

ENTERGY CORP /DE/
 Form 10-Q
 November 04, 2016
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2016
 OR
 TRANSITION REPORT PURSUANT TO SECTION 13
 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-35747	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 72-0273040
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 9425 Pinecroft The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 576-4000 47-4469646	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213

Telephone (601) 368-5000
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ENTERGY MISSISSIPPI, INC.
(a Mississippi corporation)
308 East Pearl Street
Jackson, Mississippi 39201
Telephone (601) 368-5000
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Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on Entergy’s corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Securities Exchange Act of 1934.

	Large accelerated filer	Accelerated filer	Non- accelerated filer	Smaller reporting company
Entergy Corporation	<input checked="" type="checkbox"/>			
Entergy Arkansas, Inc.			<input checked="" type="checkbox"/>	
Entergy Louisiana, LLC			<input checked="" type="checkbox"/>	
Entergy Mississippi, Inc.			<input checked="" type="checkbox"/>	
Entergy New Orleans, Inc.			<input checked="" type="checkbox"/>	
Entergy Texas, Inc.			<input checked="" type="checkbox"/>	
System Energy Resources, Inc.			<input checked="" type="checkbox"/>	

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common Stock Outstanding	Outstanding at October 31, 2016
Entergy Corporation	(\$0.01 par value) 179,127,892

Entergy Corporation, Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. 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, 2015 and the Quarterly Reports for Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

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

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

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs;
- uncertainties associated with the termination of the System Agreement pursuant to a settlement agreement approved by FERC in December 2015, including the potential absence of federal authority to resolve certain issues among the Utility operating companies and their retail regulators;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ move to MISO, which occurred in December 2013, including the effect of current or projected MISO market rules and market and system conditions in the MISO markets, the allocation of MISO system transmission upgrade costs, and the effect of planning decisions that MISO makes with respect to future transmission investments by the Utility operating companies;
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned potential or actual shutdown of nuclear generating facilities owned or operated by Entergy Wholesale Commodities, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications or other authorizations required of nuclear generating facilities and the effect of public and political opposition on these applications, regulatory proceedings and litigation;
- the performance of and deliverability of power from Entergy’s generation resources, including the capacity factors at its nuclear generating facilities;
- Entergy’s ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities;
- prices for power generated by Entergy’s merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants;
- the prices and availability of fuel and power Entergy must purchase for its Utility customers, and Entergy’s ability to meet credit support requirements for fuel and power supply contracts;

• volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;

• changes in law resulting from federal or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;

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FORWARD-LOOKING INFORMATION (Concluded)

changes in environmental, tax, and other laws and regulations, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, thermal energy, and other regulated air and water emissions, and changes in costs of compliance with environmental and other laws and regulations;

uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal and the level of spent fuel and nuclear waste disposal fees charged by the U.S. government or other providers related to such sites;

variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;

effects of climate change;

changes in the quality and availability of water supplies and the related regulation of water use and diversion;

Entergy's ability to manage its capital projects and operation and maintenance costs;

Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms;

the economic climate, and particularly economic conditions in Entergy's Utility service area and the Northeast United States and events and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;

the effects of Entergy's strategies to reduce tax payments;

changes in the financial markets and regulatory requirements for the issuance of securities, particularly as they affect access to capital and Entergy's ability to refinance existing debt, execute share repurchase programs, and fund investments and acquisitions;

actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria;

changes in inflation and interest rates;

the effect of litigation and government investigations or proceedings;

changes in technology, including with respect to new, developing, or alternative sources of generation;

the effects of threatened or actual terrorism, cyber-attacks or data security breaches, including increased security costs, accidents, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;

Entergy's ability to attract and retain talented management and directors;

changes in accounting standards and corporate governance;

declines in the market prices of marketable securities and resulting funding requirements and the effects on benefits costs for Entergy's defined benefit pension and other postretirement benefit plans;

future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;

changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission nuclear plant sites;

the implementation of the planned shutdown of Pilgrim and the planned shutdown or sale of FitzPatrick and the related decommissioning of those plants and Vermont Yankee;

the effectiveness of Entergy's risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;

factors that could lead to impairment of long-lived assets; and

the ability to successfully complete merger, acquisition, or divestiture plans, regulatory or other limitations imposed as a result of merger, acquisition, or divestiture, and the success of the business following a merger, acquisition, or divestiture.

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DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASLB	Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana.
Entergy Louisiana	Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes.
Entergy Texas	Entergy Texas, Inc., a Texas corporation formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Wholesale Commodities	Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2015 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
FTR	Financial transmission right
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy

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DEFINITIONS (Continued)

Abbreviation or Acronym	Term
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
IRS	Internal Revenue Service
ISO	Independent System Operator
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LPSC	Louisiana Public Service Commission
MISO	Midcontinent Independent System Operator, Inc., a regional transmission organization
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatts
MWh	Megawatt-hour(s)
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned and operated
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
Palisades	Palisades Nuclear Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Parent & Other	The portions of Entergy not included in the Utility or Entergy Wholesale Commodities segments, primarily consisting of the activities of the parent company, Entergy Corporation
Pilgrim	Pilgrim Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.
River Bend	River Bend Station (nuclear), owned by Entergy Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources. The agreement terminated effective August 2016.
System Energy	System Energy Resources, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf

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DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Gulf States Louisiana (prior to the completion of the business combination with Entergy Louisiana), Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

The Utility business segment includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business.

The Entergy Wholesale Commodities business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Results of Operations

Third Quarter 2016 Compared to Third Quarter 2015

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

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
3rd Quarter 2015 Consolidated Net Income (Loss)	\$364,265	(\$1,031,410)	(\$51,088)	(\$718,233)
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	108,816	(13,327)	(9)	95,480
Other operation and maintenance	(40,808)	18,877	2,722	(19,209)
Asset write-offs, impairments, and related charges	—	(1,623,363)	—	(1,623,363)
Taxes other than income taxes	(9,982)	1,003	(79)	(9,058)
Depreciation and amortization	13,084	(7,300)	(226)	5,558
Other income	3,002	714	(649)	3,067
Interest expense	4,645	(1,861)	351	3,135
Other expenses	4,704	(228)	—	4,476
Income taxes	56,658	560,628	8,285	625,571
3rd Quarter 2016 Consolidated Net Income (Loss)	\$447,782	\$8,221	(\$62,799)	\$393,204

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

Refer to "ENTERGY CORPORATION AND SUBSIDIARIES - SELECTED OPERATING RESULTS" for further information with respect to operating statistics.

Third quarter 2015 results of operations includes \$1,642 million (\$1,062 million after-tax) of impairment and related charges to write down the carrying values of the FitzPatrick and Pilgrim plants and related assets to their fair values. See Note 1 to the financial statements in the Form 10-K for further discussion of the charges.

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Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the third quarter 2016 to the third quarter 2015:

	Amount (In Millions)
2015 net revenue	\$1,750
Retail electric price	91
Volume/weather	28
Other	(10)
2016 net revenue	\$1,859

The retail electric price variance is primarily due to:

an increase in base rates at Entergy Arkansas, as approved by the APSC. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. A significant portion of the increase is related to the purchase of Power Block 2 of the Union Power Station;

an increase in the purchased power and capacity acquisition cost recovery rider for Entergy New Orleans, as approved by the City Council, effective with the first billing cycle of March 2016, primarily related to the purchase of Power Block 1 of the Union Power Station;

an increase in revenues at Entergy Mississippi, as approved by the MPSC, effective with the first billing cycle of July 2016, and an increase in the storm damage rider; and

an increase in formula rate plan revenues for Entergy Louisiana, implemented with the first billing cycle of March 2016, to collect the estimated first-year revenue requirement related to the purchase of Power Blocks 3 and 4 of the Union Power Station.

See Note 2 to the financial statements herein for further discussion of the rate proceedings. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase.

The volume/weather variance is primarily due to an increase in volume during the unbilled period, partially offset by a decrease of 223 GWh, or 1%, in billed electricity usage in the residential, commercial, and industrial sectors. The decrease in industrial usage is primarily due to a decrease in usage by existing customers across various industrial segments, partially offset by new customers and expansion projects, primarily in the chemicals industry.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the third quarter 2016 to the third quarter 2015:

	Amount (In Millions)
2015 net revenue	\$409
Nuclear realized price changes	(20)
Rhode Island State Energy Center	(15)
Nuclear fuel expenses	17
Other	5

2016 net revenue \$396

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Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$13 million in the third quarter 2016 as compared to the third quarter 2015 primarily due to:

lower realized wholesale energy prices, although the average revenue per MWh shown in the table below is slightly higher because it includes revenues from the FitzPatrick reimbursement agreement with Exelon, the amortization of the Palisades below-market PPA, and Vermont Yankee capacity revenue. The effect of these items on the net revenue variance from third quarter 2015 to third quarter 2016 is minimal;

lower capacity prices; and

the sale of the Rhode Island State Energy Center in December 2015.

The decrease was partially offset by a decrease in nuclear fuel amortization expenses primarily related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Following are key performance measures for Entergy Wholesale Commodities for the third quarter 2016 and 2015:

	2016	2015
Owned capacity (MW) (a)	4,880	5,463
GWh billed	9,372	10,440
Average revenue per MWh	\$50.72	\$49.97

Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	90%	92%
GWh billed	8,674	9,125
Average revenue per MWh	\$51.01	\$50.41
Refueling Outage Days:		
Palisades	—	13

(a) The reduction in owned capacity is due to the sale of the 583 MW Rhode Island State Energy Center in December 2015.

Realized Revenue per MWh Trend and the Entergy Wholesale Commodities Business

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Results of Operations - Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants” in the Form 10-K for a discussion of the effects of sustained low natural gas prices and power market structure challenges on market prices for electricity over the past few years in the power regions where the Entergy Wholesale Commodities power plants are located. As shown in the contracted sale of energy table in “Market and Credit Risk Sensitive Instruments” below, Entergy Wholesale Commodities has sold forward 90% of its planned nuclear energy output for the remainder of 2016 for an expected average contracted energy price of \$40.50 per MWh based on market prices at September 30, 2016. In addition, Entergy Wholesale Commodities has sold forward 86% of its planned nuclear energy output for 2017 for an expected average contracted energy price of \$43.80 per MWh based on market prices at September 30, 2016.

The market price trend presents a challenging economic environment for the Entergy Wholesale Commodities plants. The severity of the challenge varies for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs. In addition, the current market design under which the plants operate does not adequately compensate merchant nuclear plants for

their environmental and fuel diversity benefits in their regions. Entergy's strategy in this environment is to manage and reduce the risk of the Entergy Wholesale Commodities business, which includes taking actions that reduce the size of its merchant power plant fleet.

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Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

In October 2015, Entergy determined that it will close the Pilgrim and FitzPatrick plants. The decisions to shut down the plants were primarily due to the poor market conditions that have led to reduced revenues, the poor market design that fails to properly compensate nuclear generators for the benefits they provide, and increased operational costs. The Pilgrim plant is expected to cease operations on May 31, 2019. Entergy originally expected to shut down the FitzPatrick plant at the end of its current fuel cycle in January 2017, but in August 2016, Entergy entered into an agreement to sell the FitzPatrick plant to Exelon Generation Company, LLC. Until the conditions specified in the agreement are satisfied, and as long as the agreement is not terminated, Entergy is preparing for a potential refueling outage in January 2017 and is also continuing preparation for the plant shutdown and decommissioning in the event a sale does not occur. See further detail in "Sale of FitzPatrick" below. Entergy recorded impairment and other related charges in 2015 to write down the carrying values of the FitzPatrick and Pilgrim plants and related assets to their fair values.

Entergy previously shut down the Vermont Yankee nuclear plant in 2014 and, as discussed in Note 15 to the financial statements in the Form 10-K, sold the Rhode Island State Energy Center natural gas-fired plant in December 2015.

After the pending closure of Pilgrim and the pending closure or sale of FitzPatrick, Entergy will have two remaining nuclear power generating facilities in operation in the Entergy Wholesale Commodities business, Indian Point and Palisades. Unlike the three nuclear facilities that Entergy has decided to shut down, Indian Point is a multi-unit site, with both Indian Point 2 and 3 in operation. In addition, Indian Point 2 (1,028 MW) and 3 (1,041 MW) are significantly larger plants than Vermont Yankee (605 MW), Pilgrim (688 MW), or FitzPatrick (838 MW). Indian Point sells power at NYISO Zone G, which is a key supply region for New York City. While all Northeast pricing zones, including NYISO Zone G, have been adversely effected by lower market pricing trends, NYISO Zone G has historically traded at a premium to the NYISO zones where Fitzpatrick sells power. The Indian Point plants, however, are currently involved and face opposition in extensive licensing proceedings, which are described in "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" in the Form 10-K with updates herein.

Palisades (811 MW) is similar in size to FitzPatrick, is also a single-unit site, and the MISO market in which it operates has also experienced market price declines over the past few years. At this time, however, most of the Palisades output is sold under a power purchase agreement, entered into when the plant was acquired in 2007, that is currently scheduled to expire in 2022. The power purchase agreement prices currently exceed market prices and escalate each year, up to \$61.50/MWh in 2022. As discussed in Note 1 to the financial statements in the Form 10-K, however, in the fourth quarter 2015 Entergy concluded that the carrying value of the Palisades plant was impaired and recorded impairment and other related charges to write down the carrying value of the Palisades plant and related assets to their fair value. The fair value of the Palisades plant would have been, and currently would be, significantly lower in the absence of the power purchase agreement that is scheduled to expire in 2022.

If economic conditions or regulatory activities no longer support Entergy's continued operation of the Indian Point or Palisades plants for their expected lives or no longer support the recovery of the costs of the plants, it could adversely affect Entergy's results of operations through loss of revenue, impairment charges, increased depreciation rates, transitional costs, or accelerated decommissioning costs. Impairment of long-lived assets and nuclear decommissioning costs, and the factors that influence these items, are both discussed in the Form 10-K in "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates," with updates herein.

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Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from \$633 million for the third quarter 2015 to \$592 million for the third quarter 2016 primarily due to:

- a decrease of \$15 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- the effects of recording final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$14 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. See Note 1 to the financial statements herein for discussion of the DOE litigation;
- a decrease of \$11 million in distribution expenses primarily due to lower vegetation maintenance; and
- a decrease of \$6 million in energy efficiency costs, including the effects of true-ups.

The decrease was partially offset by a net increase of \$10 million primarily due to the deferral of \$13 million recorded in September 2015, as approved by the LPSC, as a result of spending in 2015 related to the Entergy Louisiana and Entergy Gulf States Louisiana business combination. These costs are being amortized over a ten-year period beginning December 2015. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Louisiana and Entergy Gulf States Louisiana Business Combination" in the Form 10-K for a discussion of the combination.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Union Power Station purchased in March 2016.

Entergy Wholesale Commodities

Other operation and maintenance expenses increased from \$217 million for the third quarter 2015 to \$236 million for the third quarter 2016 primarily due to \$22 million in severance and retention costs incurred in the third quarter 2016 related to the planned shutdown of the Pilgrim plant and the planned shutdown or sale of the FitzPatrick plant. See Note 1 to the financial statements in the Form 10-K for discussion of the decisions to cease operations of the plants and "Sale of FitzPatrick" below for an update on the status of the FitzPatrick plant.

The asset write-offs, impairments, and related charges variance is primarily due to \$1,642 million (\$1,062 million after-tax) of impairment and related charges in the third quarter 2015 to write down the carrying values of the FitzPatrick and Pilgrim plants and related assets to their fair values. See Note 1 to the financial statements in the Form 10-K for a discussion of the impairments and related charges.

Depreciation and amortization expenses decreased primarily due to decreases in depreciable asset balances as a result of the impairments of the FitzPatrick, Pilgrim, and Palisades plants in the third and fourth quarters of 2015 and a decrease in depreciable asset balances as a result of the sale of the Rhode Island State Energy Center in December 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments and related charges.

The decrease was partially offset by the effects of recording the final court decision in third quarter 2015 in the Palisades lawsuit against the DOE related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately \$4 million of spent nuclear fuel storage costs previously recorded as depreciation.

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Income Taxes

The effective income tax rate was 39.6% for the third quarter 2016. The difference in the effective income tax rate for the third quarter 2016 versus the federal statutory rate of 35% was primarily due to state income taxes, a valuation allowance recorded on a deferred tax asset, and certain book and tax differences related to utility plant items, partially offset by flow-through tax accounting.

The effective income tax rate was 33.9% for the third quarter 2015. The difference in the effective income tax rate for the third quarter 2015 versus the federal statutory rate of 35% was primarily due to state income taxes.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the nine months ended September 30, 2016 to the nine months ended September 30, 2015 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2015 Consolidated Net Income (Loss)	\$796,051	(\$911,525)	(\$146,109)	(\$261,583)
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	109,954	(131,078)	(24)	(21,148)
Other operation and maintenance	(111,992)	(21,433)	7,407	(126,018)
Asset write-offs, impairments, and related charges	—	(1,609,034)	—	(1,609,034)
Taxes other than income taxes	(14,296)	(9,346)	(290)	(23,932)
Depreciation and amortization	34,907	(31,462)	(287)	3,158
Other income	9,837	(18,040)	(2,560)	(10,763)
Interest expense	12,563	(1,044)	6,209	17,728
Other expenses	15,249	(37,971)	—	(22,722)
Income taxes	(48,340)	310,996	3,635	266,291
2016 Consolidated Net Income (Loss)	\$1,027,751	\$338,651	(\$165,367)	\$1,201,035

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

Refer to "ENTERGY CORPORATION AND SUBSIDIARIES - SELECTED OPERATING RESULTS" for further information with respect to operating statistics.

Results of operations for the nine months ended September 30, 2016 include a reduction of income tax expense, net of unrecognized tax benefits, of \$238 million as a result of a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes; income tax benefits as a result of the settlement of the 2010-2011 IRS audit, including a \$75 million tax benefit recognized by Entergy Louisiana related to the treatment of the Vidalia purchased power agreement and a \$54 million net benefit recognized by Entergy Louisiana related to the treatment of proceeds received in 2010 for the financing of Hurricane Gustav and Hurricane Ike storm costs pursuant to Louisiana Act 55; and a reduction in expenses of \$70 million (\$44 million net-of-tax) due to the effects of recording in 2016 the final court decisions in several lawsuits against the DOE

related to spent nuclear fuel storage costs. See Note 10 to the financial statements herein for additional discussion of the income tax items and Note 1 to the financial statements herein for discussion of the DOE litigation.

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Results of operations for the nine months ended September 30, 2015 includes \$1,642 million (\$1,062 million after-tax) of impairment and related charges to write down the carrying values of the FitzPatrick and Pilgrim plants and related assets to their fair values. See Note 1 to the financial statements in the Form 10-K for further discussion of the charges.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the nine months ended September 30, 2016 to the nine months ended September 30, 2015:

	Amount (In Millions)
2015 net revenue	\$4,648
Retail electric price	184
Volume/weather	(11)
Louisiana Act 55 financing savings obligation	(17)
Other	(46)
2016 net revenue	\$4,758

The retail electric price variance is primarily due to:

an increase in base rates at Entergy Arkansas, as approved by the APSC. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. The increase includes an interim base rate adjustment surcharge, effective with the first billing cycle of April 2016, to recover the incremental revenue requirement for the period February 24, 2016 through March 31, 2016. A significant portion of the increase is related to the purchase of Power Block 2 of the Union Power Station;

an increase in the purchased power and capacity acquisition cost recovery rider for Entergy New Orleans, as approved by the City Council, effective with the first billing cycle of March 2016, primarily related to the purchase of Power Block 1 of the Union Power Station;

an increase in formula rate plan revenues for Entergy Louisiana, implemented with the first billing cycle of March 2016, to collect the estimated first-year revenue requirement related to the purchase of Power Blocks 3 and 4 of the Union Power Station; and

an increase in revenues at Entergy Mississippi, as approved by the MPSC, effective with the first billing cycle of July 2016, and an increase in the storm damage rider.

See Note 2 to the financial statements herein for further discussion of the rate proceedings. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase.

The volume/weather variance is primarily due to a decrease of 703 GWh, or 1%, in billed electricity usage, partially offset by an increase in volume during the unbilled period. The decrease in billed electricity usage is primarily due to the effect of less favorable weather on residential and commercial sales, partially offset by an increase in industrial usage. The increase in industrial usage is due to increased growth for new and expansion customers, primarily in the chemicals industry.

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings results from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 10 to the financial statements herein for additional discussion of the settlement and benefit sharing.

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Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the nine months ended September 30, 2016 to the nine months ended September 30, 2015:

	Amount (In Millions)
2015 net revenue	\$1,286
Nuclear realized price changes	(136)
Rhode Island State Energy Center	(41)
Nuclear volume	(25)
Nuclear fuel expenses	67
Other	4
2016 net revenue	\$1,155

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$131 million in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015 primarily due to:

• lower realized wholesale energy prices and lower capacity prices;
 • the sale of the Rhode Island State Energy Center in December 2015; and
 • lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more refueling outage days in 2016 as compared to the same period in 2015, partially offset by fewer unplanned outage days in 2016 as compared to the same period in 2015. See “Nuclear Matters - Indian Point 2 Outage” below for discussion of the extended Indian Point 2 outage in the second quarter 2016.

The decrease was partially offset by a decrease in nuclear fuel amortization expenses primarily related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Following are key performance measures for Entergy Wholesale Commodities for the nine months ended September 30, 2016 and 2015:

	2016	2015
Owned capacity (MW) (a)	4,880	5,463
GWh billed	26,484	29,610
Average revenue per MWh	\$50.65	\$54.16

Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	85%	90%
GWh billed	24,670	26,298
Average revenue per MWh	\$51.05	\$53.96
Refueling Outage Days:		
Indian Point 2	102	—
Indian Point 3	—	23
Pilgrim	—	34
Palisades	—	13

(a)

The reduction in owned capacity is due to the sale of the 583 MW Rhode Island State Energy Center in December 2015.

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Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from \$1,800 million for the nine months ended September 30, 2015 to \$1,688 million for the nine months ended September 30, 2016 primarily due to:

a decrease of \$46 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;

a decrease of \$30 million in fossil-fueled generation expenses primarily due to an overall lower scope of work done during plant outages in 2016 as compared to the same period in 2015, partially offset by an increase as a result of the purchase of the Union Power Station in March 2016. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase;

the deferral in 2016 of \$8 million of previously-incurred costs related to ANO post-Fukushima compliance and \$10 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC as part of the Entergy Arkansas 2015 rate case settlement. These costs are being amortized over a ten-year period beginning March 2016. See Note 2 to the financial statements herein for further discussion of the rate case settlement;

the effects of recording final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$16 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expenses. See Note 1 to the financial statements herein for discussion of the DOE litigation;

a decrease of \$10 million in energy efficiency costs, including the effects of true-ups; and

a decrease of \$9 million in distribution expenses primarily due to lower vegetation maintenance.

The decrease was partially offset by an increase of \$29 million in nuclear generation expenses primarily due to an overall higher scope of work done during plant outages in 2016 as compared to prior year and higher nuclear labor costs, including contract labor.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Union Power Station purchased in March 2016.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$642 million for the nine months ended September 30, 2015 to \$621 million for the nine months ended September 30, 2016 primarily due to:

the effects of recording the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$42 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expenses. See Note 1 to the financial statements herein for discussion of the DOE litigation;

a decrease of \$16 million as a result of the sale of the Rhode Island State Energy Center in December 2015; and

a decrease of \$9 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and

a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See “MANAGEMENT’S FINANCIAL DISCUSSION AND

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ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits” in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs.

The decrease was partially offset by \$44 million in severance and retention costs in 2016 related to the planned shutdown of the Pilgrim plant and the planned shutdown or sale of the FitzPatrick plant. See Note 1 to the financial statements in the Form 10-K for discussion of the decisions to cease operations of the plants and “Sale of FitzPatrick” below for an update on the status of the FitzPatrick plant.

The asset write-offs, impairments, and related charges variance is primarily due to \$1,642 million (\$1,062 million after-tax) in 2015 of impairment and related charges to write down the carrying values of the FitzPatrick and Pilgrim plants and related assets to their fair values. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments and related charges.

Depreciation and amortization expenses decreased primarily due to:

decreases in depreciable asset balances as a result of the impairments of the FitzPatrick, Pilgrim, and Palisades plants in the third and fourth quarters of 2015;
the effects of recording the final court decisions in second quarter 2016 in the FitzPatrick, Vermont Yankee, and Indian Point 3 lawsuits against the DOE related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately \$11 million of spent nuclear fuel storage costs previously recorded as depreciation. See Note 1 to the financial statements herein for discussion of the DOE litigation; and
a decrease in depreciable asset balances as a result of the sale of the Rhode Island State Energy Center in December 2015.

The decrease was partially offset by the effects of recording the final court decision in third quarter 2015 in the Palisades lawsuit against the DOE related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately \$4 million of spent nuclear fuel storage costs previously recorded as depreciation.

Other income decreased primarily due to lower realized gains on decommissioning trust fund investments in 2016 as compared to the same period in 2015, which included realized decommissioning trust gains that resulted from portfolio reallocations for the Vermont Yankee nuclear decommissioning trust funds.

Other expenses decreased primarily due to the reduction in deferred refueling outage amortization costs related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015, partially offset by an increase in decommissioning expense as a result of a trust transfer agreement Entergy entered into with NYPA in August 2016 to transfer the decommissioning trusts and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments and “Critical Accounting Estimates - Nuclear Decommissioning Costs” below for further discussion of nuclear decommissioning costs.

Income Taxes

The effective income tax rate was 11% for the nine months ended September 30, 2016. The difference in the effective income tax rate for the nine months ended September 30, 2016 versus the federal statutory rate of 35% was primarily due to a tax election to treat a subsidiary that owns one of the Entergy Wholesale Commodities nuclear power plants as a corporation for federal income tax purposes that resulted in reduced income tax expense and the reversal of a portion of the provision for uncertain tax positions as a result of the settlement of the 2010-2011 IRS audit in the

second quarter 2016, partially offset by state income taxes. See Note 10 to the financial statements herein for additional discussion of the tax election and the tax settlements.

The effective income tax rate was 31% for the nine months ended September 30, 2015. The difference in the effective income tax rate for the nine months ended September 30, 2015 versus the federal statutory rate of 35% was

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primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by the reversal of a portion of the provision for uncertain tax positions resulting from the receipt of finalized tax and interest computations for the 2006-2007 audit from the IRS and book and tax differences related to the allowance for equity funds used during construction. See Note 3 to the financial statements in the Form 10-K for a discussion of the finalized tax and interest computations for the 2006-2007 IRS audit.

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants” in the Form 10-K for a discussion of the NRC operating licenses for Indian Point 2 and Indian Point 3 and the NRC license renewal joint application in process for these plants. Following are updates to that discussion.

Indian Point NRC/ASLB Proceedings

In May 2016 the NRC issued a decision sustaining New York State’s appeal of the ASLB’s November 2013 Track 1 decision upholding the adequacy of Severe Accident Mitigation Alternatives (SAMA) decontamination cost estimates.

The NRC directed its staff to supplement its SAMA analysis to include sensitivity runs for two inputs to SAMA decontamination costs. Since SAMA analysis is part of the NRC’s environmental impact analysis, and not part of its safety analysis, further supplementation of the NRC’s Final Supplemental Environmental Impact Statement (FSEIS) will be required, with attendant impact on the schedule for completion of proceedings before the NRC.

In June 2016 the ASLB resolved in favor of Entergy and the NRC staff the last outstanding Track 1 appeal. That appeal addressed SAMA issues separate from those resolved in the May 2016 NRC decision discussed above. With respect to Track 2 contentions, the ASLB issued a scheduling order in July 2016 setting a schedule for the filing of (a) supplemental testimony on New York State’s contention challenging the adequacy of Indian Point’s aging management program for reactor vessel internals, with a focus on baffle bolts and (b) findings of fact and conclusions of law on all Track 2 issues. Deadlines for several rounds of filings were set for November 2016 through June 2017.

The NRC staff advised that the target for issuance of the second supplemental FSEIS for Indian Point was moved from September 2016 to January 2017.

Indian Point Coastal Zone Management Act Proceedings

As discussed in the Form 10-K, in January 2016, Entergy filed suit in the U.S. District Court for the Northern District of New York challenging the New York State Department of Environmental Conservation’s objection to Entergy’s withdrawn Coastal Zone Management Act consistency certification on federal preemption grounds. Entergy’s complaint requests a determination that the objection, which cites nuclear safety concerns, is preempted and thus invalid. The New York State Department of State filed a motion to dismiss Entergy’s lawsuit in March 2016, and Entergy filed its response in May 2016.

ANO Damage, Outage, and NRC Reviews

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

As discussed in the Form 10-K, in March 2015 the NRC issued a letter notifying Entergy of its decision to move ANO into the “multiple/repetitive degraded cornerstone column” (Column 4) of the NRC’s Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site’s root cause evaluation associated with the flood barrier and stator issues, an assessment of the effectiveness of the site’s corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC’s Inspection Procedure. Entergy

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Arkansas incurred incremental expenses of approximately \$53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas expects to incur incremental expenses of approximately \$50 million in 2016, of which \$37 million was incurred through September 30, 2016, in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expenses is expected to be ongoing annually after 2016, until ANO transitions out of Column 4.

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

Sale of FitzPatrick

In August 2016, Entergy entered into an asset purchase agreement to sell its 838 MW FitzPatrick plant and transfer certain liabilities to Exelon Generation Company, LLC. The purchase price is \$100 million, with an additional \$10 million non-refundable signing fee that was paid upon the signing of the agreement. The transaction is contingent upon, among other things, the expiration of the applicable waiting period under the Hart Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of necessary regulatory approvals from the FERC, the NRC, and the Public Service Commission of the State of New York (NYPSC), and the receipt of a private letter ruling from the IRS. Early termination of the waiting period under the Hart Scott-Rodino Antitrust Improvements Act of 1976, as amended, was received in September 2016. The asset purchase agreement will automatically terminate on November 23, 2016 if certain conditions are not satisfied or waived. The conditions include the continued effectiveness of the Clean Energy Standards/Zero Emissions Credit program (CES/ZEC), the establishment on acceptable terms of certain long-term agreements with the Energy Research and Development Authority of the State of New York in connection with the CES/ZEC program, and NYPSC approval of the transaction on acceptable terms. Until the specified conditions are satisfied, and as long as the asset purchase agreement is not terminated, Entergy will prepare for a potential refueling outage in January 2017 and continue preparations for the plant shutdown and decommissioning in the event a sale does not occur. Entergy has also entered into a reimbursement agreement with Exelon pursuant to which Exelon will reimburse Entergy for specified out-of-pocket costs associated with the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017. In addition, Entergy entered into a transfer agreement whereby Exelon will be entitled to all revenues from FitzPatrick's electricity and capacity sales for the period commencing upon completion of the upcoming refueling outage through the asset purchase agreement closing date, or if the asset purchase agreement is terminated, the duration of the fuel cycle or until FitzPatrick is shut down. If the asset purchase agreement is terminated, a termination fee of up to \$35 million will be payable to Entergy under certain circumstances. In October 2016 a group of generators and trade associations filed a complaint in the United States District Court for the Southern District of New York challenging the NYPSC's August 1, 2016 Clean Energy Standard/Zero Emissions Credit order as federally preempted. If the sale is consummated, Entergy does not expect the transaction to result in a material gain or loss on sale.

Liquidity and Capital Resources

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy's capital structure, capital expenditure plans and other uses of capital, and sources of

capital. Following are updates to that discussion.

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Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table.

	September 30, 2016	December 31, 2015
Debt to capital	59.4 %	59.1 %
Effect of excluding securitization bonds	(1.1 %)	(1.4 %)
Debt to capital, excluding securitization bonds (a)	58.3 %	57.7 %
Effect of subtracting cash	(2.4 %)	(2.7 %)
Net debt to net capital, excluding securitization bonds (a)	55.9 %	55.0 %

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

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable and commercial paper, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, common shareholders' equity, and subsidiaries' preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy's financial condition because the securitization bonds are non-recourse to Entergy, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition because net debt indicates Entergy's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in August 2021. Entergy Corporation also has the ability to issue letters of credit against 50% of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the nine months ended September 30, 2016 was 2.24% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of September 30, 2016:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$180	\$6	\$3,314

A covenant in Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio, as defined, of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility is different than the calculation of the debt to capital ratio above. Entergy is currently in compliance with the covenant and expects to remain in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility's maturity date may occur. See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation credit facility and discussion of the Registrant Subsidiaries' credit facilities.

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation which expires in January 2018. In the first quarter 2016, Entergy Nuclear Vermont Yankee increased the borrowing capacity of its credit facility to \$100 million. As of September 30, 2016, \$41.5 million in cash borrowings were outstanding under the credit facility. Entergy Nuclear Vermont Yankee also has an uncommitted credit facility guaranteed by Entergy Corporation

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with a borrowing capacity of \$85 million which expires in January 2018. As of September 30, 2016, there were no cash borrowings outstanding under the uncommitted credit facility. See Note 4 to the financial statements herein for additional discussion of the Vermont Yankee facilities.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$1.5 billion. As of September 30, 2016, Entergy Corporation had \$264 million of commercial paper outstanding. The weighted-average interest rate for the nine months ended September 30, 2016 was 1.14%.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital," that sets forth the amounts of planned construction and other capital investments by operating segment for 2016 through 2018. Following are updates to the discussion.

Preliminary Capital Investment Plan Estimate for 2017-2019

Entergy is developing its capital investment plan for 2017 through 2019 and currently anticipates that the Utility will make approximately \$10.3 billion in capital investments during that period and that Entergy Wholesale Commodities will make approximately \$0.6 billion in capital investments, not including nuclear fuel, during that period. The preliminary Utility estimate includes amounts associated with specific investments such as the St. Charles Power Station, the New Orleans Power Station, and the Montgomery County Power Station, each discussed below, and the self-build option at Entergy Louisiana's Nelson site selected in the request for proposal for Developmental and Existing Capacity and Energy Resources; transmission projects to enhance reliability, reduce congestion, and enable economic growth; distribution spending to maintain reliability and improve service to customers, including initial investment to support advanced metering; resource planning, including potential generation projects; system improvements; the nuclear fleet operational excellence initiative, as discussed below in "Nuclear Matters"; and other investments. The preliminary Entergy Wholesale Commodities estimate includes amounts associated with specific investments, such as dry cask storage, the nuclear fleet operational excellence initiative, nuclear license renewal, component replacement, and identified repairs. Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints and requirements, environmental regulations, business opportunities, market volatility, economic trends, changes in project plans, and the ability to access capital.

St. Charles Power Station

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

evidentiary hearing was held in April 2016 and, in July 2016 an ALJ issued a final recommendation that the LPSC certify that the construction of St. Charles Power Station is in the public interest. While awaiting a decision by the LPSC, Entergy Louisiana has taken necessary and appropriate steps to progress the project in order to maintain an ability to achieve commercial operation in mid-2019. Project expenditures have included site clearing and preparation and pre-construction design and procurement activities, primarily focused on procuring long lead time items in order

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to preserve the project schedule. If the LPSC was to reject the ALJ recommendation that the project serves the public interest, Entergy Louisiana would suspend project activities as necessary and appropriate to evaluate options regarding the project and the recovery of costs for work performed to date.

New Orleans Power Station

In June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 megawatt advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility, which facility was deactivated effective May 31, 2016. The current estimated cost of the New Orleans Power Station is \$216 million. A procedural schedule has been established with a decision expected no later than April 2017. Subject to timely approval by the City Council and receipt of other permits and approvals, commercial operation is estimated to occur by late-2019.

Montgomery County Power Station

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

Dividends

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon Entergy's earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its October 2016 meeting, the Board declared a dividend of \$0.87 per share, an increase from the previous \$0.85 quarterly dividend per share that Entergy has paid since fourth quarter 2015.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the nine months ended September 30, 2016 and 2015 were as follows:

	2016	2015
	(In Millions)	
Cash and cash equivalents at beginning of period	\$1,351	\$1,422
Cash flow provided by (used in):		
Operating activities	2,252	2,350
Investing activities	(2,983)	(2,186)
Financing activities	687	(545)
Net decrease in cash and cash equivalents	(44)	(381)

Cash and cash equivalents at end of period	\$1,307	\$1,041
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Operating Activities

Net cash flow provided by operating activities decreased \$98 million for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to:

• lower Entergy Wholesale Commodities net revenue in 2016 as compared to the same period in 2015, as discussed previously;

• an increase of \$61 million in interest paid in 2016 as compared to the same period in 2015 primarily due to an interest payment of \$60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford 3 leased assets and an increase in interest expense as a result of 2016 net debt issuances by various Utility operating companies, partially offset by a decrease in interest paid in 2016 on the Grand Gulf sale-leaseback obligation. See Note 11 to the financial statements herein for a discussion of Entergy Louisiana's purchase of a beneficial interest in the Waterford 3 leased assets, see Note 4 to the financial statements herein for a discussion of debt issuances, and see Note 10 to the financial statements in the Form 10-K for details of the Grand Gulf sale-leaseback obligation; and

• a decrease in the recovery of fuel and purchased power costs in 2016 as compared to the same period in 2015. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of fuel and purchased power cost recovery.

The decrease was partially offset by:

• a decrease of \$68 million in pension contributions in 2016. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding;

• proceeds of \$64 million received in 2016 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 1 to the financial statements herein for discussion of the DOE litigation;

• a decrease of \$26 million in spending related to the shutdown of Vermont Yankee, which ceased power production in December 2014;

• a decrease of \$24 million in spending on nuclear refueling outages in 2016 as compared to the same period in 2015; and

• a decrease of \$16 million in income tax payments. Entergy made income tax payments of \$80 million in 2016 primarily due to state income taxes related to the correlative effect of the 2006-2007 IRS audit and for jurisdictions that do not have net operating loss carryovers or jurisdictions in which the utilization of net operating loss carryovers are limited. Entergy made income tax payments of \$96 million in 2015 primarily as a result of the final settlement of amounts outstanding associated with the 2006-2007 IRS audit. See Note 3 to the financial statements in the Form 10-K for a discussion of the income tax audits.

Investing Activities

Net cash flow used in investing activities increased \$797 million for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to:

• the purchase of the Union Power Station for approximately \$949 million in March 2016. See Note 13 to the financial statements herein for discussion of the Union Power Station purchase; and

• an increase in construction expenditures, primarily in the Utility business, primarily due to an overall higher scope of work performed on transmission projects in 2016 as compared to the same period in 2015, an increase in fossil-fueled

generation construction expenditures primarily due to spending on the St. Charles Power Station project, an increase in distribution construction expenditures primarily due to a higher scope of non-storm related work performed in 2016 as compared to the same period in 2015, and an increase due to various information technology projects and upgrades in 2016, partially offset by a decrease in spending related to compliance with NRC post-Fukushima requirements.

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The increase was partially offset by:

- a decrease in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle; proceeds of \$122 million received in 2016 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 1 to the financial statements herein for discussion of the DOE litigation;
- a \$71 million NYPA value sharing payment in 2015. See Note 15 to the financial statements in the Form 10-K for further discussion of Entergy's NYPA value sharing agreements; and
- the deposit of \$64 million into Entergy New Orleans's storm reserve escrow accounts in 2015.

Financing Activities

Entergy's financing activities provided \$687 million of cash for the nine months ended September 30, 2016 compared to using \$545 million of cash for the nine months ended September 30, 2015 primarily due to:

- long-term debt activity providing approximately \$1,279 million of cash in 2016 compared to using approximately \$89 million of cash in 2015. Included in the long-term debt activity is \$655 million in 2016 and \$170 million in 2015 for the repayment of borrowings on the Entergy Corporation long-term credit facility;
- \$100 million of common stock repurchased in 2015;
- a net increase of \$93 million in 2016 in short-term borrowings by the nuclear fuel company variable interest entities;
 - Entergy's net repayments of \$158 million of commercial paper in 2016 compared to net issuances of \$180 million of commercial paper in 2015; and
- a decrease of \$9 million in the repurchase or redemption of preferred stock. In September 2015, Entergy Louisiana redeemed its \$100 million 6.95% Series preferred membership interests, of which \$16 million was owned by Entergy Louisiana Holdings, an Entergy subsidiary, and Entergy Gulf States Louisiana repurchased its \$10 million Series A 8.25% preferred membership interests as part of a multi-step process to effectuate the Entergy Louisiana and Entergy Gulf States Louisiana business combination. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Louisiana and Entergy Gulf States Louisiana Business Combination" in the Form 10-K for a discussion of the combination. In September 2016, Entergy Arkansas redeemed its \$75 million of 6.45% Series preferred stock and its \$10 million of 6.08% Series preferred stock.

For the details of Entergy's commercial paper program and the nuclear fuel company variable interest entities' short-term borrowings, see Note 4 to the financial statements herein. See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for details of long-term debt.

Rate, Cost-recovery, and Other Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Rate, Cost-recovery, and Other Regulation" in the Form 10-K for discussions of rate regulation, federal regulation, and related regulatory proceedings.

State and Local Rate Regulation and Fuel-Cost Recovery

See Note 2 to the financial statements herein for updates to the discussion in the Form 10-K regarding these proceedings.

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Federal Regulation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Rate, Cost-recovery, and Other Regulation - Federal Regulation” in the Form 10-K for a discussion of federal regulatory proceedings. The following are updates to that discussion.

Entergy’s Integration Into the MISO Regional Transmission Organization

As discussed in the Form 10-K, in January 2013, Occidental Chemical Corporation filed with the FERC a petition for declaratory judgment and complaint against MISO alleging that MISO’s proposed treatment of Qualifying Facilities (QFs) in the Entergy region is unduly discriminatory in violation of sections 205 and 206 of the Federal Power Act and violates the Public Utility Regulatory Policies Act (PURPA) and the FERC’s implementing regulations. In April 2016 the FERC denied Occidental’s complaint against MISO and found that MISO’s treatment of QFs in Entergy’s service territories is consistent with the requirements of PURPA and does not violate sections 205 and 206 of the Federal Power Act. In September 2016 the FERC denied Occidental’s request for rehearing. In February 2014, Occidental also filed with the FERC a petition for enforcement against the LPSC. Occidental’s petition for enforcement alleges that the LPSC’s January 2014 order, which approved Entergy Louisiana’s application for modification of Entergy’s methodology for calculating avoided cost rates paid to QFs, is inconsistent with the requirements of PURPA and the FERC’s regulations implementing PURPA. In April 2014 the FERC issued a “Notice Of Intent Not To Act At This Time” with respect to Occidental’s petition for enforcement against the LPSC. The FERC concluded that Occidental’s petition for enforcement largely raises the same issues as those raised in the January 2013 complaint and petition for declaratory order that Occidental filed against MISO, and that the two proceedings should be addressed at the same time. The FERC reserved its ability to issue a further order or to take further action at a future date should it find that doing so is appropriate. In April 2016 the FERC reviewed its earlier “Notice of Intent Not to Act as This Time” and issued another notice declining to initiate an enforcement action against the LPSC. In January 2016, in a separate proceeding, the FERC issued an order granting the Utility operating companies’ petition to terminate the requirement that they enter into new obligations or contracts with QFs with net capacity in excess of 20 MW, including Occidental’s Taft QF, effective October 2015. The FERC denied without prejudice the petition as it relates to Dow Chemical Company’s Plaquemine QF. In April 2016 the FERC denied Occidental’s request for rehearing of the order granting the Utility operating companies’ petition to terminate the QF purchase requirement for QFs with net capacity in excess of 20 MW and affirmed that Occidental failed to rebut the presumption that its Taft QF has non-discriminatory access to the MISO markets. In June 2016, Occidental filed in the United States Court of Appeals for the District of Columbia Circuit a petition for review of the FERC’s January 2016 and April 2016 orders granting the Utility operating companies’ petition to terminate the QF purchase requirement for QFs with net capacity in excess of 20MW.

As discussed in the Form 10-K, in April 2014, Occidental filed a complaint in federal district court for the Middle District of Louisiana against the LPSC and Entergy Louisiana that challenged the January 2014 order issued by the LPSC on grounds similar to those raised in the 2013 complaint and 2014 petition for enforcement that Occidental previously filed at the FERC. The district court complaint also sought damages from Entergy Louisiana and a declaration from the district court that in pursuing the January 2014 order Entergy Louisiana breached an existing agreement with Occidental and an implied covenant of good faith and fair dealing. In October 2016, Occidental voluntarily released its claims against the LPSC and Entergy Louisiana and the parties filed a joint motion to dismiss, which the district court signed and entered.

As discussed in the Form 10-K, in February 2013, Entergy Services, on behalf of the Utility operating companies, made a filing with the FERC requesting to adopt the standard Attachment O formula rate template used by

transmission owners to establish transmission rates within MISO. In July 2015, as amended in August and October 2015, Entergy Services, on behalf of the Utility operating companies, filed a settlement at the FERC resolving all issues relating to the Utility operating companies' Attachment O transmission rates in MISO except for challenges to MISO's regional through and out rates. In October 2015 the presiding judge certified the settlement as contested to the FERC due to comments opposing the settlement filed by the same parties that have raised issues related to MISO's through and out rates. In September 2016 the FERC issued an order approving the settlement.

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In May 2015 several parties filed a complaint against MISO related to certain charges for transmission service provided by MISO to them when their point-to-point service under the Entergy open access transmission tariff was transitioned to the MISO tariff in December 2013. The complainants request that the FERC order refunds for alleged overcharges since December 2013, or alternatively that the FERC institute a proceeding under Section 206 of the Federal Power Act to address the legality of transmission applicable rates and establish a different fifteen-month refund period from the period established in the FERC's February 2014 order. In June 2015, another party filed a similar complaint against MISO. MISO filed answers to both complaints asking the FERC to dismiss the complaints, and Entergy filed protests in support of MISO's answers. Also in June 2015 the FERC issued an order denying rehearing of certain determinations in the February 2014 order regarding MISO's regional through and out rates. In October 2015 the FERC issued an order denying the complaints filed in May and June 2015, finding that MISO did not violate its tariff and the justness and reasonableness of the rates referenced in the complaints are already being addressed in the proceeding initiated in February 2014, thus rendering the complaints duplicative. In February 2016 a settlement was filed at the FERC to resolve the point-to-point customer concerns, and the FERC approved the settlement in August 2016.

System Agreement

As discussed in the Form 10-K, in December 2013 the FERC issued an order accepting revisions to the System Agreement filed in November 2012 by the Utility operating companies. In the December 2013 order, the FERC set one issue for hearing involving a settlement with Union Pacific regarding certain coal delivery issues. Entergy Arkansas's participation in the System Agreement terminated effective December 18, 2013. In December 2014 a FERC ALJ issued an initial decision finding that Entergy Arkansas would realize benefits after December 18, 2013 from the 2008 settlement agreement between Entergy Services, Entergy Arkansas, and Union Pacific, related to certain coal delivery issues. The ALJ further found that all of the Utility operating companies should share in those benefits pursuant to the methodology proposed by the MPSC. The Utility operating companies and other parties to the proceeding filed briefs on exceptions and/or briefs opposing exceptions with the FERC challenging various aspects of the December 2014 initial decision. In March 2016 the FERC issued an opinion affirming the December 2014 initial decision with regard to the determination that there were benefits related to the Union Pacific settlement, which were realized post Entergy Arkansas's December 2013 withdrawal from the System Agreement, that should be shared with the other Utility operating companies utilizing the methodology proposed by the MPSC and trued-up to actual coal volumes purchased. In May 2016, Entergy made a compliance filing that provided the calculation of Union Pacific settlement benefits utilizing the methodology adopted by the initial decision, trued-up for the actual volumes of coal purchased. The payments were made in May 2016. In August 2016 the FERC issued an order accepting Entergy's compliance filing. Also in August 2016 the APSC filed a petition for review of the FERC's March 2016 and August 2016 orders with the U.S. Court of Appeals for the D.C. Circuit.

Termination of System Agreement

As discussed in the Form 10-K, in December 2014 the FERC issued an order setting the proposed amendment changing the notice period from 96 months to 60 months for settlement judge and hearing procedures. In August 2015, Entergy Services filed a settlement in the FERC dockets addressing the notice period for exiting the System Agreement, including the pending notices of withdrawal filed by Entergy Louisiana and Entergy Texas. The settlement was expressly conditioned on obtaining the necessary FERC and state and local regulatory approvals. By November 2015, all necessary state and local regulatory approvals had been obtained, and in December 2015 the FERC issued an order approving the settlement.

Under the settlement, the System Agreement terminated at the end of August 2016 as to all parties remaining as of that date. The purchase power agreements, referred to as the jurisdictional separation plan PPAs, between Entergy Texas and Entergy Louisiana, as successor to Entergy Gulf States Louisiana, that were put in place for certain legacy gas units at the time of Entergy Gulf States's separation into Entergy Texas and Entergy Gulf States Louisiana terminated, effective with System Agreement termination. Similarly, the PPA between Entergy Louisiana, as successor to Entergy Gulf States Louisiana, and Entergy Texas for the Calcasieu unit also terminated.

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Consistent with the settlement, Entergy New Orleans was established as a separate transmission pricing zone in MISO effective with System Agreement termination, and Entergy New Orleans began making payments to Entergy Louisiana in the amount of \$2.2 million annually for a period of 15 years.

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. In addition to selling the energy produced by its plants, Entergy Wholesale Commodities sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of September 30, 2016 (2016 represents the remainder of the year):

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Entergy Wholesale Commodities Nuclear Portfolio

	2016	2017	2018	2019
Energy				
Percent of planned generation under contract (a):				
Unit-contingent (b)	66%	86%	40%	27%
Firm LD (c)	44%	10%	—%	—%
Offsetting positions (d)	(20%)	(10%)	—%	—%
Total	90%	86%	40%	27%
Planned generation (TWh) (e) (f)	8.8	27.1	27.7	24.9
Average revenue per MWh on contracted volumes:				
Minimum	\$40.4	\$43.4	\$46.8	\$56.9
Expected based on market prices as of September 30, 2016	\$40.5	\$43.8	\$46.8	\$56.9
Sensitivity: +/- \$10 per MWh market price change	\$40.4-\$41.9	\$43.6-\$44.1	\$46.8	\$56.9
Capacity				
Percent of capacity sold forward (g):				
Bundled capacity and energy contracts (h)	18%	22%	22%	25%
Capacity contracts (i)	33%	19%	20%	9%
Total	51%	41%	42%	34%
Planned net MW in operation (average) (f)	4,406	3,568	3,568	3,167
Average revenue under contract per kW per month (applies to capacity contracts only)	\$6.0	\$5.6	\$9.4	\$11.1
Total Nuclear Energy and Capacity Revenues (j)				
Expected sold and market total revenue per MWh	\$43.7	\$51.0	\$48.8	\$49.8
Sensitivity: +/- \$10 per MWh market price change	\$42.5-\$46.0	\$49.7-\$52.4	\$43.0-\$54.5	\$42.5-\$57.1

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

Transaction under which power is supplied from a specific generation asset; if the asset is not operating, the seller is generally not liable to buyer for any damages. Certain unit-contingent sales include a guarantee of availability.

(b) Availability guarantees provide for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.

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

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

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- (e) Amount of output expected to be generated by Entergy Wholesale Commodities resources considering plant operating characteristics, outage schedules, and expected market conditions that affect dispatch. Assumes NRC license renewals for plants with NRC license renewal applications in process. Assumes the sale of FitzPatrick to Exelon in the second quarter 2017, planned shutdown of Pilgrim on May 31, 2019, and uninterrupted normal operation at remaining plants. NRC license renewal applications are in process for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations while its application is pending) and Indian Point 3 (December 2015 and now (f)operating under its period of extended operations while its application is pending). For a discussion regarding the sale of the FitzPatrick plant, see "Sale of FitzPatrick" above. For a discussion regarding the planned shutdown of the Pilgrim plant, see "Results of Operations - Realized Revenue per MWh and Its Effect on the Entergy Wholesale Commodities Business" above. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" above and in the Form 10-K.
- (g) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
- (h) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
- (i) A contract for the sale of an installed capacity product in a regional market. Includes assumptions on converting a portion of the portfolio to contracted with fixed price cost or discount and
- (j) excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, mark-to-market activity, and service revenues.

Entergy estimates that a positive \$10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on September 30, 2016 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of \$20 million for the remainder of 2016. As of September 30, 2015, a positive \$10 per MWh change would have had a corresponding effect on pre-tax income of \$19 million for the remainder of 2015. A negative \$10 per MWh change in the annual average energy price in the markets based on September 30, 2016 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of (\$10) million for the remainder of 2016. As of September 30, 2015, a negative \$10 per MWh change would have had a corresponding effect on pre-tax income of (\$16) million for the remainder of 2015.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At September 30, 2016, based on power prices at that time, Entergy had liquidity exposure of \$125 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$10 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of September 30, 2016, Entergy would have been required to provide approximately \$50 million of additional cash or letters of credit under some of the agreements. As of September 30, 2016, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$156 million for a \$1 per MMBtu increase in gas prices in both the short-and long-term markets.

As of September 30, 2016, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2019 is with counterparties or their guarantors that have public investment grade credit ratings.

Nuclear Matters

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters” in the Form 10-K for a discussion of nuclear matters. The following are updates to that discussion.

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In June 2012 the U.S. Court of Appeals for the D.C. Circuit vacated the NRC's 2010 update to its Waste Confidence Decision, which had found generically that a permanent geologic repository to store spent nuclear fuel would be available when necessary and that spent nuclear fuel could be stored at nuclear reactor sites in the interim without significant environmental effects, and remanded the case for further proceedings. The court concluded that the NRC had not satisfied the requirements of the National Environmental Policy Act (NEPA) when it considered environmental effects in reaching these conclusions. The Waste Confidence Decision has been relied upon by NRC license renewal applicants to address some of the issues that the NEPA requires the NRC to address before it issues a renewed license. Certain nuclear opponents filed requests with the NRC asking it to address the issues raised by the court's decision in the license renewal proceedings for a number of nuclear plants including Grand Gulf and Indian Point 2 and 3. In August 2012 the NRC issued an order stating that it will not issue final licenses dependent upon the Waste Confidence Decision until the D.C. Circuit's remand is addressed, but also stating that licensing reviews and proceedings should continue to move forward. In September 2014 the NRC published a new final Waste Confidence rule, named Continued Storage of Spent Nuclear Fuel, that for licensing purposes adopts non-site specific findings concerning the environmental impacts of the continued storage of spent nuclear fuel at reactor sites - for 60 years, 100 years, and indefinitely - after the reactor's licensed period of operations. The NRC also issued an order lifting its suspension of licensing proceedings after the final rule's effective date in October 2014. After the final rule became effective, New York, Connecticut, and Vermont filed a challenge to the rule in the U.S. Court of Appeals. In June 2016 the court denied the challenge.

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

See Note 1 to the financial statements herein for discussion of the NRC's decision in September 2015 to place Pilgrim in Column 4 of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim's corrective action program that contributed to repeated unscheduled shutdowns and equipment failures.

In 2016, Entergy conducted a comprehensive evaluation of the Entergy nuclear fleet and determined that it is necessary to increase investments in its nuclear plants to position the fleet for sustained operational excellence during each plant's expected operating life. These investments will result in increased operating and capital costs associated with operating Entergy's nuclear plants going forward. The preliminary estimates of the incremental capital costs for 2017 through 2019 identified through this initiative are estimated to be \$870 million for Utility. The preliminary estimates indicate that the incremental capital costs identified through this initiative for Entergy Wholesale Commodities are expected to have a minimal effect on Entergy's preliminary capital investment plan estimate for 2017 through 2019 due to project reprioritizations and shifts in the timing of project spending during 2017 through 2019. The current estimates of the capital costs identified through this initiative are included in Entergy's preliminary capital investment plan estimate for 2017 through 2019 given in "Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital" above. The incremental increases in other operation and maintenance expenses identified through this initiative are preliminarily estimated to be approximately \$125 million in 2017, \$160 million in 2018, and \$145 million in 2019 for Utility and approximately \$25 million in 2017, \$30 million in 2018, and \$30 million in 2019 for Entergy Wholesale Commodities. In addition, nuclear refueling outage expenses are expected to increase going forward for both Utility and Entergy Wholesale Commodities.

Indian Point 2 Outage

During the scheduled refueling and maintenance outage at Indian Point Unit 2 in the first quarter 2016, comprehensive inspections were done as part of the aging management program which calls for an in-depth inspection of the reactor

vessel. Inspections of more than 2,000 bolts in the reactor's removable insert liner identified issues with roughly 11% of the bolts that required further analysis. Entergy replaced bolts as appropriate, and the unit returned to service on June 16, 2016. The repair costs were accounted for as deferred refueling outage costs and will be amortized over the plant's subsequent fuel cycle. The increase in the deferred refueling outage balance is expected to increase outage amortization expense in 2016, 2017, and 2018. In addition to the repair costs, Entergy lost net revenue due to

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the plant being offline. Entergy estimates the negative effect on earnings was approximately \$51 million pre-tax in second quarter 2016. Entergy is evaluating the scope and duration of Indian Point 3's next scheduled refueling outage planned for 2017. Based on the results of that evaluation and analysis, Entergy could modify its plan for that outage and currently expects that the outage will be extended.

Grand Gulf Outage

Grand Gulf began a maintenance outage on September 8, 2016 to replace a heat removal pump. Although the pump has been replaced, management decided to keep the plant in a maintenance outage until additional training and other steps can be taken to support management's goal of operational excellence. Grand Gulf is not expected to return to service before mid-January 2017. Entergy expects, based on the plant's recent performance indicators, that the NRC will place Grand Gulf in the "regulatory response column," or Column 2, of its Reactor Oversight Process Action Matrix. Additionally, on October 31, 2016, the NRC commenced a special inspection to identify the circumstances surrounding the unplanned unavailability of an alternate heat removal system during the September 2016 replacement of the heat removal pump and to evaluate the licensee's actions to address the causes of the event.

Critical Accounting Estimates

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy's accounting for nuclear decommissioning costs, unbilled revenue, impairment of long-lived assets and trust fund investments, qualified pension and other postretirement benefits, and other contingencies. Following are updates to that discussion.

Nuclear Decommissioning Costs

As discussed in Note 9 to the financial statements in the Form 10-K, when Entergy purchased the Indian Point 3 and FitzPatrick plants in 2000 from NYPA, NYPA retained the decommissioning trusts and the decommissioning liabilities. NYPA and Entergy subsidiaries executed decommissioning agreements, which specified their decommissioning obligations. NYPA has the right to require the Entergy subsidiaries to assume each of the decommissioning liabilities provided that it assigns the corresponding decommissioning trust, up to a specified level, to the Entergy subsidiaries. If the decommissioning liabilities are retained by NYPA, the Entergy subsidiaries will perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trusts. At the time of the acquisition of the plants Entergy recorded a contract asset that represented an estimate of the present value of the difference between the stipulated contract amount for decommissioning the plants less the decommissioning costs estimated in independent decommissioning cost studies.

In August 2016, Entergy entered into a trust transfer agreement with NYPA to transfer the decommissioning trusts and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy. The agreement requires Entergy to make a one-time payment of \$8 million to NYPA upon receipt of the decommissioning trusts. Amendments to the original decommissioning agreements eliminated the Entergy subsidiaries' obligation to make additional license extension payments to NYPA, which had been recorded as a note payable of \$35 million. The transaction is contingent upon receiving approval from the NRC. As a result of the agreement with NYPA, in the third quarter 2016 Entergy removed the contract asset from its balance sheet, and recorded receivables for the beneficial interests in the decommissioning trust funds and asset retirement obligations for the decommissioning liabilities. See Note 14 to the financial statements herein for further discussion of the decommissioning agreements with NYPA and the associated asset retirement obligations.

Impairment of Long-lived Assets and Trust Fund Investments

As discussed in the Form 10-K, Entergy has significant investments in long-lived assets in both of its operating segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment when there are indications that an impairment may exist. This evaluation involves a significant degree of

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estimation and uncertainty. In the Entergy Wholesale Commodities business, Entergy's investments in merchant generation assets are subject to impairment in adverse market or regulatory conditions, particularly if it leads to a decision or an expectation that Entergy will operate or own a plant for a shorter period than previously expected; if there is a significant adverse change in the physical condition of a plant; if investment in a plant significantly exceeds previously-expected amounts; or, for Indian Point 2 and 3, if their operating licenses are not renewed.

See "Impairment of Long-Lived Assets" in Note 1 to the financial statements in the Form 10-K for a discussion of the impairments prior to 2016 of the Vermont Yankee, FitzPatrick, Pilgrim, and Palisades plants. See "Results of Operations - Realized Revenue per MWh Trend and the Entergy Wholesale Commodities Business" above for a discussion of market price trends and other factors affecting the Entergy Wholesale Commodities power plants. See "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" above for a discussion of the Indian Point licensing activities.

Taxation and Uncertain Tax Positions

Management exercises significant judgment in evaluating the potential tax effects of Entergy's operations, transactions, and other events. Management evaluates each tax position based on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Income tax expense and tax positions recorded could be significantly affected by events such as additional transactions contemplated or consummated by Entergy or the progress of audits or reviews of the tax treatment of transactions or issues by taxing authorities. Entergy's income taxes, including unrecognized tax benefits, open audits, and other significant tax matters are disclosed in Note 3 to the financial statements in the Form 10-K, and significant updates to that disclosure are included in Note 10 to the financial statements herein.

New Accounting Pronouncements

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - New Accounting Pronouncements" in the Form 10-K for a discussion of new accounting pronouncements. Following are updates to that discussion.

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

In March 2016 the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The ASU seeks to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The statement is effective beginning in 2017 and Entergy will prospectively recognize all income tax effects related to share-based payments through the income statement. Entergy does not expect ASU 2016-09 to affect materially its results of operations, financial position, and cash flows.

In June 2016 the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU requires entities to record a valuation allowance on financial instruments held at amortized cost and available-for-sale debt securities for the total credit losses expected over the

life of the instrument. Increases and decreases in the valuation allowance will be recognized immediately in earnings. ASU 2016-13 is effective for Entergy for the first quarter 2020. Entergy is evaluating ASU 2016-13 for the expected effects on its results of operations, financial position, and cash flows.

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

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2016	2015	2016	2015
	(In Thousands, Except Share Data)			
OPERATING REVENUES				
Electric	\$2,624,562	\$2,825,143	\$6,760,054	\$7,289,280
Natural gas	24,796	24,517	95,530	111,805
Competitive businesses	475,345	521,746	1,341,534	1,603,643
TOTAL	3,124,703	3,371,406	8,197,118	9,004,728
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	460,990	739,449	1,347,422	1,919,605
Purchased power	375,107	449,784	880,102	1,114,736
Nuclear refueling outage expenses	56,675	68,577	154,951	200,575
Other operation and maintenance	833,176	852,385	2,324,350	2,450,368
Asset write-offs, impairments, and related charges	18,841	1,642,204	33,170	1,642,204
Decommissioning	85,266	68,888	230,519	207,617
Taxes other than income taxes	149,076	158,134	448,103	472,035
Depreciation and amortization	340,399	334,841	1,010,339	1,007,181
Other regulatory charges	33,113	22,160	55,626	35,271
TOTAL	2,352,643	4,336,422	6,484,582	9,049,592
OPERATING INCOME (LOSS)	772,060	(965,016)	1,712,536	(44,864)
OTHER INCOME				
Allowance for equity funds used during construction	15,451	14,129	48,242	37,841
Interest and investment income	37,534	39,054	116,662	146,893
Miscellaneous - net	(6,740)	(10,005)	(25,702)	(34,769)
TOTAL	46,245	43,178	139,202	149,965
INTEREST EXPENSE				
Interest expense	174,902	171,349	526,344	503,546
Allowance for borrowed funds used during construction	(7,707)	(7,289)	(24,520)	(19,450)
TOTAL	167,195	164,060	501,824	484,096
INCOME (LOSS) BEFORE INCOME TAXES	651,110	(1,085,898)	1,349,914	(378,995)
Income taxes	257,906	(367,665)	148,879	(117,412)
CONSOLIDATED NET INCOME (LOSS)	393,204	(718,233)	1,201,035	(261,583)
Preferred dividend requirements of subsidiaries	5,034	4,794	15,586	14,552
	\$388,170	(\$723,027)	\$1,185,449	(\$276,135)

NET INCOME (LOSS) ATTRIBUTABLE TO ENTERGY CORPORATION

Earnings (loss) per average common share:

Basic	\$2.17	(\$4.04) \$6.63	(\$1.54)
Diluted	\$2.16	(\$4.04) \$6.60	(\$1.54)
Dividends declared per common share	\$0.85	\$0.83	\$2.55	\$2.49	

Basic average number of common shares outstanding	179,023,351	179,151,832	178,804,148	179,442,172
Diluted average number of common shares outstanding	179,990,888	179,151,832	179,490,060	179,442,172

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Three and Nine Months Ended September 30, 2016 and 2015
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	2016	2015	2016	2015
	(In Thousands)		(In Thousands)	
Net Income (Loss)	\$393,204	(\$718,233)	\$1,201,035	(\$261,583)
Other comprehensive income (loss)				
Cash flow hedges net unrealized gain (loss) (net of tax expense (benefit) of \$11,172, (\$13,010), (\$28,605), and (\$8,202))	20,972	(23,984)	(52,575)	(14,618)
Pension and other postretirement liabilities (net of tax expense of \$4,064, \$4,166, \$7,101, and \$11,506)	5,044	7,437	17,649	23,323
Net unrealized investment gains (losses) (net of tax expense (benefit) of \$20,635, (\$51,295), \$58,508, and (\$77,921))	21,367	(53,966)	65,391	(83,843)
Foreign currency translation (net of tax benefit of (\$48), (\$253), (\$688), and (\$190))	(92)	(469)	(1,280)	(353)
Other comprehensive income (loss)	47,291	(70,982)	29,185	(75,491)
Comprehensive Income (Loss)	440,495	(789,215)	1,230,220	(337,074)
Preferred dividend requirements of subsidiaries	5,034	4,794	15,586	14,552
Comprehensive Income (Loss) Attributable to Entergy Corporation	\$435,461	(\$794,009)	\$1,214,634	(\$351,626)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the Nine Months Ended September 30, 2016 and 2015
 (Unaudited)

	2016	2015
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income (loss)	\$1,201,035	(\$261,583)
Adjustments to reconcile consolidated net income (loss) to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	1,548,872	1,612,690
Deferred income taxes, investment tax credits, and non-current taxes accrued	119,603	(267,984)
Asset write-offs, impairments, and related charges	33,170	1,642,204
Changes in working capital:		
Receivables	(270,847)	(222,311)
Fuel inventory	28,900	(7,578)
Accounts payable	99,933	(90,309)
Taxes accrued	29,429	108,229
Interest accrued	(13,487)	(34,368)
Deferred fuel costs	(159,592)	165,384
Other working capital accounts	(78,553)	(133,142)
Changes in provisions for estimated losses	2,760	55,177
Changes in other regulatory assets	164,716	155,244
Changes in other regulatory liabilities	110,999	(95,327)
Changes in pensions and other postretirement liabilities	(305,200)	(307,638)
Other	(259,343)	30,957
Net cash flow provided by operating activities	2,252,395	2,349,645
INVESTING ACTIVITIES		
Construction/capital expenditures	(2,003,427)	(1,701,758)
Allowance for equity funds used during construction	48,807	39,428
Nuclear fuel purchases	(160,343)	(340,262)
Payment for purchase of plant	(949,329)	—
Insurance proceeds received for property damages	—	12,745
Changes in securitization account	(3,911)	(8,756)
NYPA value sharing payment	—	(70,790)
Payments to storm reserve escrow account	(1,203)	(68,956)
Decrease (increase) in other investments	12,374	(15,323)
Proceeds from nuclear decommissioning trust fund sales	1,796,566	1,487,759
Investment in nuclear decommissioning trust funds	(1,844,514)	(1,520,461)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	122,488	—
Net cash flow used in investing activities	(2,982,492)	(2,186,374)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	5,508,461	2,205,884
Treasury stock	33,120	24,218
Retirement of long-term debt	(4,229,599)	(2,295,118)
Repurchase of common stock	—	(99,807)
Repurchase/redemption of preferred stock	(85,283)	(94,285)
Changes in credit borrowings and commercial paper - net	(60,985)	183,627
Other	(6,204)	(7,102)
Dividends paid:		
Common stock	(455,993)	(447,268)
Preferred stock	(16,947)	(14,848)
Net cash flow provided by (used in) financing activities	686,570	(544,699)
Net decrease in cash and cash equivalents	(43,527)	(381,428)
Cash and cash equivalents at beginning of period	1,350,961	1,422,026
Cash and cash equivalents at end of period	\$1,307,434	\$1,040,598
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	\$584,362	\$523,489
Income taxes	\$79,988	\$95,779

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

ASSETS

September 30, 2016 and December 31, 2015

(Unaudited)

	2016	2015
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$101,905	\$63,497
Temporary cash investments	1,205,529	1,287,464
Total cash and cash equivalents	1,307,434	1,350,961
Accounts receivable:		
Customer	724,970	608,491
Allowance for doubtful accounts	(11,387)	(39,895)
Other	227,278	