03%[c]	202,500	225,000	20,250	22,500	100.00
Cumulative, $25 par value:					
9.92% – 12.64% Series	—	81,085	—	2,027	
Total with sinking fund	696,500	1,736,056	$69,650	$167,523	
Fair Value of Preferred Stock and Preference Stock with sinking fund[d]			$218,721	$314,255	

(a) The total dollar value represents the liquidation value of $25 per share.

(b) These series are not redeemable as of December 31, 1999, but become mandatorily redeemable on July 15, 2000.

(c) Represents weighted-average annualized rates for 1999.

(d) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is additional disclosure of fair value of financial instruments in Note 14 to the financial statements.

Changes in the preferred stock, with and without sinking fund, of the domestic utility companies during the last three years were:

	Number of Shares		
	1999	1998	1997
Preferred stock retirements			
$100 par value	**(958,471)**	**(134,812)**	**(1,129,812)**
$25 par value	**(81,085)**	**(160,000)**	**(460,000)**

Cash sinking fund requirements and mandatory redemptions for the next five years for preferred and preference stock, outstanding as of December 31, 1999, are (in millions): 2000 – $153.5, 2001 – $38.5, 2002 – $3.5, 2003 – $3.5, and 2004 – $3.5. Entergy Gulf States has the annual non-cumulative option to redeem, at par, additional amounts of certain series of its outstanding preferred stock.

In October 1998, the Board approved a plan for the repurchase of Entergy common stock through December 31, 2001, to fulfill the requirements of various compensation and benefit plans. The stock repurchase plan provides for purchases in the open market of up to five million shares of Entergy common stock for an aggregate consideration of up to $250 million. In July 1999, the Board approved the commitment of up to an additional $750 million toward the repurchase of Entergy common stock through December 31, 2001. In 1999, Entergy Corporation repurchased 8,484,000 shares of its common stock for an aggregate purchase price of approximately $245 million. Shares are purchased on a discretionary basis.

Entergy Corporation 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 Ownership Plan), and certain other stock benefit plans. The Directors' Plan awards to nonemployee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation previously repurchased common stock. Shares awarded under the Directors' Plan were 11,400 during 1999; 5,100 during 1998; and 9,104 during 1997.

During 1999, Entergy Corporation issued 350,568 shares of its previously repurchased common stock to satisfy stock options exercised and stock purchases under the Equity Plan. In addition, Entergy Corporation received proceeds of $7.5 million from the issuance of 253,269 shares of common stock under its dividend reinvestment and stock purchase plan during 1999.

The Equity Ownership Plan grants stock options, equity awards, and incentive awards to key employees of the domestic utility companies. The costs of equity and incentive awards are charged to income over the period of the grant or restricted period, as appropriate. Amounts charged to compensation expense in 1999 were immaterial. Stock options, which comprise 50% of the shares targeted for distribution under the Equity Ownership Plan, are granted at exercise prices not less than market value on the date of grant. The options granted prior to 1999 were generally exercisable six months from the date of grant, with the exception of 40,000 options granted on December 1, 1998, which became exercisable on January 1, 2000. The majority of options granted in 1999 will become exercisable equally over a three-year period. Options are not exercisable beyond ten years from the date of the grant.

Entergy does not recognize compensation expense for stock options issued with exercise prices at market value on the date of grant. The impact on Entergy's net income for each of the years 1999, 1998, and 1997 would have been $15.5 million, $278,000, and $296,000, respectively, had compensation cost for the stock options been recognized based on the fair value of options at the grant date for awards under the option plan.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following stock option weighted-average assumptions:

	1999	1998	1997
Stock price volatility	20.3%	20.9%	19.3%
Expected term in years	5	5	5
Risk-free interest rate	4.7%	5.1%	6.3%
Dividend yield	4.8%	5.4%	6.8%
Dividend payment	$1.20	$1.58	$1.80

To meet the requirements of the Employee Stock Investment Plan (ESIP), the SEC authorized Entergy Corporation to issue or acquire, through March 31, 2000, up to 2,000,000 shares of its common stock to be held as treasury shares. The ESIP is authorized through the 1999 plan year ending March 31, 2000. Entergy Corporation may issue either treasury shares or previously authorized but unissued shares to satisfy ESIP requirements. Under the terms of the ESIP, employees can choose each year to have up to 10% of their regular annual salary (not to exceed $25,000) withheld to purchase the Company's common stock at a purchase price equal to 85% of the lower of the market value on the first or last business day of the plan year ending March 31. Under the plan, the number of subscribed shares was 285,505 in 1999; 294,108 in 1998; and 319,457 in 1997.

The fair value of ESIP shares granted was estimated on the date of the grant using the Black-Scholes option-pricing model with expected ESIP weighted-average assumptions:

	1999	1998	1997
Stock price volatility	20.9%	24.1%	19.3%
Expected term in years	1	1	1
Risk-free interest rate	4.6%	5.1%	6.1%
Dividend yield	4.3%	6.1%	7.4%
Dividend payment	$1.20	$1.80	$1.80

The weighted-average fair value of those purchase rights granted was $5.90, $6.32, and $4.75 in 1999, 1998, and 1997, respectively. The impact on Entergy's net income would have been ($3,086), ($256,000), and $98,000 in 1999, 1998, and 1997, respectively, had compensation cost for the ESIP been determined based on the fair value at the grant date for awards under the ESIP.

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (Savings Plan). The Savings Plan is a defined contribution plan covering eligible employees of Entergy and its subsidiaries who have completed certain service requirements. The Savings Plan provides that the employing Entergy subsidiary may make matching contributions to the plan in an amount equal to 50% of the participant's basic contribution, up to 6% of their salary, in shares of Entergy Corporation common stock. Entergy's subsidiaries' contributions to the Savings Plan, and any income thereon, are invested in shares of Entergy Corporation common stock. Entergy's subsidiaries contributed $14.5 million in 1999, $13.6 million in 1998, and $13.2 million in 1997 to the Savings Plan.

Nonstatutory stock option transactions are summarized as follows:

	1999		1998		1997	
	Number of Options	Average Option Price	Number of Options	Average Option Price	Number of Options	Average Option Price
Beginning-of-year balance	901,639	$26.21	1,176,308	$25.12	1,053,308	$24.94
Options granted	5,354,189	29.80	125,000	29.46	255,000	25.84
Options exercised	(213,084)	23.69	(350,169)	23.37	(2,500)	23.38
Options forfeited	(411,638)	30.34	(49,500)	28.56	(129,500)	25.10
End-of-year balance	5,631,106	$29.50	901,639	$26.21	1,176,308	$25.12
Options exercisable at year-end	612,531		861,639		421,909	
Weighted average fair value of options granted	$4.72		$4.11		$3.10	

The following table summarizes information about stock options outstanding as of December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	As of 12/31/99	Weighted-Average Remaining Contractual Life-Years	Weighted-Average Exercise Price	Number Exercisable at 12/31/99	Weighted-Average Exercise Price
$20 – $30	5,173,076	8.8	$29.29	533,312	$24.83
$30 – $40	458,030	8.3	$31.81	79,219	$35.99
$20 – $40	5,631,106	8.7	$29.50	612,531	$26.27

6. COMPANY-OBLIGATED REDEEMABLE PREFERRED SECURITIES

Entergy Arkansas Capital I, Entergy Louisiana Capital I, and Entergy Gulf States Capital I (Trusts) were established as financing subsidiaries of Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States, respectively, for the purpose of issuing common and preferred securities. The Trusts issue Cumulative Quarterly Income Preferred Securities (Preferred Securities) to the public and issue common securities to their parent companies. Proceeds from such issues are used to purchase junior subordinated deferrable interest debentures (Debentures) from the parent company. The Debentures held by each Trust are its only assets. Each Trust uses interest payments received on the Debentures owned by it to make cash distributions on the Preferred Securities.

Trusts	Date Of Issue	Preferred Securities Issued	Common Securities Issued	Interest Rate Securities/ Debentures	Trust's Investment in Debentures	Fair Market Value of Preferred Securities at 12-31-99
		(In millions)			(In millions)	
Arkansas Capital I	**8-14-96**	**$60.0**	**$1.9**	**8.50%**	**$61.9**	**$60.3**
Louisiana Capital I	**7-16-96**	**$70.0**	**$2.2**	**9.00%**	**$72.2**	**$70.0**
Gulf States Capital I	**1-28-97**	**$85.0**	**$2.6**	**8.75%**	**$87.6**	**$77.4**

The Preferred Securities of the Trusts mature in the years 2045 and 2046. The Preferred Securities are redeemable at 100% of their principal amount at the option of Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States beginning in 2001 and 2002, or earlier under certain limited circumstances, including the loss of the tax deduction arising out of the interest paid on the Debentures. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States have, pursuant to certain agreements, fully and unconditionally guaranteed payment of distributions on the Preferred Securities issued by their respective trusts. Entergy Arkansas, Entergy Louisiana, and Entergy Gulf States are the owners of all of the common securities of their individual Trusts, which constitute 3% of each Trust's total capital.

7. LONG-TERM DEBT

The long-term debt of Entergy Corporation's subsidiaries as of December 31, 1999 and 1998, was (in thousands):

Maturities		Interest Rates			
From	To	From	To	1999	1998
First Mortgage Bonds					
1999	2004	5.800%	8.250%	$1,337,109	$1,640,709
2005	2010	6.500%	7.500%	428,000	428,000
2020	2026	7.000%	8.940%	819,950	833,237
G&R Bonds					
2000	2012	6.200%	8.250%	415,000	290,000
2013	2026	7.550%	8.650%	175,000	300,000
Governmental Obligations[a]					
1999	2010	5.450%	8.500%	22,315	39,537
2011	2020	5.600%	9.500%	569,535	886,135
2021	2030	4.850%	8.000%	1,051,750	729,200
Debentures					
1999	2000	7.380%	7.800%	75,000	75,000
Saltend Project Senior Credit Facility, average rate 6.93%, due 2014				578,681	320,485
Damhead Creek Project Senior Credit Facility, average rate 5.98%, due 2016				342,929	166,482
Long-Term DOE Obligation (Note 9)				136,088	129,891
Waterford 3 Lease Obligation 7.45% (Note 10)				330,306	353,600
Grand Gulf Lease Obligation 7.02% (Note 10)				465,480	481,301
EP Edegel, Inc. Note Payable, 7.7% due 2000				67,000	67,000
Other Long-Term Debt				10,391	134,313
Unamortized Premium and Discount – Net				(17,396)	(23,052)
Total Long-Term Debt				6,807,138	6,851,838
Less Amount Due Within One Year				194,555	255,221
Long-Term Debt Excluding Amount Due Within One Year				$6,612,583	$6,596,617
Fair Value of Long-Term Debt[b]				$5,815,189	$6,244,711

(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.

For the years 2000, 2001, 2002, 2003, and 2004 Entergy Corporation's subsidiaries have long-term debt maturities (excluding lease obligations) and annual cash sinking fund requirements for debt outstanding as of December 31, 1999, totaling (in millions) $181, $276, $380, $129, and $442, respectively. In addition, other sinking fund requirements will be satisfied by cash or by certification of property additions at the rate of 167% of such requirements. The amounts associated with this provision total approximately $49.6 million for each of the years 2000-2004.

On February 15, 2000, Entergy Mississippi issued $120 million of 7.75% Series First Mortgage Bonds due February 15, 2003. On March 9, 2000, Entergy Arkansas issued $100 million of 7.72% Series First Mortgage Bonds due March 1, 2003. The proceeds of both issuances will be used for general corporate purposes, including the retirement of short-term indebtedness that was incurred for working capital needs and capital expenditures.

Entergy Power Development Corporation (EPDC) maintains a credit facility of BPS100 million ($161.5 million) to finance the acquisition of the Damhead Creek Project, assist in the financing of the Saltend project, and for general corporate purposes in connection with the acquisition and development of power generation, distribution or transmission facilities. As of December 31, 1999, there were no cash advances outstanding under this facility. Approximately BPS6.8 million ($10.5 million) was outstanding as of December 31, 1998. The interest rate on the outstanding cash advances was 5.88% and 6.97% as of December 31, 1999 and 1998, respectively. The commitment fee is .17% of the undrawn amount. In addition, EPDC has BPS89.7 million ($144.9 million) of letters of credit under the credit facility to support project commitments on the Saltend and Damhead Creek projects.

Saltend Cogeneration Company Limited (SCCL), an indirect wholly-owned subsidiary of EPDC, maintains a BPS586 million ($946.4 million) non-recourse senior credit facility providing bridge and term loan facilities, cost overrun and working capital facilities, and contingent letter of credit and guarantee facilities (the Senior Credit Facility) to finance the construction and operation of a 1,200 MW gas-fired power plant in northeast England. Borrowings under the Senior Credit Facility are repayable over a 15-year period beginning December 31, 2000. In addition, SCCL has also entered into a BPS72 million ($116.3 million) subordinated credit facility (the Subordinated Credit Facility) which is to be drawn down by the earlier of completion of construction or August 31, 2000. The proceeds of borrowings under the Subordinated Credit Facility will be used to repay a portion of the Senior Credit Facility. The Subordinated Credit Facility is repayable over a 10-year period beginning December 31, 2000. All of the assets of SCCL are pledged as collateral under the Senior Credit Facility and the Subordinated Credit Facility.

In February 1998, SCCL entered into 15-year interest rate swap agreements for 85% of the debt outstanding under the bridge and term loan portion of the Senior Credit Facility on an average fixed-rate basis of 6.44%. SCCL is exposed to market risks from movements in interest rates in the unlikely event that the counterparties to the interest rate swap agreements were to default on contractual payments. At December 31, 1999, SCCL had outstanding interest rate swap agreements totalling a notional amount of $603.2 million. The estimated fair value of the interest rate swap agreements, which represent the estimated amount SCCL would have received to terminate the swaps at December 31, 1999, was a net asset of $3.4 million. Under the Senior Credit Facility and the Subordinated Credit Facility, SCCL's ability to make distributions of dividends, loans, or advances to EPDC is restricted by, among other things, the requirement to pay permitted project costs, make debt repayments, and maintain cash reserves.

In December 1998, Damhead Creek Finance Limited (DCFL), an indirect wholly-owned subsidiary of EPDC, entered into a BPS463.4 million ($748.4 million) non-recourse senior credit facility providing (among other things) bridge and term loan facilities, cost overrun and working capital facilities, and contingent letter of credit and guarantee facilities (the Senior Credit Facility) to finance the construction and operation of an 800 MW gas-fired power plant in southeast England. Borrowings under the Senior Credit Facility are repayable after completion of construction over a fifteen-year period beginning December 31, 2001. DCFL also entered into a BPS36.1 million ($58.3 million) subordinated credit facility (the Subordinated Credit Facility) which is to be drawn down by the earlier of commercial operation or July 22, 2001. Borrowings under the Subordinated Credit Facility will be used to repay a portion of the Senior Credit Facility. The Subordinated Credit Facility is payable over a ten-year period beginning December 31, 2001. Pursuant to a corporate restructuring in April 1999, Damhead Finance LDC (DFLDC), an indirect wholly-owned subsidiary of EPDC, replaced DCFL as borrower under the Senior Credit Facility and the Subordinated Credit Facility. All of the assets of DFLDC are pledged as collateral under the Senior Credit Facility and the Subordinated Credit Facility. Furthermore, the Senior Credit Facility requires DFLDC to enter into interest rate hedge agreements for a majority of the project debt from the earlier of commercial operation or the date the long term interest rate for the agreed interest rate hedging strategy exceeds 8%. Under the Senior Credit Facility and the Subordinated Credit Facility, DFLDC's ability to make distributions of dividends, loans, or advances to EPDC is restricted by, among other things, the requirement to pay permitted project costs, make debt repayments, and maintain cash reserves.

8. DIVIDEND RESTRICTIONS

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating 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. As of December 31, 1999, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $199.3 million and $15.8 million, respectively. During 1999, cash dividends paid to Entergy Corporation by its subsidiaries totaled $532.3 million.

9. COMMITMENTS AND CONTINGENCIES

CAPITAL REQUIREMENTS AND FINANCING

For the years 2000 through 2004, Entergy plans to spend $9.8 billion in a capital investment plan focused on improving service at the domestic utility companies and growing its global power development and nuclear operations businesses. The estimated allocation in the plan is $4.2 billion to the domestic utility companies, $3.9 billion to the global power development business, and $1.7 billion to the nuclear operations business. This plan is contingent upon Entergy's ability to access the capital necessary to finance the planned expenditures. Construction expenditures (including environmental expenditures and AFUDC, but excluding nuclear fuel) for Entergy are estimated at $1.5 billion in 2000, $1.7 billion in 2001, and $1.8 billion in 2002. Included in these totals are estimated construction expenditures for the domestic utility companies and System Energy as follows:

(In millions)	2000	2001	2002	Total
Entergy Arkansas	**$350**	**$248**	**$188**	**$786**
Entergy Gulf States	**298**	**269**	**204**	**771**
Entergy Louisiana	**202**	**188**	**162**	**552**
Entergy Mississippi	**115**	**122**	**123**	**360**
Entergy New Orleans	**50**	**46**	**45**	**141**
System Energy	**39**	**28**	**12**	**71**

The domestic utility companies' anticipated spending is focused mainly on (i) distribution and transmission projects that will support continued reliability improvements; (ii) return to service of generation stations that have been held in reserve shutdown status; and (iii) transitioning to a more competitive environment. Projected construction expenditures for the replacement of ANO 2's steam generators, which is scheduled for the third quarter of 2000, are included in Entergy Arkansas' estimated figures above. Entergy will also require $1.0 billion during the period 2000-2002 to meet long-term debt and preferred stock maturities and cash sinking fund requirements. Entergy plans to meet these requirements primarily with internally generated funds and cash on hand, supplemented by proceeds from the issuance of debt, outstanding credit facilities, and project financing. Certain domestic utility companies and System Energy may also continue the reacquisition or refinancing of all or a portion of certain outstanding series of preferred stock and long-term debt. See "Management's Financial Discussion and Analysis–Liquidity and Capital Resources" for additional discussion of Entergy's capital spending plans.

SALES WARRANTIES AND INDEMNITIES

In the Entergy London and CitiPower sales transactions, Entergy or its subsidiaries made certain warranties to the purchasers. These warranties include representations regarding litigation, accuracy of financial accounts, and the adequacy of existing tax provisions. Notice of a claim on the CitiPower warranties must be given by December 2000, and Entergy's potential liability is limited to A$100 million ($66 million). Notice of a claim on the Entergy London warranties must be given for certain items by December 1999, and for the tax warranties, must be given by June 30, 2001. Entergy's liability is limited to BPS1.4 billion ($2.3 billion) on certain tax warranties and BPS140 million ($226 million) on the remaining warranties. No such notices have been received. Entergy has also agreed to maintain the net asset value of the subsidiary that sold Entergy London at $700 million through June 30, 2001. Management periodically reviews reserve levels for these warranties and believes it has adequately provided for the ultimate resolution of such matters as of December 31, 1999.

FUEL PURCHASE AGREEMENTS

Entergy Arkansas has long-term contracts for the supply of low-sulfur coal to White Bluff Steam Electric Generating Station and Independence Steam Electric Generating Station (which is also 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 spot market purchases.

Entergy Gulf States has a contract for a supply of low-sulfur coal for Nelson Unit 6, which should be sufficient to satisfy the fuel requirements at Nelson Unit 6 through 2010. Effective April 1, 2000, Louisiana Generating LLC will assume ownership of the Cajun portion of the Big Cajun generating facilities. The management of Louisiana Generating LLC has advised Entergy Gulf States that it has executed coal supply and transportation contracts that should provide an adequate supply of coal for the operation of Big Cajun 2, Unit 3 for the foreseeable future.

In June 1992, Entergy Louisiana agreed to a 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 $7.6 million. Such charges aggregate $99 million for the years 2000 through 2012.

Entergy's global power development business has entered into gas supply contracts at the project level to supply up to 100% of the gas requirements for the Saltend and Damhead Creek power plants located in the UK. Both contracts have 15-year terms and include a take-or-pay obligation for approximately 75% of the gas requirement for each plant. Under the terms of Saltend's contract and based on its current construction schedule, Entergy's global power development business may incur certain liabilities with regard to this gas prior to the projects reaching commercial operation. The disposition of the gas will be managed under the terms of the contract, and the financial effect on the Saltend project is expected to be minimal.

SALES AGREEMENTS/POWER PURCHASES

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 (collectively the Industrial Participants), whereby Entergy Gulf States' Nelson Units 1 and 2 were sold to Nelson Industrial Steam Company, a partnership 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 purchased electricity from the joint venture totaling $51.4 million in 1999, $57.5 million in 1998, and $70.7 million in 1997.

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately $70.3 million in 1999, $77.8 million in 1998, and $64.6 million in 1997. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately $85.2 million in 2000, and a total of $3.5 billion for the years 2001 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause.

NUCLEAR INSURANCE

The Price-Anderson Act limits public liability of a nuclear plant owner for a single nuclear incident to approximately $9.5 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, System Energy, and Entergy's non-utility nuclear power business) and an industry assessment program. Under the assessment program, the maximum payment requirement for each nuclear incident would be $88.1 million per reactor, payable at a rate of $10 million per licensed reactor per incident per year. Entergy has six licensed reactors, including Pilgrim. As a co-licensee of Grand Gulf 1 with System Energy, Southern Mississippi Electric Power Agency (SMEPA) would share 10% of this obligation. In addition, each owner/licensee of Entergy's six nuclear units participates in a private insurance program that provides coverage for worker tort claims filed for bodily injury caused by radiation exposure. The program provides for a maximum assessment of approximately $18.6 million for the six nuclear units in the event that losses exceed accumulated reserve funds.

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and Entergy's non-utility nuclear power business 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, 1999, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy were each insured against such losses up to $2.3 billion. Entergy's non-utility nuclear power business is insured for $1.115 billion in property damages for Pilgrim under these insurance programs. In addition, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy's non-utility nuclear power business 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, 1999, the maximum amounts of such possible assessments were: Entergy Arkansas – $16.6 million; Entergy Gulf States – $14.1 million; Entergy Louisiana – $15.3 million; Entergy Mississippi – $0.5 million; Entergy New Orleans – $0.3 million; System Energy – $12.7 million, and Entergy's non-utility nuclear power business – $7.3 million. Under its agreement with System Energy, SMEPA would share in System Energy's 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 render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

SPENT NUCLEAR FUEL AND DECOMMISSIONING COSTS

Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, System Energy, and Entergy's non-utility nuclear power business 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 United States Department of Energy (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 one-time fee for generation prior to that date. Entergy Arkansas is the only Entergy company that generated electricity with nuclear fuel prior to that date and has recorded a liability as of December 31, 1999 of approximately $136 million for the one-time fee. The fees payable to the DOE may be adjusted in the future to assure full recovery. Entergy's non-utility nuclear power business has accepted assignment of the Pilgrim spent fuel disposal contract with the DOE previously held by Boston Edison. Boston Edison has paid to the DOE the fees for all generation prior to the July 1999 purchase date. Entergy considers all costs incurred for the disposal of spent nuclear fuel, except accrued interest, to be proper components of nuclear fuel expense. Provisions to recover such costs have been or will be made by the domestic utility companies 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. Considerable uncertainty exists regarding the time frame under which the DOE will begin to accept spent fuel from Entergy facilities for storage or disposal.

Pending DOE acceptance and disposal of spent nuclear fuel, the owners of nuclear plants are responsible for their own spent fuel storage. Current on-site spent fuel storage capacity at Grand Gulf 1 and River Bend is estimated to be sufficient until approximately 2005 and 2003, respectively. The spent fuel pool at Waterford 3 was recently expanded through the replacement of the existing storage racks with higher density storage racks. This expansion should provide sufficient storage for Waterford 3 until after 2010. An ANO storage facility using dry casks began operation in 1996 and is being expanded in 2000. Current on-site spent fuel storage capacity at ANO, including the current expansion, is estimated to be sufficient until approximately 2002. This facility may be further expanded as required. The spent fuel storage facility at Pilgrim is expected to provide storage capacity until approximately 2003. Entergy plans to modify the facility to provide sufficient spent fuel storage capacity through approximately 2012.

The cost of adding additional spent fuel storage capacity as needed at each site will be reassessed in 2000. In December 1999, Entergy Arkansas, System Energy, and Entergy Gulf States issued requests for proposals for additional dry storage capacity at ANO, Grand Gulf 1, and River Bend, respectively.

Total approved decommissioning costs for rate recovery purposes as of December 31, 1999, for the domestic utility companies' nuclear power plants, excluding the co-owner share of Grand Gulf 1, have been estimated as follows:

(In millions)	Total Estimated Approved Decommissioning Costs
ANO 1 and ANO 2 (based on a 1998 cost study reflecting 1997 dollars)	$ 813.1
River Bend (based on a 1996 cost study reflecting 1996 dollars)	419.0
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
	$1,918.1

Decommissioning cost updates were prepared for Waterford 3 and Grand Gulf in 1999 and produced revised decommissioning cost updates of $481.5 million and $540.8 million, respectively. The cost update for Waterford 3 will be included in a filing with the LPSC in the second quarter of 2000. The cost update for Grand Gulf has not yet been filed with FERC.

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 approved decommissioning costs for ANO and Waterford 3, respectively.

As part of the Pilgrim purchase, Boston Edison funded a $471.3 million decommissioning trust fund, which was transferred to Entergy's non-utility nuclear power business. After a favorable tax determination regarding the trust fund, Entergy returned $43 million of the trust fund to Boston Edison. Based on cost estimates provided by an outside consultant, Entergy believes that Pilgrim's decommissioning fund will be adequate to cover future decommissioning costs for the Pilgrim plant without any additional deposits to the trust.

In the Texas retail jurisdiction, Entergy Gulf States is recovering in rates River Bend decommissioning costs that total $385.2 million, based on a 1996 cost study. Entergy Gulf States included decommissioning costs of $513.3 million based on a 1998 cost update amount of $562.7 million in the PUCT rate review filed in November 1998. The PUCT ordered that Entergy Gulf States continue funding at the level based on the 1996 study. In the Louisiana retail jurisdiction, Entergy Gulf States included decommissioning costs, based on the 1996 study, in the LPSC rate reviews filed in May 1996, 1997, and 1998. In June 1996, a rate change was implemented that included decommissioning revenue requirements based on the 1996 study. In September 1998, the LPSC issued an order accepting the 1996 cost study amount of $419 million. In the May 1999 rate review, Entergy Gulf States included decommissioning costs based on the 1998 update of $562.7 million.

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 updated decommissioning costs (based on the 1994 study) in its pending 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 rate case.

Entergy periodically reviews and updates estimated decommissioning costs. Although Entergy is presently under-recovering for Grand Gulf, Waterford 3, and River Bend based on the above estimates, applications have been and will continue to be made to the appropriate regulatory authorities to reflect projected decommissioning costs in rates. The amounts recovered in rates are deposited in trust funds and reported at market value based upon market quotes 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 are recorded as deferred credits for System Energy and Entergy's non-utility nuclear power business. The liability associated with the trust funds received from Cajun with the transfer of Cajun's 30% share of River Bend is also recorded as a deferred credit by Entergy Gulf States.

The cumulative liabilities and actual decommissioning expenses recorded in 1999 by Entergy were as follows:

(In millions)	Cumulative Liabilities as of December 31, 1998	1999 Trust Earnings	1999 Decommissioning Expenses	Other	Cumulative Liabilities as of December 31, 1999
ANO 1 and ANO 2	**$253.4**	**$ 7.6**	**$10.7**	**$ —**	**$ 271.7**
River Bend	**190.3**	**5.6**	**7.6**	**—**	**203.5**
Waterford 3	**71.9**	**2.3**	**8.8**	**—**	**83.0**
Grand Gulf 1	**107.3**	**3.2**	**18.9**	**—**	**129.4**
Pilgrim[1]	**—**	**—**	**6.8**	**428.0**	**434.8**
	$622.9	**$18.7**	**$52.8**	**$428.0**	**$1,122.4**

(1) The $428 million reflected above for Pilgrim represents Entergy's estimate of the present value of Pilgrim's decommissioning liability at the time of Entergy's purchase of Pilgrim. Pilgrim's trust earnings are not shown as an increase to its decommissioning liability because it is not subject to regulatory treatment.

In 1998 and 1997, ANO's decommissioning expense was $15.6 million and $17.3 million, respectively; River Bend's decommissioning expense was $3.4 million and $8.9 million, respectively; Waterford 3's decommissioning expense was $8.8 million in both years, and Grand Gulf 1's decommissioning expense was $18.9 million in both years. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment.

The Energy Policy Act contains 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. Annual assessments (in 1999 dollars), which will be adjusted annually for inflation, are for 15 years and are approximately $3.9 million for Entergy Arkansas, $1.0 million for Entergy Gulf States, $1.5 million for Entergy Louisiana, and $1.6 million for System Energy. DOE fees are included in other current liabilities and other noncurrent liabilities and, as of December 31, 1999, recorded liabilities were $27.0 million for Entergy Arkansas, $4.7 million for Entergy Gulf States, $10.3 million for Entergy Louisiana, and $10.0 million for System Energy. 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 recover these costs through rates in the same manner as other fuel costs.

ANO MATTERS

Cracks in steam generator tubes at ANO 2 were discovered and repaired during an outage in March 1992. Further inspections and repairs were conducted during subsequent refueling and mid-cycle outages, including the most recent mid-cycle outage in November 1999. Turbine modifications were installed in May 1997 to restore most of the output lost due to steam generator fouling and tube plugging. In October 1996, the Board authorized Entergy Arkansas and Entergy Operations to fabricate and install replacement steam generators at ANO 2. Entergy Operations thereafter entered into contracts for the design, fabrication, and installation of replacement steam generators. In December 1998, the APSC issued an order finding replacement of the ANO 2 steam generators is in the public interest. It is anticipated that the steam generators will be installed during a planned refueling outage in September 2000. Entergy estimates the cost of fabrication and replacement of the steam generators to be approximately $150 million.

ENVIRONMENTAL ISSUES

Entergy Gulf States has been designated as a Potentially Responsible Party (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 cleanup 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, 1999, a remaining provision of $19.1 million existed relating to the clean-up of the remaining sites at which Entergy Gulf States has been designated as a PRP.

During 1993, the Louisiana Department of Environmental Quality (LDEQ) issued new rules for solid waste regulation, including regulation of wastewater impoundments. Entergy Louisiana and Entergy New Orleans have determined that certain of their power plant wastewater impoundments were affected by these regulations and have chosen to upgrade or close them. As a result, a remaining recorded liability in the amount of $5.9 million for Entergy Louisiana and $0.5 million for Entergy New Orleans existed at December 31, 1999 for wastewater upgrades and closures. Completion of this work is pending LDEQ approval.

EMPLOYMENT LITIGATION

Entergy Corporation, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and Entergy New Orleans are defendants in numerous lawsuits filed by former employees asserting that they were wrongfully terminated and/or discriminated against on the basis of 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.

CAJUN – COAL CONTRACTS

Entergy Gulf States filed declaratory judgment actions in the U.S. Bankruptcy Court in which the Cajun bankruptcy case is pending. These actions were filed to seek rulings declaring that Entergy Gulf States is not liable for damages to certain coal suppliers and the rail and barge companies that transport coal to Big Cajun 2, Unit 3 if their contracts were rejected in the bankruptcy proceeding. Collectively, the coal suppliers and transporters asserted claims in the Cajun bankruptcy case that exceeded $1.6 billion. In October 1999, the bankruptcy court confirmed a plan of reorganization in the bankruptcy case pursuant to a settlement agreement among the parties. The settlement agreement and plan of reorganization effectively release Entergy Gulf States from any claims asserted by the coal suppliers and transporters for Big Cajun 2. The settlement agreement is subject to regulatory approvals.

GRAND GULF 1-RELATED AGREEMENTS

Capital Funds Agreement

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. 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 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.

LITIGATION

In addition to those discussed above, Entergy and the domestic utility companies are involved in a number of legal proceedings and claims in the ordinary course of their business. While management is unable to predict the outcome of such litigation, it is not expected that the ultimate resolution of these matters will have a material adverse effect on results of operations, cash flows, or financial condition of these entities.

10. LEASES

GENERAL

As of December 31, 1999, Entergy had capital leases and non-cancelable 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:

Year	Capital Leases	Operating Leases
	(In thousands)	
2000	$ 25,379	$ 88,978
2001	23,676	77,761
2002	19,414	60,338
2003	19,414	43,422
2004	19,414	40,173
Years thereafter	39,882	127,346
Minimum lease payments	$147,179	$438,018
Less: Amount representing interest	48,570	
Present value of net minimum lease payments	$ 98,609	

Rental expense for Entergy's leases (excluding nuclear fuel leases and the Grand Gulf 1 and Waterford 3 sale and leaseback transactions) amounted to approximately \$65.2 million, \$69.4 million, and \$70.7 million, in 1999, 1998, and 1997, respectively. In addition to the above rental expense, Entergy Arkansas and Entergy Gulf States railcar operating lease payments, which are recorded in fuel expense, amounted to approximately \$13.7 million and \$2.7 million, respectively, in 1999, 1998, and 1997. The railcar lease payments are recorded as fuel expense in accordance with regulatory treatment.

NUCLEAR FUEL LEASES

As of December 31, 1999, Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy each had arrangements to lease nuclear fuel in an aggregate amount up to \$410 million. As of December 31, 1999, the unrecovered cost base of Entergy Arkansas', Entergy Gulf States', Entergy Louisiana's, and System Energy's nuclear fuel leases amounted to approximately \$286 million. The lessors finance the acquisition and ownership of nuclear fuel through credit agreements and the issuance of intermediate-term notes. The credit agreements for Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, and System Energy have termination dates of December 2000, December 2000, January 2002, and February 2001, respectively. Such termination dates may be extended from time to time with the consent of the lenders. The intermediate-term notes issued pursuant to these fuel lease arrangements have varying maturities through March 15, 2002. It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. However, if such additional financing cannot be arranged, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations.

Lease payments are based on nuclear fuel use. Nuclear fuel lease expense charged to operations by the domestic utility companies and System Energy in 1999, 1998, and 1997 was \$137.8 million (including interest of \$14.5 million), \$158.8 million (including interest of \$16.6 million), and \$149.9 million (including interest of \$18.7 million), respectively.

SALE AND LEASEBACK TRANSACTIONS

In 1988 and 1989, System Energy and Entergy Louisiana, respectively sold and leased back portions of their ownership interests in Grand Gulf 1 and Waterford 3 for 26½-year and 28-year lease terms, respectively. Both companies have options to terminate the leases, to repurchase the sold interests, or to renew the leases at the end of their terms.

Under System Energy's 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 March 20, 2003.

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.

In July 1997, Entergy Louisiana caused the Waterford 3 lessors to issue $307.6 million aggregate principal amount of Waterford 3 Secured Lease Obligation Bonds, 8.09% Series due 2017, to refinance the outstanding bonds originally issued to finance the purchase of the undivided interests by the lessors. The lease payments have been reduced to reflect the lower interest costs.

As of December 31, 1999, System Energy and Entergy Louisiana had future minimum lease payments, recorded as long-term debt (reflecting an overall implicit rate of 7.02% and 7.45%, respectively) as follows:

Year	System Energy	Entergy Louisiana
	(In thousands)	
2000	**$ 42,753**	**$ 42,573**
2001	**46,803**	**40,909**
2002	**53,827**	**39,246**
2003	**48,524**	**59,709**
2004	**36,133**	**31,739**
Years thereafter	**574,782**	**440,690**
Total	**802,822**	**654,866**
Less: Amount representing interest	**337,342**	**324,560**
Present value of net minimum lease payments	**$465,480**	**$330,306**

11. POSTRETIREMENT BENEFITS

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 domestic 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.

Total 1999, 1998, and 1997 pension cost of Entergy, including amounts capitalized, included the following components (in thousands):

	1999	1998	1997
Service cost – benefits earned during the period	$ 39,327	$ 45,470	$ 47,703
Interest cost on projected benefit obligation	104,591	192,132	193,665
Expected return on plan assets	(130,535)	(233,058)	(220,641)
Net amortization and deferral	1,622	1,719	1,720
Net pension cost	$ 15,005	$ 6,263	$ 22,447

The funded status of Entergy's various pension plans as of December 31, 1999 and 1998 was (in thousands):

	1999	1998
CHANGE IN PROJECTED BENEFIT OBLIGATION (PBO)		
Balance at beginning of year	$1,553,251	$2,495,107
Service cost	39,327	45,470
Interest cost	104,591	192,132
Actuarial (gain)/loss	(126,715)	142,217
Benefits paid	(80,580)	(161,999)
Acquisition/disposition of subsidiaries[a]	9,727	(1,159,676)
Balance at end of year	$1,499,601	$1,553,251
CHANGE IN PLAN ASSETS		
Fair value of assets at beginning of year	$1,791,192	$3,133,232
Actual return on plan assets	241,460	472,181
Employer contributions	13,106	72,596
Benefits paid	(80,580)	(161,999)
Disposition of subsidiaries[a]	—	(1,724,818)
Fair value of assets at end of year	$1,965,178	$1,791,192
Funded status	$ 465,577	$ 237,941
Unrecognized transition asset	(17,446)	(24,798)
Unrecognized prior service cost	30,892	32,748
Unrecognized net (gain)/loss	(483,741)	(239,781)
Prepaid/(accrued) pension costs	$ (5,518)	$ 6,110

(a) Reflects the disposition of London Electricity and CitiPower effective December 1998.

OTHER POSTRETIREMENT BENEFITS

Entergy also provides health care and life insurance benefits for retired employees. Substantially all domestic 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. 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 which began in 1993.

Entergy Arkansas, the portion of Entergy Gulf States regulated by the PUCT, Entergy Mississippi, and Entergy New Orleans have received regulatory approval to recover SFAS 106 costs through rates. Entergy Arkansas began recovery in 1998, pursuant to an APSC order. This order also allowed Entergy Arkansas to amortize a regulatory asset (representing the difference between SFAS 106 costs and cash expenditures for other postretirement benefits incurred for a five-year period that began January 1, 1993) over a period of 15 years beginning in January 1998.

The LPSC ordered the portion of Entergy Gulf States regulated by the LPSC and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for postretirement benefits to determine if special exceptions to this order are warranted.

Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, the portion of Entergy Gulf States regulated by the PUCT, and System Energy fund postretirement benefit obligations collected in rates. System Energy is funding on behalf of Entergy Operations postretirement benefits associated with Grand Gulf 1. Entergy Louisiana and Entergy Gulf States continue to recover a portion of these benefits regulated by the LPSC and FERC on a pay-as-you-go basis. The assets of the various postretirement benefit plans other than pensions include common stocks, fixed-income securities, and a money market fund.

Total 1999, 1998, and 1997 postretirement benefit costs of Entergy, including amounts capitalized and deferred, included the following components (in thousands):

	1999	1998	1997
Service cost – benefits earned during the period	**$16,950**	**$13,878**	**$13,991**
Interest cost on APBO	**29,467**	**28,443**	**29,317**
Expected return on assets	**(8,208)**	**(5,260)**	**(3,386)**
Net amortization and deferral	**16,466**	**14,417**	**15,864**
Net postretirement benefit cost	**$54,675**	**$51,478**	**$55,786**

The funded status of Entergy's postretirement plans as of December 31, 1999 and 1998 was (in thousands):

	1999	1998
CHANGE IN APBO		
Balance at beginning of year	$444,509	$ 427,962
Service cost	16,950	13,878
Interest cost	29,467	28,443
Actuarial gain	(40,202)	1,322
Benefits paid	(25,881)	(27,096)
Acquisition of subsidiary	4,929	—
Balance at end of year	$429,772	$ 444,509
CHANGE IN PLAN ASSETS		
Fair value of assets at beginning of year	$ 89,579	$59,687
Actual return on plan assets	7,134	4,616
Employer contributions	43,576	52,372
Benefits paid	(25,881)	(27,096)
Acquisition of subsidiary	5,800	—
Fair value of assets at end of year	$120,208	$ 89,579
Funded status	$(309,564)	$(354,930)
Unrecognized transition obligation	149,141	160,613
Unrecognized prior service cost	335	379
Unrecognized net (gain)/loss	(19,374)	24,704
Prepaid/(accrued) postretirement benefit liability	$(179,462)	$(169,234)

The assumed health care cost trend rate used in measuring the APBO of Entergy was 5.5% for 2000, gradually decreasing each successive year until it reaches 5.0% in 2005 and beyond. A one percentage-point increase in the assumed health care cost trend rate for 1999 would have increased the APBO and the sum of the service cost and interest cost of Entergy as of December 31, 1999 by approximately $34.5 million and $5.3 million, respectively. A one percentage-point decrease in the assumed health care cost trend rate for 1999 would have decreased the APBO and the sum of the service cost and interest cost of Entergy as of December 31, 1999 by approximately $29.2 million and $4.4 million, respectively.

The significant actuarial assumptions used in determining the pension PBO and the SFAS 106 APBO for 1999, 1998, and 1997 were as follows:

	1999	1998	1997
Weighted-average discount rate	7.50%	6.75%	7.25%
Weighted-average rate of increase in future compensation levels	4.60%	4.60%	4.60%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%

Entergy's pension transition assets are being amortized over the greater of the remaining service period of active participants or 15 years, and its SFAS 106 transition obligations are being amortized over 20 years.

12. DISPOSITIONS AND ACQUISITIONS

BUSINESS DISPOSITIONS

As part of the new strategic plan adopted by Entergy in August 1998, Entergy sold several businesses during 1998, including the following:

Business	Pre-tax Gain (Loss) on Sale (In millions)
London Electricity	**$327**
CitiPower[a]	**38**
Efficient Solutions, Inc.	**(69)**

(a) The gain on the CitiPower sale reflects a $7.6 million favorable adjustment to the final sales price in January 1999.

In keeping with this plan, in January 1999, Entergy disposed of its security monitoring subsidiary, Entergy Security, Inc. at a minimal gain. Several telecommunication businesses were sold in June, also at small gains.

The results of operations of these businesses are included in Entergy's Consolidated Statements of Income through their respective dates of sale. Gains and losses arising from sales of businesses are included in "Other Income (Deductions), Gain on sale of assets – net" in that statement.

ASSET ACQUISITION

On July 13, 1999, Entergy's non-utility nuclear power business acquired the 670 MW Pilgrim Nuclear Station, located in Plymouth, Massachusetts, from Boston Edison. The acquisition included the plant, real estate, materials and supplies, and nuclear fuel, for a total purchase price of $81 million. The purchase price was funded with a portion of the proceeds from the sales of non-regulated businesses. As part of the Pilgrim purchase, Boston Edison funded a $471 million decommissioning trust fund, which was transferred to an Entergy subsidiary. Based on a favorable tax determination regarding the trust fund, Entergy returned $43 million of the trust fund to Boston Edison.

13. BUSINESS SEGMENT INFORMATION

In 1998, Entergy adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." Entergy's reportable segments as of December 31, 1999 are domestic utility and power marketing and trading. Entergy's international electric distribution businesses, Entergy London and CitiPower, were sold in December 1998. These businesses would have been a reportable segment had they been held as of December 31, 1998, and financial information regarding them is also provided below.

Domestic utility provides retail electric service in portions of Arkansas, Louisiana, Mississippi, and Texas, and provides natural gas utility service in portions of Louisiana. Entergy's power marketing and trading segment markets wholesale electricity, gas, other generating fuels, and electric capacity, and markets financial instruments to third parties. Entergy's operating segments are strategic business units managed separately due to their different operating and regulatory environments.

Entergy's segment financial information is as follows (in thousands):

	Domestic Utility and System Energy	Power Marketing and Trading*	Entergy London*	CitiPower*	All Other*	Eliminations	Consolidated
1999							
Operating Revenues	$ 6,414,623	$2,249,274	$—	$—	$ 143,146	$ (33,815)	$ 8,773,228
Operating Expenses:							
Fuel & gas purch. for resale	1,672,075	411,519	—	—	—	(719)	2,082,875
Purchased power	693,202	1,771,128	—	—	—	(21,846)	2,442,484
Nuclear refueling outages	76,057	—	—	—	—	—	76,057
Other operation & maint.	1,405,208	66,383	—	—	247,250	(13,296)	1,705,545
Deprec., amort. & decomm.	732,182	5,212	—	—	7,475	—	744,869
Taxes other than income	334,834	682	—	—	3,768	—	339,284
Other regulatory charges	8,113	—	—	—	—	—	8,113
Amort. of rate deferrals	122,347	—	—	—	—	—	122,347
Total operating expenses	5,044,018	2,254,924	—	—	258,493	(35,861)	7,521,574
Operating Income (Loss)	1,370,605	(5,650)	—	—	(115,347)	2,046	1,251,654
Other Income	78,911	3,937	—	—	186,378	(5,586)	255,640
Interest Charges	536,543	2,006	—	—	20,592	(3,540)	555,601
Income Before Income Taxes	904,973	(3,719)	—	—	50,439	—	951,693
Income Taxes	351,448	(3,228)	—	—	8,447	—	356,667
Net Income (Loss)	$ 553,525	$ (491)	$—	$—	$ 41,992	$ —	$ 595,026
Total assets	$18,956,750	$ 460,063	$—	$—	$3,762,115	$(193,841)	$22,985,087
1998							
Operating Revenues	$ 6,310,543	$2,854,980	$1,911,875	$ 303,245	$ 150,297	$(36,168)	$11,494,772
Operating Expenses:							
Fuel & gas purch. for resale	1,547,413	160,135	—	—	—	(1,520)	1,706,028
Purchased power	614,964	2,674,807	1,218,534	101,407	—	(24,268)	4,585,444
Nuclear refueling outages	83,885	—	—	—	—	—	83,885
Other operation & maint.	1,336,881	45,247	298,748	71,603	247,720	(12,159)	1,988,040
Deprec., amort. & decomm.	763,818	5,058	126,586	28,444	61,023	—	984,929
Taxes other than income	340,612	997	—	18,226	2,318	—	362,153
Other regulatory charges	35,136	—	—	—	—	—	35,136
Amort. of rate deferrals	237,302	—	—	—	—	—	237,302
Total operating expenses	4,960,011	2,886,244	1,643,868	219,680	311,061	(37,947)	9,982,917
Operating Income (Loss)	1,350,532	(31,264)	268,007	83,565	(160,764)	1,779	1,511,855
Other Income	58,196	7,630	36,810	124	272,865	(2,601)	373,024
Interest Charges	548,299	122	182,479	80,586	21,851	(822)	832,515
Income Before Income Taxes	860,429	(23,756)	122,338	3,103	90,250	—	1,052,364
Income Taxes	331,931	(8,216)	4,589	—	(61,569)	—	266,735
Net Income (Loss)	$ 528,498	$ (15,540)	$ 117,749	$ 3,103	$ 151,819	$ —	$ 785,629
Total assets	$19,727,666	$ 359,626	$ —	$ —	$2,783,732	$(34,330)	$22,836,694
1997							
Operating Revenues	$ 6,731,872	$493,102	$1,847,042	$ 342,959	$ 180,360	$(56,409)	$ 9,538,926
Operating Expenses:							
Fuel & gas purch. for resale	1,634,887	42,154	—	—	—	—	1,677,041
Purchased power	605,634	390,125	1,222,034	129,744	—	(28,726)	2,318,811
Nuclear refueling outages	73,857	—	—	—	—	—	73,857
Other operation & maint.	1,279,112	35,003	316,833	54,516	207,342	(6,657)	1,886,149
Deprec., amort. & decomm.	765,597	4,789	121,365	32,702	55,555	—	980,008
Taxes other than income	326,352	938	—	35,653	2,496	—	365,439
Other regulatory charges	(18,545)	—	—	—	—	—	(18,545)
Amort. of rate deferrals	421,803	—	—	—	—	—	421,803
Total operating expenses	5,088,697	473,009	1,660,232	252,615	265,393	(35,383)	7,704,563
Operating Income (Loss)	1,643,175	20,093	186,810	90,344	(85,033)	(21,026)	1,834,363
Other Income (Deductions)	(245,439)	2,476	21,525	45	2,517	19,025	(199,851)
Interest Charges	583,613	91	178,647	69,011	32,911	(2,001)	862,272
Income Before Income Taxes	814,123	22,478	29,688	21,378	(115,427)	—	772,240
Income Taxes	296,432	8,318	177,023	22,924	(33,356)	—	471,341
Net Income (Loss)	$ 517,691	$ 14,160	$ (147,335)	$ (1,546)	$ (82,071)	$ —	$ 300,899
Total assets	$20,114,594	$354,694	$4,403,625	$1,068,564	$1,093,783	$(34,560)	$27,000,708

Businesses marked with * are referred to as the "competitive businesses," with the exception of the parent company, Entergy Corporation, which is also included in the "All Other" column. The All Other category includes the parent Entergy Corporation, segments below the quantitative threshold for separate disclosure, and other business activities. Other segments principally include global power development and non-utility nuclear power operations and management. Other business activities principally include the gains on the sales of businesses. Reconciling items are principally inter-segment activity.

GEOGRAPHIC AREAS

For the years ended December 31, 1999, 1998, and 1997, Entergy did not derive material revenues from outside of the United States, other than from Entergy London and CitiPower, which are noted above.

Long-lived assets as of December 31 were as follows (in thousands):

	1999	1998	1997
Domestic	**$14,590,346**	**$14,863,488**	**$15,228,107**
Foreign	**910,408**	**465,094**	**2,904,721**
Consolidated	**$15,500,754**	**$15,328,582**	**$18,132,828**

14. RISK MANAGEMENT AND FAIR VALUES

COMMODITY DERIVATIVES

Entergy uses a variety of commodity derivatives, including natural gas and electricity futures, forwards, and options, as a part of its overall risk management strategy.

The power marketing and trading business engages in the trading of commodity instruments and, therefore, experiences net open positions. The business manages open positions with policies that limit its exposure to market risk and require daily reporting to management of potential financial exposure. These policies include statistical risk tolerance limits using historical price movements to calculate a value at risk measurement. The weighted-average life of the business' commodity risk portfolio was less than 18 months at December 31, 1999 and less than 12 months at December 31, 1998.

At December 31, 1999 and 1998, the power marketing and trading business had outstanding absolute notional contract quantities as follows (power volumes in thousands of megawatt hours, natural gas volumes in thousands of British thermal units):

	1999	1998
Energy Commodities:		
Power	**9,627**	**33,682**
Natural gas	**728,568**	**1,209,791**

Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk. Entergy's exposure to market risk is determined by a number of factors, including the size, duration, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affect the level of market risk. The most significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

The New York Mercantile Exchange (Exchange) guarantees futures and option contracts traded on the Exchange and there is nominal credit risk. On all other transactions described above, Entergy is exposed to credit risk in the event of non-performance by the counterparties. For each counterparty, Entergy analyzes the financial condition prior to entering into an agreement, establishes credit limits, and monitors the appropriateness of these limits on an ongoing basis. In some circumstances, Entergy requires letters of credit or parental guarantees. Entergy also uses netting arrangements whenever possible to mitigate Entergy's exposure to counterparty risk. Netting arrangements enable Entergy to net certain assets and liabilities by counterparty.

The change in market value of Exchange-traded futures and options contracts requires daily cash settlement in margin accounts with brokers. Swap contracts and most other over-the-counter instruments are generally settled at the expiration of the contract term and may be subject to margin requirements with the counterparty.

Entergy's principal markets for power and natural gas marketing services are utilities and industrial end-users located throughout the United States and the UK. The power marketing and trading business has a concentration of receivables due from those customers. These industry concentrations may affect the power marketing and trading business' overall credit risk, either positively or negatively, in that changes in economic, industry, regulatory, or other conditions may similarly affect certain customers. Trade receivables are generally not collateralized. However, Entergy analyzes customers' credit positions prior to extending credit, establishes credit limits, and monitors the appropriateness of these limits on an ongoing basis.

FAIR VALUES

Commodity Instruments

Fair value estimates of the power marketing and trading business' commodity instruments are made at discrete points in time based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment; therefore, actual results may differ from these estimates.

At December 31, 1999 and 1998, the fair values of the power marketing and trading business' energy-related commodity contracts used for trading purposes were as follows:

(In thousands)	1999 Assets	1999 Liabilities	1998 Assets	1998 Liabilities
Commodity Instruments:				
Natural Gas	$ 43,542	$ 39,361	$150,130	$150,311
Electricity	$185,575	$130,209	$147,363	$119,891

Financial Instruments

The estimated fair value of Entergy's financial instruments is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. The estimated fair value of derivative financial instruments is based on market quotes of the applicable interest rates. 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 held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment 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. For these reasons, and because of the related-party nature of these commitments and guarantees, determination of fair value is not considered practicable. Additional information regarding financial instruments and their fair values is included in Notes 4, 5, 6, and 7 to the financial statements.

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The business of the domestic utility companies and System Energy is subject to seasonal fluctuations with the peak periods occurring during the third quarter. Operating results for the four quarters of 1999 and 1998 were:

In thousands, except per share amounts	Operating Revenue	Operating Income	Net Income	Earnings per Share (Basic and Diluted)
1999:				
First Quarter	$1,639,922	$203,435	$ 72,906	$0.25
Second Quarter	2,316,404	363,951	209,758	$0.81
Third Quarter	3,864,535	597,595	296,158	$1.16
Fourth Quarter	1,752,367	86,673	16,204	$0.03
1998:				
First Quarter	$2,313,092	$285,507	$ 60,054	$0.20
Second Quarter	2,508,814	472,710	215,979	$0.83
Third Quarter	4,587,447	590,673	262,596	$1.01
Fourth Quarter	2,085,419	162,965	247,000	$0.96

DIRECTORS

The business and affairs of Entergy Corporation are managed under the direction of the Board of Directors, acting either as a body or through its committees. In 1999, the Board met seven times. The Board committees are as follows (number of meetings in 1999 indicated in parentheses): Audit (7), Director Affairs (4), Executive (2), Finance (7), Nuclear (10), Personnel (7), Public Affairs (4).

W. FRANK BLOUNT
Former Chief Executive Officer, Telstra Communications Corporation. Kiawah Island, South Carolina. Joined the Entergy Board in 1987. Age, 61

VADM. GEORGE W. DAVIS
U.S. Navy (ret.); Retired Director, President and Chief Operating Officer of Boston Edison Company. Columbia, South Carolina. Joined the Entergy Board in 1998. Age, 66

NORMAN C. FRANCIS
President, Xavier University of Louisiana, New Orleans, Louisiana. Joined the Entergy Board in 1994. Age, 69

J. WAYNE LEONARD
Entergy Chief Executive Officer. Joined Entergy in April 1998 as President and Chief Operating Officer; appointed CEO and elected to the Board of Directors on January 1, 1999. New Orleans, Louisiana. Age, 49

ROBERT V.D. LUFT
Entergy Chairman. Member of Entergy Board of Directors since 1992; elected Chairman of the Board on May 26, 1998. Also served as acting CEO from May 26 until December 31, 1998. Chadds Ford, Pennsylvania. Age, 64

ADM. KINNAIRD R. MCKEE
U.S. Navy (ret.), former director of Navy Nuclear Propulsion. Oxford, Maryland. Joined the Entergy Board in 1990. Age, 70

THOMAS F. "MACK" MCLARTY, III
Chairman of the Board of the McLarty Companies, Little Rock, Arkansas. Vice Chairman of Kissinger McLarty Associates, Washington, D.C. Joined the Entergy Board in 1999. Age, 53

PAUL W. MURRILL
Chairman of the Board, Piccadilly Cafeterias, Inc., Baton Rouge, Louisiana. An Entergy director since 1993. Age, 65

JAMES R. NICHOLS
Partner, Nichols & Pratt (family trustees), Attorney and Chartered Financial Analyst, Boston, Massachusetts. Joined the Entergy Board in 1986. Age, 61

EUGENE H. OWEN
Chairman and President, Utility Holdings, Inc., Baton Rouge, Louisiana; Chairman and Chief Executive Officer, Owen and White, Inc. An Entergy director since 1993. Age, 70

WILLIAM A. PERCY
President and Chief Executive Officer of Greenville Compress Company, Greenville, Mississippi. Joined the Entergy Board in January 2000. Age, 60

DENNIS H. REILLEY
President and Chief Executive Officer of PRAXAIR, Inc., Danbury, Connecticut. Joined the Entergy Board in 1999. Age, 47

WM. CLIFFORD SMITH
President of T. Baker Smith & Son, Inc., Houma, Louisiana. An Entergy director since 1983. Age, 64

BISMARK A. STEINHAGEN
Chairman of the Board of Steinhagen Oil Company, Inc., Beaumont, Texas. An Entergy director since 1993. Age, 65

OFFICERS

J. WAYNE LEONARD
Chief Executive Officer. Joined Entergy in 1998 as President and Chief Operating Officer; appointed CEO on January 1, 1999. Formerly an executive at Cinergy. Age, 49

JERRY L. MAULDEN*
Vice Chairman. Joined Entergy in 1965; elected vice chairman in 1995. Age, 63

DONALD C. HINTZ
President. Joined Entergy in 1989 and was Group President and Chief Nuclear Operating Officer before being appointed President on January 1, 1999. In charge of nuclear power for another utility before joining Entergy. Age, 57

JERRY D. JACKSON
Executive Vice President. Joined Entergy in 1987 after private legal practice and service on Arkansas Public Service Commission. Age, 55

C. JOHN WILDER
Executive Vice President and Chief Financial Officer. Joined Entergy in 1998. Formerly a finance executive for Royal Dutch/Shell with experience in executing acquisitions and ventures in the global energy industry and in dealing with financial markets. Age, 41

FRANK F. GALLAHER
Senior Vice President, Generation, Transmission, and Energy Management. Served as implementation manager for GSU merger in 1994. Joined Entergy in 1969. Age, 54

MICHAEL G. THOMPSON
Senior Vice President, General Counsel, and Secretary. Joined Entergy in 1992 after private legal practice. Age, 59

NATHAN E. LANGSTON
Vice President and Chief Accounting Officer. Joined Entergy in 1971 and advanced through various accounting and finance positions at Entergy Arkansas and Entergy before being promoted to VP & CAO in 1998. Age, 51

STEVEN C. MCNEAL
Vice President and Treasurer. Joined Entergy in 1982 as a financial analyst and was given increased responsibility in areas of finance, treasury, and risk management before being promoted to VP & Treasurer in 1998. Age, 43

JOSEPH T. HENDERSON
Vice President and General Tax Counsel. Joined Entergy in 1999. Formerly Associate General Tax Counsel for Shell Oil. Age, 42

*Retired December 31, 1999

INVESTOR INFORMATION

The 2000 Annual Meeting of Shareholders will be held on Friday, May 12, at the Sheraton New Orleans Hotel, 500 Canal Street, New Orleans, Louisiana. The meeting will begin at 10 a.m. (CDT).

SHAREHOLDER NEWS

Entergy's quarterly earnings results, dividend action, and other news and information of investor interest may be obtained by calling Entergy Shareholder Direct at 1-888-ENTERGY (368-3749). You may also use this service to receive a printed copy of the quarterly earnings release by fax or mail. Updated quarterly earnings results can be expected in late April, July, and October, and in February. Dividend information will be updated according to the declaration schedule.

This and other information may be accessed electronically by selecting the Entergy home page on the Internet's World Wide Web at www.entergy.com.

For copies of Entergy's 10-K and 10-Q reports filed with the Securities and Exchange Commission and for other investor information, call 1-800-292-9960 or write to:

Entergy Corporation
Investor Relations
P.O. Box 61000
New Orleans, LA 70161

Securities analysts and representatives of financial institutions may contact Renae Conley at 1-504-576-4947, or econley@entergy.com, regarding Entergy's financial and operating performance.

SHAREHOLDERS ACCOUNT INFORMATION

ChaseMellon Shareholder Services is Entergy's transfer agent, registrar, dividend disbursing agent, and dividend reinvestment and stock purchase plan agent. Shareholders of record with questions about lost certificates, lost or missing dividend checks, or notifications of change of address should contact:

ChaseMellon Shareholder Services, LLC
85 Challenger Road
Ridgefield Park, NJ 07660
Telephone: 1-800-333-4368
For the hearing impaired: 1-800-231-5469 (TDD)
Foreign holders: 1-201-329-8660
Foreign hearing impaired: 1-201-329-8354
For Internet access: www.chasemellon.com

COMMON STOCK INFORMATION

The company's common stock is listed on the New York, Chicago, and Pacific exchanges under the symbol "ETR." The Entergy share price is reported daily in the financial press under "Entergy" in most listings of New York Stock Exchange securities. Entergy common stock is a component of the following indices: S&P 500, S&P Utilities Index, and the NYSE Composite Index, among others.

At year-end 1999 there were 239,036,911 shares of Entergy common stock outstanding. Shareholders of record totaled 74,372 and approximately 90,000 investors held Entergy stock in "street name" through a broker.

DIVIDEND PAYMENTS

The entire amount of dividends paid during 1999 is taxable as ordinary income. The Board of Directors declares dividends quarterly and sets the record and payment dates. Subject to board discretion, those dates for 2000 are:

Declaration Date	Record Date	Payment Date
January 28	February 15	March 1
April 5	May 16	June 1
July 28	August 14	September 1
October 27	November 10	December 1

Quarterly dividend payments in cents-per-share:

Quarter	2000	1999	1998	1997	1996
1	30	30	45	45	45
2		30	45	45	45
3		30	30	45	45
4		30	30	45	45

DIVIDEND REINVESTMENT/STOCK PURCHASE

ChaseMellon Shareholder Services offers an automatic Dividend Reinvestment and Stock Purchase Plan to registered holders of Entergy common stock. The plan is designed to provide Entergy shareholders and other investors with a convenient and economical method to purchase shares of the company's common stock. The plan also accommodates payments of up to $3,000 per month for the purchase of Entergy common shares. First-time investors may make an initial minimum purchase of $1,000. Contact ChaseMellon by telephone or Internet for information and an enrollment form.

DIRECT REGISTRATION SYSTEM

Entergy has elected to participate in a Direct Registration System that provides investors with an alternative method for holding shares. DRS will permit investors to move shares between the company's records and the broker of their choice.

This option, available to every shareholder who chooses to have shares registered in his or her name on the books of the company, will be offered by brokers at the time an investor purchases shares and requests that they be registered. An additional feature of DRS enables existing registered holders to deposit physical shares into a book account.

ENTERGY COMMON STOCK PRICES

The high and low trading prices for each quarterly period in 1999 and 1998 were as follows:

In dollars	1999		1998	
Quarter	High	Low	High	Low
1	31⅛	27½	30⅛	27 5/16
2	33⅛	27¾	29⅝	23¼
3	31 9/16	28 3/16	30 13/16	26 3/16
4	30	27⅞	32 7/16	28 1/16

By refocusing its strategy in 1998, Entergy has unleashed the energy of its employees to do what they do best. Entergy employees are focused more than ever before on efficient, reliable operations and premier customer service. They have responded to the challenges of growth, change, and competition by adopting a motto from CEO Wayne Leonard: "You can count on me." Entergy's achievements in 1999 – improvements in customer service and reliability, progress on growth strategies, and strong financial performance – are a tribute to the talent and teamwork of its people. The individuals who appear on the following page and elsewhere in this report represent more than 12,000 Entergy employees who are doing what they do best in a big way.

Entergy people are working together to improve operations and customer service. In 1999, teams throughout Entergy's utility service area came together to create and carry out Network Improvement Plans. One such team along the Mississippi River industrial corridor in southern Louisiana included (foreground left to right) Network Manager Aubrey Carroll, who oversees the electric system; Customer Service Manager Beverly Trahan, the liaison to business and community leaders; Senior Customer Contact Representative Jenny Buhler, a lead agent in the Baton Rouge telephone center; and Senior Engineering Assistant Johnny Luther, who designs system facilities to meet area needs. (Background left to right) Reliability Serviceman 1st Class David Saale and Lineman 1st Class Greg Prejean are two of the crew members who are responsible for troubleshooting, maintaining, and constructing distribution facilities.

Entergy

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www.entergy.com