

ENTERGY CORP /DE/
 Form 10-K
 February 26, 2018
Table of Contents

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2017

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, LLC (a Texas limited liability company) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 82-2212934
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) 10055 Grogans Mill Road 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	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) 1340 Echelon Parkway

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Telephone (504) 576-4000
47-4469646

Jackson, Mississippi 39213
Telephone (601) 368-5000
72-0752777

1-31508
ENTERGY MISSISSIPPI, INC.
(a Mississippi corporation)
308 East Pearl Street
Jackson, Mississippi 39201
Telephone (601) 368-5000
64-0205830

Table of Contents

Table of Contents

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

Registrant	Title of Class	Name of Each Exchange on Which Registered
Entergy Corporation	Common Stock, \$0.01 Par Value – 180,770,383 shares outstanding at January 31, 2018	New York Stock Exchange, Inc. Chicago Stock Exchange, Inc.
Entergy Arkansas, Inc.	Mortgage Bonds, 4.90% Series due December 2052	New York Stock Exchange, Inc.
	Mortgage Bonds, 4.75% Series due June 2063	New York Stock Exchange, Inc.
	Mortgage Bonds, 4.875% Series due September 2066	New York Stock Exchange, Inc.
Entergy Louisiana, LLC	Mortgage Bonds, 5.25% Series due July 2052	New York Stock Exchange, Inc.
	Mortgage Bonds, 4.70% Series due June 2063	New York Stock Exchange, Inc.
	Mortgage Bonds, 4.875% Series due September 2066	New York Stock Exchange, Inc.
Entergy Mississippi, Inc.	Mortgage Bonds, 4.90% Series due October 2066	New York Stock Exchange, Inc.
Entergy New Orleans, LLC	Mortgage Bonds, 5.0% Series due December 2052	New York Stock Exchange, Inc.
	Mortgage Bonds, 5.50% Series due April 2066	New York Stock Exchange, Inc.
Entergy Texas, Inc.	Mortgage Bonds, 5.625% Series due June 2064	New York Stock Exchange, Inc.

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

Registrant	Title of Class
Entergy Arkansas, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy Mississippi, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy Texas, Inc.	Common Stock, no par value

Table of Contents

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

	Yes	No
Entergy Corporation	<input type="checkbox"/>	
Entergy Arkansas, Inc.		<input type="checkbox"/>
Entergy Louisiana, LLC	<input type="checkbox"/>	
Entergy Mississippi, Inc.		<input type="checkbox"/>
Entergy New Orleans, LLC		<input type="checkbox"/>
Entergy Texas, Inc.		<input type="checkbox"/>
System Energy Resources, Inc.		<input type="checkbox"/>

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

	Yes	No
Entergy Corporation	<input type="checkbox"/>	
Entergy Arkansas, Inc.		<input type="checkbox"/>
Entergy Louisiana, LLC	<input type="checkbox"/>	
Entergy Mississippi, Inc.		<input type="checkbox"/>
Entergy New Orleans, LLC		<input type="checkbox"/>
Entergy Texas, Inc.		<input type="checkbox"/>
System Energy Resources, Inc.		<input type="checkbox"/>

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

Table of Contents

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

	Large accelerated filer	Accelerated filer	Non- accelerated filer	Smaller reporting company	Emerging growth company
Entergy Corporation	ü				
Entergy Arkansas, Inc.			ü		
Entergy Louisiana, LLC			ü		
Entergy Mississippi, Inc.			ü		
Entergy New Orleans, LLC			ü		
Entergy Texas, Inc.			ü		
System Energy Resources, Inc.			ü		

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

System Energy Resources meets the requirements set forth in General Instruction I(1) of Form 10-K and is therefore filing this Form 10-K with reduced disclosure as allowed in General Instruction I(2). System Energy Resources is reducing its disclosure by not including Part III, Items 10 through 13 in its Form 10-K.

The aggregate market value of Entergy Corporation Common Stock, \$0.01 Par Value, held by non-affiliates as of the end of the second quarter of 2017 was \$13.8 billion based on the reported last sale price of \$76.77 per share for such stock on the New York Stock Exchange on June 30, 2017. Entergy Corporation is the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Mississippi, Inc., Entergy Texas, Inc., and System Energy Resources, Inc. Entergy Corporation is the direct and indirect holder of the common membership interests of Entergy Utility Holding Company, LLC, which is the sole holder of the common membership interests of Entergy Louisiana, LLC and Entergy New Orleans, LLC.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 4, 2018, are incorporated by reference into Part III hereof.

Table of Contents

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Table of Contents

TABLE OF CONTENTS

	SEC Form 10-K Reference Number	Page Number
<u>Forward-looking information</u>		<u>iv</u>
<u>Definitions</u>		<u>vii</u>
Entergy Corporation and Subsidiaries		
<u>Management's Financial Discussion and Analysis</u>	Part II. Item 7.	<u>1</u>
<u>Report of Management</u>		<u>45</u>
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6.	<u>46</u>
<u>Report of Independent Registered Public Accounting Firm</u>		<u>47</u>
<u>Consolidated Statements of Operations For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>48</u>
<u>Consolidated Statements of Comprehensive Income (Loss) For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>49</u>
<u>Consolidated Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>50</u>
<u>Consolidated Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8.	<u>52</u>
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>54</u>
Notes to Financial Statements		
<u>Note 1. Summary of Significant Accounting Policies</u>	Part II. Item 8.	<u>55</u>
<u>Note 2. Rate and Regulatory Matters</u>	Part II. Item 8.	<u>67</u>
<u>Note 3. Income Taxes</u>	Part II. Item 8.	<u>108</u>
<u>Note 4. Revolving Credit Facilities, Lines of Credit, and Short-term Borrowings</u>	Part II. Item 8.	<u>122</u>
<u>Note 5. Long-term Debt</u>	Part II. Item 8.	<u>126</u>
<u>Note 6. Preferred Equity</u>	Part II. Item 8.	<u>135</u>
<u>Note 7. Common Equity</u>	Part II. Item 8.	<u>137</u>
<u>Note 8. Commitments and Contingencies</u>	Part II. Item 8.	<u>141</u>
<u>Note 9. Asset Retirement Obligations</u>	Part II. Item 8.	<u>150</u>
<u>Note 10. Leases</u>	Part II. Item 8.	<u>156</u>
<u>Note 11. Retirement, Other Postretirement Benefits, and Defined Contribution Plans</u>	Part II. Item 8.	<u>159</u>
<u>Note 12. Stock-based Compensation</u>	Part II. Item 8.	<u>187</u>
<u>Note 13. Business Segment Information</u>	Part II. Item 8.	<u>191</u>
<u>Note 14. Acquisitions, Dispositions, and Impairment of Long-lived Assets</u>	Part II. Item 8.	<u>195</u>
<u>Note 15. Risk Management and Fair Values</u>	Part II. Item 8.	<u>201</u>
<u>Note 16. Decommissioning Trust Funds</u>	Part II. Item 8.	<u>218</u>
<u>Note 17. Variable Interest Entities</u>	Part II. Item 8.	<u>224</u>
<u>Note 18. Transactions with Affiliates</u>	Part II. Item 8.	<u>226</u>
<u>Note 19. Quarterly Financial Data</u>	Part II. Item 8.	<u>228</u>
Entergy's Business		
<u>Utility</u>	Part I. Item 1.	<u>231</u>
<u>Entergy Wholesale Commodities</u>	Part I. Item 1.	<u>252</u>
<u>Regulation of Entergy's Business</u>	Part I. Item 1.	<u>257</u>
<u>Litigation</u>		<u>273</u>
<u>Employees</u>		<u>274</u>
<u>Availability of SEC filings and other information on Entergy's website</u>		<u>274</u>

Risk Factors

Unresolved Staff Comments

Part I. Item 1A.

Part I. Item 1B.

275

None

i

Table of Contents

Entergy Arkansas, Inc. and Subsidiaries	
<u>Management's Financial Discussion and Analysis</u>	Part II. Item 7. 300
<u>Report of Independent Registered Public Accounting Firm</u>	318
<u>Consolidated Income Statements For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 319
<u>Consolidated Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 321
<u>Consolidated Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8. 322
<u>Consolidated Statements of Changes in Common Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 324
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6. 325
Entergy Louisiana, LLC and Subsidiaries	
<u>Management's Financial Discussion and Analysis</u>	Part II. Item 7. 326
<u>Report of Independent Registered Public Accounting Firm</u>	348
<u>Consolidated Income Statements For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 349
<u>Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 350
<u>Consolidated Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 351
<u>Consolidated Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8. 352
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 354
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6. 355
Entergy Mississippi, Inc.	
<u>Management's Financial Discussion and Analysis</u>	Part II. Item 7. 356
<u>Report of Independent Registered Public Accounting Firm</u>	369
<u>Income Statements For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 370
<u>Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 371
<u>Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8. 372
<u>Statements of Changes in Common Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8. 374
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6. 375
Entergy New Orleans, LLC and Subsidiaries	
<u>Management's Financial Discussion and Analysis</u>	Part II. Item 7. 376
<u>Report of Independent Registered Public Accounting Firm</u>	391
<u>Consolidated Income Statements For the Years Ended December 31, 2017, 2016, and 2015</u>	392

	Part II. Item 8.	
<u>Consolidated Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>393</u>
<u>Consolidated Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8.	<u>394</u>
<u>Consolidated Statements of Changes in Member’s Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>396</u>
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6.	<u>397</u>
Entergy Texas, Inc. and Subsidiaries		
<u>Management’s Financial Discussion and Analysis</u>	Part II. Item 7.	<u>398</u>
<u>Report of Independent Registered Public Accounting Firm</u>		<u>413</u>
<u>Consolidated Income Statements For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>414</u>
<u>Consolidated Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>415</u>
<u>Consolidated Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8.	<u>416</u>

Table of Contents

<u>Consolidated Statements of Changes in Common Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>418</u>
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6.	<u>419</u>
System Energy Resources, Inc.		
<u>Management’s Financial Discussion and Analysis</u>	Part II. Item 7.	<u>420</u>
<u>Report of Independent Registered Public Accounting Firm</u>		<u>430</u>
<u>Income Statements For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>431</u>
<u>Statements of Cash Flows For the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>433</u>
<u>Balance Sheets, December 31, 2017 and 2016</u>	Part II. Item 8.	<u>434</u>
<u>Statements of Changes in Common Equity for the Years Ended December 31, 2017, 2016, and 2015</u>	Part II. Item 8.	<u>436</u>
<u>Selected Financial Data - Five-Year Comparison</u>	Part II. Item 6.	<u>437</u>
<u>Properties</u>	Part I. Item 2.	<u>438</u>
<u>Legal Proceedings</u>	Part I. Item 3.	<u>438</u>
<u>Mine Safety Disclosures</u>	Part I. Item 4.	<u>438</u>
<u>Executive Officers of Entergy Corporation</u>	Part I. and Part III. Item 10.	<u>438</u>
<u>Market for Registrants’ Common Equity and Related Stockholder Matters</u>	Part II. Item 5.	<u>440</u>
<u>Selected Financial Data</u>	Part II. Item 6.	<u>441</u>
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	Part II. Item 7.	<u>442</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	Part II. Item 7A.	<u>442</u>
<u>Financial Statements and Supplementary Data</u>	Part II. Item 8.	<u>442</u>
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	Part II. Item 9.	<u>442</u>
<u>Controls and Procedures</u>	Part II. Item 9A.	<u>442</u>
<u>Attestation Report of Registered Public Accounting Firm</u>	Part II. Item 9A.	<u>444</u>
<u>Directors and Executive Officers of the Registrants</u>	Part III. Item 10.	<u>445</u>
<u>Executive Compensation</u>	Part III. Item 11.	<u>451</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	Part III. Item 12.	<u>498</u>
<u>Certain Relationships and Related Transactions and Director Independence</u>	Part III. Item 13.	<u>502</u>
<u>Principal Accountant Fees and Services</u>	Part III. Item 14.	<u>503</u>
<u>Exhibits and Financial Statement Schedules</u>	Part IV. Item 15.	<u>506</u>
<u>Form 10-K Summary</u>	Part IV. Item 16.	<u>506</u>
<u>Exhibit Index</u>		<u>507</u>
<u>Signatures</u>		<u>522</u>
<u>Consents of Independent Registered Public Accounting Firm</u>		<u>529</u>
<u>Report of Independent Registered Public Accounting Firm</u>		<u>530</u>
<u>Index to Financial Statement Schedules</u>		<u>S-1</u>

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

The report should be read in its entirety as it pertains to each respective reporting company. No one section of the report deals with all aspects of the subject matter. Separate Item 6, 7, and 8 sections are provided for each reporting company, except for the Notes to the financial statements. The Notes to the financial statements for all of the reporting companies are combined. All Items other than 6, 7, and 8 are combined for the reporting companies.

Table of Contents

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 (a) those factors discussed or incorporated by reference in Item 1A. Risk Factors, (b) those factors discussed or incorporated by reference in Management’s Financial Discussion and Analysis, 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, formula rate proceedings and related negotiations, including various performance-based rate discussions, Entergy’s utility supply plan, and recovery of fuel and purchased power costs; long-term risks and uncertainties associated with the termination of the System Agreement in 2016, including the potential absence of federal authority to resolve certain issues among the Utility operating companies and their retail regulators;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ participation in MISO, including the benefits of continued MISO participation, 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 with respect to retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, and the application of more stringent transmission reliability requirements or market power criteria by the FERC or the U.S. Department of Justice;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned, potential, or actual shutdown of nuclear generating facilities owned or operated by Entergy Wholesale Commodities, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications or other authorizations required of nuclear generating facilities and the effect of public and political opposition on these applications, regulatory proceedings, and litigation;
- the performance of and deliverability of power from Entergy’s generation resources, including the capacity factors at Entergy’s nuclear generating facilities;
- increases in costs and capital expenditures that could result from the commitment of substantial human and capital resources required for the operation and maintenance of Entergy’s 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, especially in light of the planned shutdown or sale of

each of these 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;

iv

Table of Contents

FORWARD-LOOKING INFORMATION (Continued)

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

changes in environmental laws and regulations, agency positions or associated litigation, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, particulate matter, heat, and other regulated air and water emissions, requirements for waste management and disposal and for the remediation of contaminated sites, wetlands protection and permitting, and changes in costs of compliance with these environmental laws and regulations;

changes in laws and regulations, agency positions, or associated litigation related to protected species and associated critical habitat designations;

- the effects of changes in federal, state or local laws and regulations, and other governmental actions or policies, including changes in monetary, fiscal, tax, environmental, or energy policies;

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

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

effects of climate change, including the potential for increases in sea levels or coastal land and wetland loss;

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

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

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

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

federal income tax reform, including the enactment of the Tax Cuts and Jobs Act, and its intended and unintended consequences on financial results and future cash flows, including the potential impact to credit ratings, which may affect Entergy's ability to borrow funds or increase the cost of borrowing in the future;

the effects of Entergy's strategies to reduce tax payments, especially in light of federal income tax reform;

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

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

changes in inflation and interest rates;

the effect of litigation and government investigations or proceedings;

changes in technology, including with respect to new, developing, or alternative sources of generation such as distributed energy and energy storage, energy efficiency, demand side management and other measures that reduce load;

the effects, including increased security costs, of threatened or actual terrorism, cyber-attacks or data security breaches, natural or man-made electromagnetic pulses that affect transmission or generation infrastructure, accidents, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;

Entergy's ability to attract and retain talented management, directors, and employees with specialized skills;

changes in accounting standards and corporate governance;

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

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

changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;

v

Table of Contents

FORWARD-LOOKING INFORMATION (Concluded)

the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by mid-2022, including the implementation of the planned shutdowns of Pilgrim, Indian Point 2, Indian Point 3, and Palisades;

- the effectiveness of Entergy’s risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;
- factors that could lead to impairment of long-lived assets; and
- the ability to successfully complete strategic transactions Entergy may undertake, including mergers, acquisitions, divestitures, or restructurings, regulatory or other limitations imposed as a result of any such strategic transaction, and the success of the business following any such strategic transaction.

Table of Contents

DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASLB	Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council	Council of the City of New Orleans, Louisiana
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas Entergy Gulf States Louisiana, 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, 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 Gulf States Louisiana	
Entergy Louisiana	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 Texas	
Entergy Wholesale Commodities	Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), previously owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which was sold in March 2017
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy

Table of Contents

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

Table of Contents

DEFINITIONS (Concluded)

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

Table of Contents

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x

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

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

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

The Entergy Wholesale Commodities business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. See “Entergy Wholesale Commodities Exit from the Merchant Power Business” below for discussion of the operation and planned shutdown or sale of each of the Entergy Wholesale Commodities nuclear power plants.

Following are the percentages of Entergy’s consolidated revenues generated by its operating segments and the percentage of total assets held by them. Net income or loss generated by the operating segments is discussed in the sections that follow.

Segment	% of Revenue			% of Total Assets		
	2012	2016	2015	2012	2016	2015
Utility	85	83	82	92	89	86
Entergy Wholesale Commodities	15	17	18	12	15	18
Parent & Other	—	—	—	(4)	(4)	(4)

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

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Results of Operations

2017 Compared to 2016

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing 2017 to 2016 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)			
2016 Consolidated Net Income (Loss)	\$1,151,133	(\$1,493,124)	(\$222,512)	(\$564,503)
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	138,617	(73,433)	(16)	65,168
Other operation and maintenance	108,187	13,922	4,869	126,978
Asset write-offs, impairments, and related charges	—	(2,297,265)	—	(2,297,265)
Taxes other than income taxes	38,897	(14,657)	814	25,054
Depreciation and amortization	49,491	(6,731)	31	42,791
Gain on sale of asset	—	16,270	—	16,270
Other income	64,815	132,734	1,962	199,511
Interest expense	(10,245)	856	5,362	(4,027)
Other expenses	24,859	12,874	—	37,733
Income taxes	370,228	1,045,783	(56,182)	1,359,829
2017 Consolidated Net Income (Loss)	\$773,148	(\$172,335)	(\$175,460)	\$425,353

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

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

Results of operations for 2017 include: 1) \$538 million (\$350 million net-of-tax) of impairment charges due to costs being charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet; 2) a reduction in net income of \$181 million, including a \$34 million net-of-tax reduction of regulatory liabilities, at Utility and \$397 million at Entergy Wholesale Commodities and an increase in net income of \$52 million at Parent and Other as a result of Entergy's re-measurement of its deferred tax assets and liabilities not subject to the ratemaking process due to the enactment of the Tax Cuts and Jobs Act, in December 2017, which lowered the federal corporate income tax rate from 35% to 21%; and 3) a reduction in income tax expense, net of unrecognized tax benefits, of \$373 million as a result of a change in the tax classification of legal entities that own Entergy Wholesale Commodities nuclear power plants. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet and see Note 14 to the financial statements for further discussion of the impairment and related charges. See Note 3 to the financial statements for further discussion of the effects of the Tax Cuts and Jobs Act and the change in the tax classification.

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

Results of operations for 2016 include: 1) \$2,836 million (\$1,829 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2, and Indian Point 3 plants and related assets to their fair values; 2) a reduction of income tax expense, net of unrecognized tax benefits, of \$238 million as a result of a change in the tax classification of a legal entity that owned one of the Entergy Wholesale Commodities nuclear power plants; 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 3) a reduction in expenses of \$100 million (\$64 million net-of-tax) due to the effects of recording in 2016 the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. See Note 14 to the financial statements for further discussion of the impairment and related charges, see Note 3 to the financial statements for additional discussion of the income tax items, and see Note 8 to the financial statements for discussion of the spent nuclear fuel litigation.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing 2017 to 2016.

	Amount (In Millions)
2016 net revenue	\$6,179
Retail electric price	91
Regulatory credit resulting from reduction of the federal corporate income tax rate	56
Grand Gulf recovery	27
Louisiana Act 55 financing savings obligation	17
Volume/weather	(61)
Other	9
2017 net revenue	\$6,318

The retail electric price variance is primarily due to:

the implementation of formula rate plan rates effective with the first billing cycle of January 2017 at Entergy Arkansas and an increase in base rates effective February 24, 2016, each as approved by the APSC. A significant portion of the base rate increase was related to the purchase of Power Block 2 of the Union Power Station in March 2016;

a provision recorded in 2016 related to the settlement of the Waterford 3 replacement steam generator prudence review proceeding;

the implementation of the transmission cost recovery factor rider at Entergy Texas, effective September 2016, and an increase in the transmission cost recovery factor rider rate, effective March 2017, as approved by the PUCT; and an increase in rates at Entergy Mississippi, as approved by the MPSC, effective with the first billing cycle of July 2016.

See Note 2 to the financial statements for further discussion of the rate proceedings and the Waterford 3 replacement steam generator prudence review proceeding. See Note 14 to the financial statements for discussion of the Union Power Station purchase.

3

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

The regulatory credit resulting from reduction of the federal corporate income tax rate variance is due to the reduction of the Vidalia purchased power agreement regulatory liability by \$30.5 million and the reduction of the Louisiana Act 55 financing savings obligation regulatory liabilities by \$25 million as a result of the enactment of the Tax Cuts and Jobs Act, in December 2017, which lowered the federal corporate income tax rate from 35% to 21%. The effects of the Tax Cuts and Jobs Act are discussed further in Note 3 to the financial statements.

The Grand Gulf recovery variance is primarily due to increased recovery of higher operating costs.

The Louisiana Act 55 financing savings obligation variance results from a regulatory charge in 2016 for tax savings to be shared with customers per an agreement approved by the LPSC. The tax savings resulted from the 2010-2011 IRS audit settlement on the treatment of the Louisiana Act 55 financing of storm costs for Hurricane Gustav and Hurricane Ike. See Note 3 to the financial statements for additional discussion of the settlement and benefit sharing.

The volume/weather variance 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 primarily due to new customers in the primary metals industry and expansion projects and an increase in demand for existing customers in the chlor-alkali industry.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing 2017 to 2016.

	Amount (In Millions)
2016 net revenue	\$1,542
FitzPatrick sale	(158)
Nuclear volume	(89)
FitzPatrick reimbursement agreement	57
Nuclear fuel expenses	108
Other	9
2017 net revenue	\$1,469

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by approximately \$73 million in 2017 primarily due to the absence of net revenue from the FitzPatrick plant after it was sold to Exelon in March 2017 and lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more outage days in 2017 as compared to 2016. The decrease was partially offset by an increase resulting from the reimbursement agreement with Exelon pursuant to which Exelon reimbursed Entergy for specified out-of-pocket costs associated with preparing for the refueling and operation of FitzPatrick that otherwise would have been avoided had Entergy shut down FitzPatrick in January 2017 and a decrease in nuclear fuel expenses primarily related to the impairments of the Indian Point 2, Indian Point 3, and Palisades plants and related assets. Revenues received from Exelon in 2017 under the reimbursement agreement are offset by other operation and maintenance expenses and taxes other than income taxes and had no effect on net income. See Note 14 to the financial statements for discussion of the sale of FitzPatrick, the reimbursement agreement with Exelon, and the impairments and related charges.

Table of ContentsEntergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Following are key performance measures for Entergy Wholesale Commodities for 2017 and 2016.

	2017	2016
Owned capacity (MW) (a)	3,962	4,800
GWh billed	30,501	35,881

Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	83%	87%
GWh billed	28,178	33,551
Average energy and capacity revenue per MWh	\$50.04	\$47.31
Refueling Outage Days:		
FitzPatrick	42	—
Indian Point 2	—	102
Indian Point 3	66	—
Pilgrim	43	—
Palisades	27	—

(a) The reduction in owned capacity is due to Entergy's sale of the 838 MW FitzPatrick plant to Exelon in March 2017. See Note 14 to the financial statements for discussion of the sale of FitzPatrick.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$2,360 million for 2016 to \$2,468 million for 2017 primarily due to:

- an increase of \$46 million in nuclear generation expenses primarily due to higher nuclear labor costs, including contract labor, to position the nuclear fleet to meet its operational goals, including additional training and initiatives to support management's operational goals at Grand Gulf, partially offset by a decrease in regulatory compliance costs. The decrease in regulatory compliance costs is primarily related to additional NRC inspection activities in 2016 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's reactor oversight process action matrix. See Note 8 to the financial statements for a discussion of the ANO stator incident and subsequent NRC reviews;
- an increase of \$24 million in compensation and benefits costs primarily due to higher incentive-based compensation accruals in 2017 as compared to the prior year;
- an increase of \$20 million in transmission and distribution expenses due to higher vegetation maintenance costs; the effects of recording in 2016 final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded included the reimbursement of approximately \$19 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- the deferral in the first quarter 2016 of \$7.7 million of previously-incurred costs related to ANO post-Fukushima compliance and \$9.9 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC in February 2016 as part of the Entergy Arkansas 2015 rate case settlement. These costs are being amortized over a ten-year period beginning March 2016. See Note 2 to the financial statements for further discussion of the rate case settlement.

The increase was partially offset by a decrease of \$23 million in fossil-fueled generation expenses primarily due to lower long-term service agreement costs.

5

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Taxes other than income taxes increased primarily due to increases in ad valorem taxes, local franchise taxes, state franchise taxes, and employment taxes. Ad valorem taxes increased primarily due to higher assessments, including the assessment of ad valorem taxes on the Union Power Station beginning in 2017. Local franchise taxes increased primarily due to higher revenues in 2017 as compared to the prior year. State franchise taxes increased primarily due to a change in the Louisiana franchise tax law which became effective for 2017.

Depreciation and amortization expenses increased primarily due to additions to plant in service, including the Union Power Station purchased in March 2016. See Note 14 to the financial statements for discussion of the Union Power Station purchase.

Other income increased primarily due to higher realized gains in 2017 as compared to the prior year on the decommissioning trust fund investments, including portfolio rebalancing in 2017, and an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2017, including the St. Charles Power Station project.

Other expenses increased primarily due to increases in deferred refueling outage amortization costs primarily associated with the most recent ANO plant outages compared to previous outages.

Entergy Wholesale Commodities

Other operation and maintenance expenses increased from \$915 million for 2016 to \$929 million for 2017 primarily due to:

FitzPatrick's nuclear refueling outage expenses and expenditures for capital assets being classified as other operation and maintenance expenses as a result of the sale and reimbursement agreements Entergy entered into with Exelon. These costs would have not been incurred absent the sale agreement with Exelon because Entergy planned to shut the plant down in January 2017. The expenses are offset by revenue realized pursuant to the reimbursement agreement and had no effect on net income. See Note 14 to the financial statements for discussion of the sale and reimbursement agreements;

the effect of recording in 2016 final court decisions in litigation against the DOE for the reimbursement of spent nuclear fuel storage costs, which reduced other operation and maintenance expenses in 2016 by \$60 million. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and

an increase of \$37 million in severance and retention costs in 2017 as compared to the prior year due to management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.

The increase was partially offset by a decrease due to the absence of other operation and maintenance expenses from the FitzPatrick plant after it was sold to Exelon in March 2017. See Note 14 to the financial statements for discussion of the sale of FitzPatrick.

The asset write-offs, impairments, and related charges variance is primarily due to \$538 million (\$350 million net-of-tax) of impairment charges in 2017 compared to \$2,836 million (\$1,829 million net-of-tax) of impairment and related charges in 2016. The impairment charges in 2017 are due to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets being charged to expense as incurred as a result of the impaired value of

the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" below for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. The impairment and related charges in 2016 were primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2,

6

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

and Indian Point 3 plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairments and related charges.

Taxes other than income taxes decreased primarily due to the absence of ad valorem taxes from the FitzPatrick plant after it was sold to Exelon in March 2017. See Note 14 to the financial statements for discussion of the sale of FitzPatrick.

The gain on sale of assets resulted from the sale in March 2017 of the 838 MW FitzPatrick plant to Exelon. Entergy sold the FitzPatrick plant for approximately \$110 million, which includes a \$10 million non-refundable signing fee paid in August 2016, in addition to the assumption by Exelon of certain liabilities related to the FitzPatrick plant, resulting in a pre-tax gain of \$16 million on the sale. See Note 14 to the financial statements for a discussion of the sale of FitzPatrick.

Other income increased primarily due to higher realized gains in 2017 as compared to the prior year on the decommissioning trust fund investments, including the result of portfolio rebalancing in 2017, and the increase in value realized upon the receipt from NYPA of the decommissioning trust funds for the Indian Point 3 and FitzPatrick plants in January 2017. See Note 9 to the financial statements for discussion of the trust transfer agreement with NYPA.

Other expenses increased primarily due to increases in decommissioning expenses primarily as a result of a trust transfer agreement Entergy entered into with NYPA in August 2016, which closed in January 2017, to transfer the decommissioning trusts and decommissioning liabilities for the Indian Point 3 and FitzPatrick plants to Entergy and revisions to the estimated decommissioning cost liabilities for the Entergy Wholesale Commodities' Indian Point 2 and Palisades plants as a result of revised decommissioning cost studies in the fourth quarter 2016. The increase was partially offset by a reduction in deferred refueling outage amortization costs related to the impairments of the Indian Point 2, Indian Point 3, and Palisades plants and related assets. See Note 9 to the financial statements for discussion of the trust transfer agreement with NYPA and the revised decommissioning cost studies. See Note 14 to the financial statements for discussion of the impairments and related charges.

Income Taxes

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

The effective income tax rate for 2017 was 56.1%. The difference in the effective income tax rate versus the statutory rate of 35% for 2017 was primarily due to the enactment of the Tax Cuts and Jobs Act, signed by President Trump in December 2017, which changed the federal corporate income tax rate from 35% to 21% effective in 2018, partially offset by a change in the tax classification of legal entities that own Entergy Wholesale Commodities nuclear power plants, which resulted in both permanent and temporary differences under the income tax accounting standards. See Note 3 to the financial statements for further discussion of the effects of the Tax Cuts and Jobs Act and the change in tax classification.

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

of the change in the tax classification and the tax settlement.

7

Table of ContentsEntergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

2016 Compared to 2015

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

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

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

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

Results of operations for 2015 include \$2,036 million (\$1,317 million net-of-tax) of impairment and related charges primarily to write down the carrying values of the Entergy Wholesale Commodities' FitzPatrick, Pilgrim, and Palisades plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of the impairment and related charges. As a result of the Entergy Louisiana and Entergy Gulf States Louisiana business

combination, results of operations for 2015 also include two items that occurred in October 2015: 1) a deferred tax asset and resulting net increase in tax basis of approximately \$334 million and 2) a regulatory liability of \$107 million

8

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

(\$66 million net-of-tax) as a result of customer credits to be realized by electric customers of Entergy Louisiana, consistent with the terms of the stipulated settlement in the business combination proceeding. See Note 2 to the financial statements for further discussion of the business combination and customer credits. Results of operations for 2015 also include the sale in December 2015 of the 583 MW Rhode Island State Energy Center for a realized gain of \$154 million (\$100 million net-of-tax) on the sale and the \$77 million (\$47 million net-of-tax) write-off and regulatory charges to recognize that a portion of the assets associated with the Waterford 3 replacement steam generator project is no longer probable of recovery. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale. See Note 2 to the financial statements for further discussion of the Waterford 3 replacement steam generator prudence review proceeding.

Net Revenue

Utility

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

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

The retail electric price variance is primarily due to:

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

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

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

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

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

The Louisiana business combination customer credits variance is due to a regulatory liability of \$107 million recorded by Entergy in October 2015 as a result of the Entergy Gulf States Louisiana and Entergy Louisiana business combination. Consistent with the terms of the stipulated settlement in the business combination proceeding, electric customers of Entergy Louisiana will realize customer credits associated with the business combination; accordingly, in October 2015, Entergy recorded a regulatory liability of \$107 million (\$66 million net-of-tax). These costs are being

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

amortized over a nine-year period beginning December 2015. See Note 2 to the financial statements for further discussion of the business combination and customer credits.

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

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

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

Entergy Wholesale Commodities

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

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

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

lower realized wholesale energy prices and lower capacity prices, the amortization of the Palisades below-market PPA, and Vermont Yankee capacity revenue. The effect of the amortization of the Palisades below-market PPA and Vermont Yankee capacity revenue on the net revenue variance from 2015 to 2016 is minimal;

the sale of the Rhode Island State Energy Center in December 2015. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale; and

lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more refueling outage days in 2016 as compared to 2015 and larger exercise of resupply options in 2016 as compared to 2015. See "Nuclear Matters - Indian Point" below for discussion of the extended Indian Point 2 outage in the second quarter 2016.

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

The decrease was partially offset by:

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

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

	2016	2015
Owned capacity (MW) (a)	4,800	4,880
GWh billed	35,881	39,745

Entergy Wholesale Commodities Nuclear Fleet

Capacity factor	87%	91%
GWh billed	33,551	35,859
Average energy and capacity revenue per MWh	\$47.31	\$50.29
Refueling Outage Days:		
Indian Point 2	102	—
Indian Point 3	—	23
Palisades	—	32
Pilgrim	—	34

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

Other Income Statement Items

Utility

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

a decrease of \$78 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "Critical Accounting Estimates" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs;

the effects of recording in 2016 final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$19 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;

the deferral in 2016 of \$7.7 million of previously-incurred costs related to ANO post-Fukushima compliance and \$9.9 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC in February

2016 as part of the Entergy Arkansas 2015 rate case settlement. These costs are being

11

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

amortized over a ten-year period beginning March 2016. See Note 2 to the financial statements for further discussion of the rate case settlement; and
a decrease of \$13 million in energy efficiency costs, including the effects of true-ups to energy efficiency filings for fixed costs to be collected from customers and incentives recognized as a result of participation in energy efficiency programs.

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

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

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

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

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

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

Entergy Wholesale Commodities

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

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

The increase was partially offset by:

the effects of recording the final court decisions in several lawsuits against the DOE related to spent nuclear fuel storage costs. The damages awarded include the reimbursement of approximately \$60 million in 2016 compared to the reimbursement of approximately \$2 million in 2015 of spent nuclear fuel storage costs

12

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

previously recorded as other operation and maintenance expenses. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation;

- a decrease of \$32 million as a result of the sale of the Rhode Island State Energy Center in December 2015. See Note 14 to the financial statements for further discussion of the Rhode Island State Energy Center sale; and
- a decrease of \$21 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and
- a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "Critical Accounting Estimates" below and Note 11 to the financial statements for further discussion of pension and other postretirement benefit costs.

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

Depreciation and amortization expenses decreased primarily due to:

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

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

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

Income Taxes

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

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

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

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

Income Tax Legislation

On December 22, 2017, President Trump signed into law H.R. 1, also known as the Tax Cuts and Jobs Act (the Act). As a result of the Act, Entergy and the Registrant Subsidiaries re-measured their deferred tax assets and liabilities in December 2017 to reflect the reduction in the federal corporate income tax rate from 35% to 21% that is effective January 1, 2018. Note 3 to the financial statements contains additional discussion of the effect of the Act on 2017 results of operations and financial position, the provisions of the Act, and the uncertainties associated with accounting for the Act, and Note 2 to the financial statements discusses proceedings commenced or other responses by Entergy's regulators to the Act.

On a going forward basis, after going through the appropriate regulatory processes Entergy expects the Act to reduce its operating cash flows because the lower federal corporate income tax rate will result in lower income tax expense collected in revenues and as excess deferred income taxes are returned to customers. In general, rate base is expected to increase over time as a consequence of the Act as the excess deferred income taxes are returned to customers. Entergy expects to finance its incremental cash requirements as a consequence of these changes through a combination of Registrant Subsidiary debt and Entergy Corporation debt and equity. Entergy Corporation expects the equity portion of this financing to be approximately \$1 billion, and currently expects to issue all of this equity before the end of 2019. It is expected that certain credit metrics that incorporate operating cash flows or debt outstanding will be adversely affected by the effects of the Act.

The amount and timing of the earnings and cash effects of the Act and the financing of the incremental cash requirements will depend upon regulatory treatment of the effects of the Act. The Registrant Subsidiaries will work directly with their respective regulators to determine the appropriate path forward in each jurisdiction. Potential regulatory options that may be considered include:

- determining the period over which certain income tax benefits are provided to customers;
- accelerating depreciation or amortization for certain assets or asset classes; and
- increasing or modifying capital investments.

Entergy Wholesale Commodities Exit from the Merchant Power Business

Entergy management has undertaken a strategy to manage and reduce the risk of the Entergy Wholesale Commodities business, which includes taking actions to reduce the size of the merchant fleet. Management evaluated the challenges for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and

integrity of the plants, including the estimated asset retirement costs. Management continues to look for ways to mitigate the operational and decommissioning risks associated with the merchant power business. Assumptions regarding the operating life of the plants and the decommissioning timeline and process continue to be evaluated. Changes to current assumptions could result in revisions to the asset retirement obligations and affect compliance with certain NRC minimum financial assurance requirements for meeting obligations to decommission the plants. Increases in the asset retirement obligations could result in an increase in operating expense in the period of a revision.

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

Assumptions regarding the possibility that a plant may have an operating life shorter than previously assumed will likely result in the need for additional contributions to decommissioning trust funds, or the posting of parent guarantees, letters of credit, or other surety mechanisms.

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

	Location	Market	Capacity	Planned Transaction
Vermont Yankee	Vernon, VT	ISO-NE	605 MW	Plant in decommissioning phase, planned sale in 2018
Pilgrim	Plymouth, MA	ISO-NE	688 MW	Planned shutdown in 2019
Indian Point 2	Buchanan, NY	NYISO	1,028 MW	Planned shutdown in 2020
Indian Point 3	Buchanan, NY	NYISO	1,041 MW	Planned shutdown in 2021
Palisades	Covert, MI	MISO	811 MW	Planned shutdown in 2022

As discussed below, Entergy sold the FitzPatrick nuclear power plant to Exelon in March 2017. Entergy Wholesale Commodities also includes the ownership of two non-operating nuclear facilities, Big Rock Point in Michigan and Indian Point 1 in New York that were acquired when Entergy purchased the Palisades and Indian Point 2 nuclear plants, respectively. These facilities are in various stages of the decommissioning process. In addition, Entergy Wholesale Commodities provides operations and management services, including decommissioning services, to nuclear power plants owned by other utilities in the United States. A relatively minor portion of the Entergy Wholesale Commodities business is the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Shutdown and Planned Sale of Vermont Yankee

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

Entergy Nuclear Vermont Yankee has an outstanding credit facility with borrowing capacity of \$145 million to pay for dry fuel storage costs. This credit facility is guaranteed by Entergy Corporation. At or before closing, a subsidiary of Entergy will assume the obligations under the existing credit facility or enter into a new credit facility, and Entergy will guarantee the credit facility. At the closing of the sale transaction, NorthStar will pay \$1,000 for the membership interests in Entergy Nuclear Vermont Yankee, and NorthStar will cause Entergy Nuclear Vermont Yankee to issue a promissory note to an Entergy affiliate. The amount of the promissory note issued will be equal to the amount drawn under the credit facility or the amount drawn under the new credit facility, plus borrowing fees and costs incurred by Entergy in connection with such facility. The principal amount drawn under the outstanding credit facility was \$104 million as of December 31, 2017, and the net book value of Entergy Nuclear Vermont Yankee, including unrealized gains on the decommissioning trust fund, as of December 31, 2017, was approximately \$123 million.

Entergy plans to transfer all spent nuclear fuel to dry cask storage by the end of 2018 in advance of the planned transaction close. Under the sale agreement and related agreements to be entered into at the closing, NorthStar will commit to initiate decommissioning and site restoration by 2021 and complete those activities by 2030. The original planned completion date, as outlined in Entergy's Post Shutdown Decommissioning Activities Report filed with the NRC, was 2075. Entergy Nuclear Vermont Yankee, under NorthStar ownership, will be required to repay the

promissory note issued to Entergy with certain of the proceeds from the recovery of damages under its claims against the DOE related to spent nuclear fuel disposal, with any balance remaining due at partial site release, subject to extension not to exceed two years from partial site release.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

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

Sale of Rhode Island State Energy Center

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

Sale of Top Deer Investment

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

Sale of FitzPatrick

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

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

statements for further discussion of Indian Point 3 and FitzPatrick's decommissioning liabilities and see Note 16 to the financial statements for further discussion of the receivables for the beneficial interests in Indian Point 3 and FitzPatrick's decommissioning trust funds as of December 31, 2016.

In August 2016, Entergy entered into an agreement to sell the FitzPatrick plant to Exelon. NRC approval of the sale was received in March 2017. The transaction closed in March 2017 for a purchase price of \$110 million, which

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

included a \$10 million non-refundable signing fee paid in August 2016, in addition to the assumption by Exelon of certain liabilities related to the FitzPatrick plant, resulting in a pre-tax gain on the sale of \$16 million. At the transaction close, Exelon paid an additional \$8 million for the proration of certain expenses prepaid by Entergy. See Note 14 to the financial statements for further discussion of the sale of FitzPatrick. As discussed in Note 3 to the financial statements, as a result of the sale of FitzPatrick, Entergy re-determined the plant's tax basis, resulting in a \$44 million income tax benefit in the first quarter 2017.

Planned Shutdown of Pilgrim

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

Planned Shutdown of Indian Point 2 and Indian Point 3

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

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

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

Planned Shutdown of Palisades

Most of the Palisades output is sold under a power purchase agreement (PPA) with Consumers Energy, entered into when the plant was acquired in 2007, that is scheduled to expire in 2022. The PPA prices currently exceed market prices and escalate each year, up to \$61.50/MWh in 2022. In December 2016, Entergy reached an agreement with Consumers Energy to amend the existing PPA to terminate early, on May 31, 2018. Pursuant to the agreement to amend the PPA, Consumers Energy would pay Entergy \$172 million for the early termination of the PPA. The PPA amendment agreement was subject to regulatory approvals, including approval by the Michigan Public Service Commission. Separately, Entergy intended to shut down the Palisades nuclear power plant permanently on October 1, 2018, after refueling in the spring of 2017 and operating through the end of that fuel cycle.

In September 2017 the Michigan Public Service Commission issued an order conditionally approving the PPA amendment transaction, but only granting Consumers Energy recovery of \$136.6 million of the \$172 million requested early termination payment. As a result, Entergy and Consumers Energy agreed to terminate the PPA amendment agreement. Entergy will continue to operate Palisades under the current PPA with Consumers Energy, instead of shutting down in the fall of 2018 as previously planned. Entergy intends to shut down the Palisades nuclear

power plant permanently on May 31, 2022. As a result of the change in expected operating life of the plant, the expected probability-weighted undiscounted net cash flows as of September 30, 2017 exceeded the carrying value of the plant and related assets. Accordingly, nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets incurred at Palisades after September 30, 2017 are no longer charged to expense as incurred, but recorded as

17

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

assets and depreciated or amortized, subject to the typical periodic impairment reviews prescribed in the accounting rules. See Note 9 to the financial statements for discussion of the associated asset retirement obligation revision. See Note 14 to the financial statements for discussion of the updated calculation of the liability amortization associated with the PPA and discussion of the impairment charges associated with the decision to cease operations earlier than expected.

Costs Associated with Entergy Wholesale Commodities Strategic Transactions

Entergy incurred approximately \$113 million in costs in 2017 and \$95 million in costs in 2016 associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet, primarily employee retention and severance expenses and other benefits-related costs, and contracted economic development contributions. Entergy expects to incur employee retention and severance expenses of approximately \$165 million in 2018, and approximately \$205 million from 2019 through mid-2022 associated with these strategic transactions. See Note 13 to the financial statements for further discussion of these costs.

In 2017, Entergy Wholesale Commodities incurred impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets of \$0.5 billion. These costs were charged to expense as incurred as a result of the impaired value of the Entergy Wholesale Commodities nuclear plants' long-lived assets due to the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. Entergy expects to continue to incur costs associated with nuclear fuel-related spending and expenditures for capital assets and, except for Palisades, expects to continue to charge these costs to expense as incurred because Entergy expects the value of the plants to continue to be impaired. In 2016, Entergy Wholesale Commodities incurred impairment charges of \$2.8 billion primarily to write down the carrying values of the Entergy Wholesale Commodities' Palisades, Indian Point 2, and Indian Point 3 plants and related assets to their fair values. See Note 14 to the financial statements for further discussion of these impairment charges.

Entergy Wholesale Commodities Authorizations to Operate Indian Point

In April 2007, Entergy submitted to the NRC a joint application to renew the operating licenses for Indian Point 2 and Indian Point 3 for an additional 20 years. The original expiration dates of the NRC operating licenses for Indian Point 2 and Indian Point 3 were in September 2013 and December 2015, respectively. While the NRC staff reviews the license renewal applications, Indian Point 2 and Indian Point 3's initial license terms have expired and the plants are operating under "timely renewal," which is a federal statutory rule of general applicability providing for extension of a license for which a renewal application has been timely filed with the licensing agency.

In January 2017, Entergy reached a settlement with New York State, several State agencies, and Riverkeeper, Inc., under which Indian Point 2 and Indian Point 3 will cease commercial operation by April 30, 2020 and April 30, 2021, respectively, subject to certain conditions, including New York State's withdrawal of opposition to Indian Point's license renewals and issuance of contested permits and similar authorizations. See Note 14 to the financial statements for a discussion of the impairment and related charges associated with the settlement with New York State.

The Indian Point settlement required New York State agencies to issue environmental certifications needed for license renewal and a renewed water discharge permit based on current plant configuration. It also required the New York State Attorney General and Riverkeeper to withdraw their contentions pending before the Atomic Safety and Licensing Board (ASLB). In exchange, Entergy commits to cease commercial operation of Indian Point 2 by April 30, 2020 and Indian Point 3 by April 30, 2021. These actions have been completed, all New York State approvals

required for the NRC to issue renewed licenses have been granted, and the ASLB has terminated proceedings before it following the withdrawal of pending contentions. The NRC is not expected to issue renewed licenses earlier than third quarter 2018, as its staff must complete updates to the record on environmental and safety matters (a supplement to the final supplemental environmental impact statement and a supplement to the final safety evaluation report).

Table of Contents

Entergy Corporation and Subsidiaries
 Management’s Financial Discussion and Analysis

Operations may be extended up to four additional years for each unit by mutual agreement of Entergy and New York State based on an exigent reliability need for Indian Point generation. In accordance with the FERC-approved tariff of the New York Independent System Operator (NYISO), Entergy submitted to the NYISO a notice of generator deactivation based on the dates in the settlement (no later than April 30, 2020 for Indian Point Unit 2 and April 30, 2021 for Indian Point Unit 3). In December 2017, NYISO issued a report stating there will not be a system reliability need following the deactivation of Indian Point. The NYISO also has advised that it will perform an analysis of the potential competitive impacts of the proposed retirement under provisions of its tariff. The deadline for the NYISO to make a withholding determination is in dispute and is pending before the FERC.

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

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

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

In May 2017 a plaintiff filed two parallel state court appeals challenging New York State’s actions in signing and implementing the Indian Point settlement with Entergy on the basis that the State failed to perform sufficient environmental analysis of its actions. All signatories to the settlement agreement, including the Entergy affiliates that hold NRC licenses for Indian Point, were named. The appeals were voluntarily dismissed in November 2017.

Liquidity and Capital Resources

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

Capital Structure

Entergy’s capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy as of December 31, 2017 is primarily due to an increase in commercial paper outstanding in 2017 as compared to 2016.

	2017	2016
Debt to capital	67.1%	64.8%
Effect of excluding securitization bonds	(0.8%)	(1.0%)
Debt to capital, excluding securitization bonds (a)	66.3%	63.8%
Effect of subtracting cash	(1.1%)	(2.0%)

Net debt to net capital, excluding securitization bonds (a) 65.2% 61.8%

(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.

19

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

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

Long-term debt, including the currently maturing portion, makes up most of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2017. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2017. The amounts below include payments on System Energy's Grand Gulf sale-leaseback transaction, which are included in long-term debt on the balance sheet.

Long-term debt maturities and estimated interest payments	2018	2019	2020	2021-2022	after 2022
	(In Millions)				
Utility	\$1,427	\$1,430	\$927	\$2,234	\$15,102
Entergy Wholesale Commodities	3	3	106	—	—
Parent and Other	76	76	520	953	832
Total	\$1,506	\$1,509	\$1,553	\$3,187	\$15,934

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in August 2022. The facility permits the issuance of letters of credit against \$20 million of the total borrowing capacity of the credit facility. The commitment fee is currently 0.225% of the undrawn commitment amount. Commitment fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate for the year ended December 31, 2017 was 2.55% on the drawn portion of the facility.

As of December 31, 2017, amounts outstanding and capacity available under the \$3.5 billion credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
\$3,500	\$210	\$6	\$3,284

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. One such difference is that it excludes the effects, among other things, of certain impairments related to the Entergy Wholesale Commodities nuclear generation assets. Entergy is currently in compliance with the covenant and expects to remain in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the Entergy

Corporation credit facility's maturity date may occur.

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of December 31, 2017, Entergy Corporation had \$1.467 billion of commercial paper outstanding. The weighted-average interest rate for the year ended December 31, 2017 was 1.49%.

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

	2018	2019	2020	2021-2022	after 2022
	(In Millions)				
Capital lease payments	\$3	\$3	\$3	\$6	\$19

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

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of December 31, 2017 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of December 31, 2017	Letters of Credit Outstanding as of December 31, 2017
Entergy Arkansas	April 2018	\$20 million (b)	2.82%	—	—
Entergy Arkansas	August 2022	\$150 million (c)	2.82%	—	—
Entergy Louisiana	August 2022	\$350 million (c)	2.82%	—	\$9.1 million
Entergy Mississippi	May 2018	\$10 million (d)	3.07%	—	—
Entergy Mississippi	May 2018	\$20 million (d)	3.07%	—	—
Entergy Mississippi	May 2018	\$35 million (d)	3.07%	—	—
Entergy Mississippi	May 2018	\$37.5 million (d)	3.07%	—	—
Entergy New Orleans	November 2018	\$25 million (c)	3.04%	—	\$0.8 million
Entergy Texas	August 2022	\$150 million (c)	3.07%	—	\$25.6 million

(a) The interest rate is the estimated interest rate as of December 31, 2017 that would have been applied to outstanding borrowings under the facility.

(b) Borrowings under this Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.

The credit facility permits the issuance of letters of credit against a portion of the borrowing capacity of the facility (c) as follows: \$5 million for Entergy Arkansas; \$15 million for Entergy Louisiana; \$10 million for Entergy New Orleans; and \$30 million for Entergy Texas.

(d) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

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

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into one or more uncommitted standby letter of credit facilities as a means to post collateral to support its obligations to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of December 31, 2017:

21

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of December 31, 2017 (a)
Entergy Arkansas	\$25 million	0.70%	\$1.0 million
Entergy Louisiana	\$125 million	0.70%	\$29.7 million
Entergy Mississippi	\$40 million	0.70%	\$15.3 million
Entergy New Orleans	\$15 million	1.00%	\$1.4 million
Entergy Texas	\$50 million	0.70%	\$22.8 million

As of December 31, 2017, letters of credit posted with MISO covered financial transmission right exposure of \$0.2 (a) million for Entergy Arkansas, \$0.1 million for Entergy Mississippi, and \$0.05 million for Entergy Texas. See Note 15 to the financial statements for discussion of financial transmission rights.

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of \$145 million that expires in November 2020. As of December 31, 2017, \$104 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the year ended December 31, 2017 was 2.64% on the drawn portion of the facility. Entergy Nuclear Vermont Yankee also had an uncommitted credit facility guaranteed by Entergy Corporation with a borrowing capacity of \$85 million that expired in January 2018. As of December 31, 2017, there were no cash borrowings outstanding under the credit facility. See Note 4 to the financial statements for additional discussion of the Vermont Yankee credit facilities.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition, results of operations, or cash flows. Following are Entergy's payment obligations as of December 31, 2017 on non-cancelable operating leases with a term over one year:

2018 2019 2020 2021-2022 after 2022
 (In Millions)

Operating lease payments \$80 \$83 \$67 \$102 \$97

Operating leases are discussed in Note 10 to the financial statements.

Summary of Contractual Obligations of Consolidated Entities

Contractual Obligations	2018	2019-2020	2021-2022	after 2022	Total
	(In Millions)				
Long-term debt (a)	\$1,506	\$3,062	\$3,187	\$15,934	\$23,689
Capital lease payments (b)	\$3	\$6	\$6	\$19	\$34
Operating leases (b) (c)	\$80	\$150	\$102	\$97	\$429
Purchase obligations (d)	\$1,394	\$2,485	\$1,992	\$4,728	\$10,599

(a) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.

(b) Lease obligations are discussed in Note 10 to the financial statements.

(c) Does not include power purchase agreements that are accounted for as leases that are included in purchase obligations.

(d) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Almost all of the total are fuel and purchased power obligations.

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

In addition to the contractual obligations stated above, Entergy currently expects to contribute approximately \$352.1 million to its pension plans and approximately \$52.3 million to other postretirement plans in 2018, although the 2018 required pension contributions will be known with more certainty when the January 1, 2018 valuations are completed, which is expected by April 1, 2018. See "Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits" below for a discussion of qualified pension and other postretirement benefits funding.

Also in addition to the contractual obligations, Entergy has \$916 million of unrecognized tax benefits and interest net of unused tax attributes for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

Capital Funds Agreement

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

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

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2018 through 2020.

Planned construction and capital investments	2018	2019	2020
	(In Millions)		
Utility:			
Generation	\$1,590	\$1,410	\$1,245
Transmission	990	865	735
Distribution	860	1,030	945
Utility Support	480	335	375
Total	3,920	3,640	3,300
Entergy Wholesale Commodities	245	75	35
Total	\$4,165	\$3,715	\$3,335

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

- Investments, including the St. Charles Power Station, Lake Charles Power Station, New Orleans Power Station, and Montgomery County Power Station, each discussed below, and potential construction of additional generation.

Entergy Wholesale Commodities investments associated with specific investments such as component replacements, software and security, and dry cask storage.

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Investments in Entergy's nuclear fleet.

Transmission spending to enhance reliability, reduce congestion, and enable economic growth.

Distribution spending to enhance reliability and improve service to customers, including investment to support advanced metering.

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

St. Charles Power Station

In August 2015, Entergy Louisiana filed with the LPSC an application seeking certification that the public necessity and convenience would be served by the construction of the St. Charles Power Station, a nominal 980 megawatt combined-cycle generating unit, on land adjacent to the existing Little Gypsy plant in St. Charles Parish, Louisiana. It is currently estimated to cost \$869 million to construct, including transmission interconnection and other related costs. The LPSC issued an order approving certification of St. Charles Power Station in December 2016. Construction is in progress and commercial operation is estimated to occur by mid-2019.

Lake Charles Power Station

In November 2016, Entergy Louisiana filed an application with the LPSC seeking certification that the public convenience and necessity would be served by the construction of the Lake Charles Power Station, a nominal 994 megawatt combined-cycle generating unit in Westlake, Louisiana, on land adjacent to the existing Nelson plant in Calcasieu Parish. The current estimated cost of the Lake Charles Power Station is \$872 million, including estimated costs of transmission interconnection and other related costs. In May 2017 the parties to the proceeding agreed to an uncontested stipulation finding that construction of the Lake Charles Power Station is in the public interest and authorizing an in-service rate recovery plan. In July 2017 the LPSC issued an order unanimously approving the stipulation and approved certification of the unit. Construction is in progress and commercial operation is expected to occur by mid-2020.

New Orleans Power Station

In June 2016, Entergy New Orleans filed an application with the City Council seeking a public interest determination and authorization to construct the New Orleans Power Station, a 226 MW advanced combustion turbine in New Orleans, Louisiana, at the site of the existing Michoud generating facility, which was retired effective May 31, 2016. In January 2017 several intervenors filed testimony opposing the construction of the New Orleans Power Station on various grounds. In July 2017, Entergy New Orleans submitted a supplemental and amending application to the City Council seeking approval to construct either the originally proposed 226 MW advanced combustion turbine, or alternatively, a 128 MW unit composed of natural gas-fired reciprocating engines and a related cost recovery plan. The application included an updated cost estimate of \$232 million for the 226 MW advanced combustion turbine. The cost estimate for the alternative 128 MW unit is \$210 million. In addition, the application renewed the commitment to

pursue up to 100 MW of renewable resources to serve New Orleans. In testimony filed subsequent to Entergy New Orleans's supplemental and amending application, several intervenors oppose City Council approval of either alternative, while the City Council advisors and one intervenor support the smaller alternative. A contested hearing was held in December 2017 and post-hearing briefs were filed in January 2018. In February 2018 the City Council Utility Committee adopted a resolution approving construction of the 128 MW unit. The full City Council is expected

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

to vote on the resolution in March 2018. The commercial operation date is dependent on the alternative selected by the City Council and the receipt of other permits and approvals.

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 MW 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 approximately \$111 million 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 process that showed no undue preference to any proposal. In June 2017 parties to the proceeding filed an unopposed stipulation and settlement agreement. The stipulation contemplates that Entergy Texas's level of cost-recovery for generation construction costs for Montgomery County Power Station is capped at \$831 million, subject to certain exclusions such as force majeure events. Transmission interconnection and network upgrades and other related costs are not subject to the \$831 million cap. In July 2017 the PUCT approved the stipulation. Subject to the timely receipt of other permits and approvals, commercial operation is estimated to occur by mid-2021.

Washington Parish Energy Center

In April 2017, Entergy Louisiana signed a purchase and sale agreement with a subsidiary of Calpine Corporation for the acquisition of a peaking plant. Calpine will construct the plant, which will consist of two natural gas-fired combustion turbine units with a total nominal capacity of approximately 361 MW. The plant, named the Washington Parish Energy Center, will be located in Bogalusa, Louisiana and, subject to permits and approvals, is expected to be completed in 2021. Subject to regulatory approvals, Entergy Louisiana will purchase the plant once it is complete for an estimated total investment of approximately \$261 million, including transmission and other related costs. In May 2017, Entergy Louisiana filed an application with the LPSC seeking certification of the plant. A procedural schedule has been established, with the deadlines recently extended and the hearing continued from March 2018 until June 2018 in order to allow the parties an opportunity to reach settlement.

Advanced Metering Infrastructure (AMI)

See Note 2 to the financial statements for discussion of filings made by the Utility operating companies regarding the deployment of AMI. The filings included estimates of implementation costs for AMI of \$208 million for Entergy Arkansas, \$330 million for Entergy Louisiana, \$132 million for Entergy Mississippi, \$75 million for Entergy New Orleans, and \$132 million for Entergy Texas.

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon earnings per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its January 2018 meeting, the Board declared a dividend of \$0.89 per share. Entergy paid \$629 million in 2017, \$612 million in 2016, and \$599 million in 2015 in cash dividends on its common stock.

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

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

In addition to the authority to fund grant exercises, the Board has authorized share repurchase programs to enable opportunistic purchases in response to market conditions. In October 2010 the Board granted authority for a \$500 million share repurchase program. As of December 31, 2017, \$350 million of authority remains under the \$500 million share repurchase program. The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities, or if limitations in the credit markets continue for a prolonged period.

Sources of Capital

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

- internally generated funds;
- cash on hand (\$781 million as of December 31, 2017);
- securities issuances;
- bank financing under new or existing facilities or commercial paper; and
- sales of assets.

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

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

The FERC has jurisdiction over securities issuances by the Utility operating companies and System Energy, except securities with maturities longer than one year issued by Entergy Arkansas, which is subject to the jurisdiction of the APSC. The City Council has concurrent jurisdiction over Entergy New Orleans's securities issuances with maturities longer than one year. No regulatory approvals are necessary for Entergy Corporation to issue securities. The current FERC-authorized short-term borrowing limits are effective through October 2019. Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy have obtained long-term financing authorizations from the FERC that extend through October 2019. Entergy Arkansas has obtained long-term financing authorization from the APSC that extends through December 2018. Entergy New Orleans also has obtained long-term financing authorization from the City Council that extends through June 2018. Entergy Arkansas, Entergy Louisiana, and System Energy each have obtained long-term financing authorizations from the FERC that extend through October 2019 for issuances by its respective nuclear fuel company variable interest entity. In addition to borrowings from commercial banks, the Registrant Subsidiaries may also borrow from the Entergy System money pool and from other internal short-term borrowing arrangements. The money pool and the other internal borrowing arrangements are inter-company borrowing arrangements designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short-term borrowings combined may not exceed the FERC-authorized limits. See Notes 4 and 5 to the financial statements for further discussion of Entergy's borrowing limits, authorizations, and amounts outstanding.

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the years ended December 31, 2017, 2016, and 2015 were as follows:

	2017	2016	2015
	(In Millions)		
Cash and cash equivalents at beginning of period	\$1,188	\$1,351	\$1,422
Net cash provided by (used in):			
Operating activities	2,624	2,999	3,291
Investing activities	(3,841)	(3,850)	(2,609)
Financing activities	810	688	(753)
Net decrease in cash and cash equivalents	(407)	(163)	(71)
Cash and cash equivalents at end of period	\$781	\$1,188	\$1,351

Operating Activities

2017 Compared to 2016

Net cash flow provided by operating activities decreased by \$375 million in 2017 primarily due to:

lower Entergy Wholesale Commodities net revenue, excluding the effect of revenues resulting from the FitzPatrick reimbursement agreement with Exelon, in 2017 as compared to prior year, as discussed above. See Note 14 to the financial statements for discussion of the reimbursement agreement;

- an increase of \$141 million in spending on nuclear refueling outages in 2017 as compared to the prior year;
- an increase of \$94 million in severance and retention payments in 2017 as compared to the prior year. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" above for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet;
- a refund to customers in January 2017 of approximately \$71 million as a result of the settlement approved by the LPSC related to the Waterford 3 replacement steam generator project. See Note 2 to the financial statements for discussion of the settlement and refund;
- proceeds of \$23 million received in 2017 compared to proceeds of \$102 million received in 2016 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
- an increase of \$20 million in pension contributions in 2017. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" below and Note 11 to the financial statements for discussion of qualified pension and other postretirement benefits funding.

The decrease was partially offset by:

income tax refunds of \$13 million in 2017 compared to income tax payments of \$95 million in 2016. Entergy received income tax refunds in 2017 resulting from the carryback of net operating losses. Entergy made income tax payments in 2016 related to the 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. See Note 3 to the financial statements for a discussion of the income tax audit;

a decrease of \$68 million in interest paid in 2017 as compared to the prior year primarily due to an interest payment of \$60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

3 leased assets. See Note 10 to the financial statements for a discussion of Entergy Louisiana's purchase of a beneficial interest in the Waterford 3 leased assets; and
an increase due to the timing of recovery of fuel and purchased power costs in 2017 as compared to the prior year. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery.

2016 Compared to 2015

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

a decrease due to the timing of recovery of fuel and purchased power costs in 2016 as compared to 2015. See Note 2 to the financial statements for a discussion of fuel and purchased power cost recovery;
lower Entergy Wholesale Commodities net revenue in 2016 as compared to 2015, as discussed previously; and
an increase of \$83 million in interest paid in 2016 as compared to 2015 primarily due to an interest payment of \$60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford 3 leased assets and an increase in interest expense primarily due to 2016 net debt issuances by various Utility operating companies, partially offset by a decrease in interest paid in 2016 on the Grand Gulf sale-leaseback obligation. See Note 10 to the financial statements for a discussion of Entergy Louisiana's purchase of a beneficial interest in the Waterford 3 leased assets and for details of the Grand Gulf lease obligation. See Note 5 to the financial statements for a discussion of long-term debt.

The decrease was partially offset by:

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

Investing Activities

2017 Compared to 2016

Net cash flow used in investing activities decreased by \$9 million in 2017 primarily due to the purchase of the Union Power Station for approximately \$949 million in March 2016 and proceeds of \$100 million from the sale in March 2017 of the FitzPatrick plant to Exelon. See Note 14 to the financial statements for discussion of the Union Power Station purchase and the sale of FitzPatrick. The decrease was partially offset by:

an increase of \$827 million in construction expenditures, primarily in the Utility business. The increase in construction expenditures in the Utility business is primarily due to an increase of \$452 million in fossil-fueled generation construction expenditures primarily due to higher spending in 2017 on the St. Charles Power Station project and the Lake Charles Power Station project and a higher scope of work performed on various other fossil projects in 2017 as compared to 2016; an increase of \$133 million in distribution construction expenditures primarily due to a higher scope of non-storm related work performed in 2017 as compared to 2016 and higher storm restoration spending in 2017; an increase of \$102 million in nuclear construction expenditures primarily due to increased

spending on various nuclear projects in 2017 as compared to 2016; an increase of \$101 million in transmission construction expenditures primarily due to a higher scope of work performed on transmission projects in 2017 as compared to 2016; and an increase of \$51 million due to increased spending on advanced metering infrastructure in 2017;

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

a decrease of \$144 million in proceeds received from the DOE in 2017 as compared to the prior year resulting from litigation regarding spent nuclear fuel storage costs that were previously capitalized. See Note 8 to the financial statements for discussion of the spent nuclear fuel litigation; and
• a decrease of \$63 million in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

2016 Compared to 2015

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

• the purchase of the Union Power Station for approximately \$949 million in March 2016. See Note 14 to the financial statements for discussion of the Union Power Station purchase;
• proceeds of approximately \$490 million from the sale in December 2015 of Rhode Island State Energy Center. See Note 14 to the financial statements for further discussion of the sale; and
• an increase of \$279 million in construction expenditures, primarily in the Utility business. The increase in construction expenditures in the Utility business is primarily due to an increase of \$114 million in transmission construction expenditures primarily due to an overall higher scope of work performed on transmission projects in 2016 as compared to 2015, an increase of \$106 million in nuclear construction expenditures primarily due to a higher scope of work on various nuclear projects in 2016 as compared to 2015, an increase of \$95 million in fossil-fueled generation construction expenditures primarily due to spending on the St. Charles Power Station project in 2016, an increase of \$79 million in distribution construction expenditures primarily due to a higher scope of non-storm related work performed in 2016 as compared to the same period in 2015 and higher storm restoration spending in 2016, and an increase of \$65 million in information technology construction expenditures due to various information technology projects and upgrades in 2016. The increase was partially offset by a decrease of \$148 million in spending related to compliance with NRC post-Fukushima requirements in the Utility and Entergy Wholesale Commodities businesses.

The increase was partially offset by:

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

Financing Activities

2017 Compared to 2016

Net cash flow provided by financing activities increased by \$122 million in 2017 primarily due to:

• Entergy's net issuances of \$1,123 million of commercial paper in 2017 compared to net repayments of \$78 million of commercial paper in 2016;

an increase of \$95 million resulting from lower redemptions of preferred stock. In 2017, Entergy New Orleans redeemed its \$7.8 million of 4.75% Series preferred stock, its \$6 million of 5.56% Series preferred stock, and its \$6 million of 4.36% Series preferred stock. In 2016, Entergy Arkansas redeemed its \$75 million of 6.45%

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Series preferred stock and its \$10 million of 6.08% Series preferred stock and Entergy Mississippi redeemed its \$30 million of 6.25% Series preferred stock;

- an increase of \$48 million in treasury stock issuances in 2017 primarily due to a larger amount of previously repurchased Entergy Corporation common stock issued in 2017 to satisfy stock option exercises; and net borrowings of \$41 million by the nuclear fuel company variable interest entities in 2017 compared to net repayments of \$1 million in 2016.

The increase was partially offset by long-term debt activity providing approximately \$224 million of cash in 2017 compared to providing approximately \$1,489 million of cash in 2016. Included in the long-term debt activity is \$490 million in 2017 and \$135 million in 2016 for the repayment of borrowings on the Entergy Corporation long-term credit facility.

2016 Compared to 2015

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

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

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

Rate, Cost-recovery, and Other Regulation

State and Local Rate Regulation and Fuel-Cost Recovery

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

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

Company	Authorized Return on Common Equity
Entergy Arkansas	9.25% - 10.25%
Entergy Louisiana	9.15% - 10.75% Electric; 9.45% - 10.45% Gas
Entergy Mississippi	9.47% - 11.49%
Entergy New Orleans	10.7% - 11.5% Electric; 10.25% - 11.25% Gas
Entergy Texas	9.8%

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

Federal Regulation

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

Market and Credit Risk Sensitive Instruments

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

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

¶ The interest rate and equity price risk associated with Entergy's investments in nuclear plant decommissioning trust funds, particularly in the Entergy Wholesale Commodities business. See Note 16 to the financial statements for details regarding Entergy's decommissioning trust funds.

¶ The interest rate risk associated with changes in interest rates as a result of Entergy's outstanding indebtedness. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

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

purchased for resale costs that are recovered from customers.

31

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

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

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. Entergy Wholesale Commodities also sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities' forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of December 31, 2017.

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Wholesale Commodities Nuclear Portfolio

	2018	2019	2020	2021	2022
Energy					
Percent of planned generation under contract (a):					
Unit-contingent (b)	98%	91%	51%	74%	67%
Firm LD (c)	9%	—%	—%	—%	—%
Offsetting positions (d)	(9%)	—%	—%	—%	—%
Total	98%	91%	51%	74%	67%
Planned generation (TWh) (e) (f)					
	27.9	25.5	17.9	9.7	2.8
Average revenue per MWh on contracted volumes:					
Expected based on market prices as of December 31, 2017	\$39.1	\$40.6	\$50.5	\$59.2	\$58.8
Capacity					
Percent of capacity sold forward (g):					
Bundled capacity and energy contracts (h)	22%	25%	36%	69%	99%
Capacity contracts (i)	36%	13%	—%	—%	—%
Total	58%	38%	36%	69%	99%
Planned net MW in operation (average) (f)					
	3,568	3,167	2,195	1,158	338
Average revenue under contract per kW per month (applies to capacity contracts only)					
	\$7.1	\$9.1	\$—	\$—	\$—
Total Energy and Capacity Revenues (j)					
Expected sold and market total revenue per MWh	\$47.0	\$46.9	\$48.9	\$56.1	\$47.8
	\$46.9 -	\$46.0 -	\$44.3 -	\$53.5 -	\$44.5
Sensitivity: +/- \$10 per MWh market price change	\$47.2	\$47.8	\$53.5	\$58.7	\$51.1

(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.

(e) Amount of output expected to be generated by Entergy Wholesale Commodities resources considering plant operating characteristics, outage schedules, and expected market conditions that affect dispatch.

(f)

Assumes the planned shutdown of Pilgrim on May 31, 2019, planned shutdown of Indian Point 2 on April 30, 2020, planned shutdown of Indian Point 3 on April 30, 2021, and planned shutdown of Palisades on May 31,

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

2022. Assumes NRC license renewals for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations while its application is pending) and Indian Point 3 (December 2015 and now operating under its period of extended operations while its application is pending). For a discussion regarding the planned shutdown of the Pilgrim, Indian Point 2, Indian Point 3, and Palisades plants, see "Entergy Wholesale Commodities Exit from the Merchant Power Business" above. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "Entergy Wholesale Commodities Authorizations to Operate Indian Point" above.

(g) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.

(h) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.

(i) A contract for the sale of an installed capacity product in a regional market.

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 the respective year-end market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of \$3 million in 2018 and would have had a corresponding effect on pre-tax income of \$37 million in 2017. A negative \$10 per MWh change in the annual average energy price in the markets based on the respective year-end market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of (\$3) million in 2018 and would have had a corresponding effect on pre-tax income of (\$31) million in 2017.

Entergy's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, Entergy subsidiaries and NYPA amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, Entergy subsidiaries made annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Entergy subsidiaries paid NYPA \$6.59 per MWh for power sold from Indian Point 3, up to an annual cap of \$48 million, and \$3.91 per MWh for power sold from FitzPatrick, up to an annual cap of \$24 million. The annual payment for each year's output was due by January 15 of the following year, and the final payment to NYPA was made in January 2015. Entergy recorded the liability for payments to NYPA as power was generated and sold by Indian Point 3 and FitzPatrick. An amount equal to the liability was recorded to the plant asset account as contingent purchase price consideration for the plants.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities' power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At December 31, 2017, based on power prices at that time, Entergy had liquidity exposure of \$167 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and \$8 million of posted cash collateral. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of December 31, 2017, Entergy would have been required to provide approximately \$98 million of additional cash or letters of credit under some of the agreements. As of December 31, 2017, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$372 million for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of December 31, 2017, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2022 is with counterparties or their guarantors that have public investment grade credit ratings.

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Nuclear Matters

Entergy's Utility and Entergy Wholesale Commodities businesses include the ownership and operation of nuclear generating plants and are, therefore, subject to the risks related to such ownership and operation. These include risks related to: the use, storage, and handling and disposal of high-level and low-level radioactive materials; the substantial financial requirements, both for capital investments and operational needs, to position Entergy's nuclear fleet to meet its operational goals, including the financial requirements to address emerging issues like stress corrosion cracking of certain materials within the plant systems and the Fukushima event; the implementation of plans to cease merchant generation at all Entergy Wholesale Commodities nuclear plants by 2022 and the post-shutdown decommissioning of these plants; regulatory requirements and potential future regulatory changes, including changes affecting the regulations governing nuclear plant ownership, operations, license renewal and amendments, and decommissioning; the performance and capacity factors of these nuclear plants; the availability of interim or permanent sites for the disposal of spent nuclear fuel and nuclear waste, including the fees charged for such disposal; the sufficiency of nuclear decommissioning trust fund assets and earnings to complete decommissioning of each site when required; and limitations on the amounts and types of insurance commercially available for losses in connection with nuclear plant operations and catastrophic events such as a nuclear accident.

ANO

See Note 8 to the financial statements for discussion of the NRC's decision in March 2015 to move ANO into the "multiple/repetitive degraded cornerstone column," or Column 4, of the NRC's Reactor Oversight Process Action Matrix, and the resulting significant additional NRC inspection activities at the ANO site.

Pilgrim

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

Indian Point

During the scheduled refueling and maintenance outage at Indian Point 2 in the first quarter 2016, comprehensive inspections were done as part of the aging management program that calls for an in-depth inspection of the reactor vessel. Inspections of more than 2,000 bolts in the reactor's removable insert liner identified issues with roughly 11% of the bolts that required further analysis. Entergy replaced bolts as appropriate, and the unit returned to service in June 2016. In 2016, Entergy evaluated the scope and duration of Indian Point 3's scheduled refueling outage planned for 2017, which began in March 2017. Based on the results of the 2016 evaluation and analysis, Entergy extended Indian Point 3's planned 2017 outage duration. Entergy performed the same in-depth inspection of the reactor vessel at Indian Point 3 during Indian Point 3's spring 2017 refueling and maintenance outage that it performed for Indian Point 2. Based on inspection data, Entergy replaced approximately the same number of bolts at Indian Point 3 that it replaced at Indian Point 2 before returning the plant to service in May 2017.

Grand Gulf

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

2017.

Based on the plant's performance indicators, in November 2016 the NRC placed Grand Gulf in the "regulatory response column," or Column 2, of its Reactor Oversight Process Action Matrix. Entergy is implementing a plan to restore Grand Gulf to Column 1, including addressing the issues related to the three very low safety significance non-

35

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

cited violations identified in the NRC's report on the results of its October 2016 special inspection. Depending on the success of implementing that plan and the plant's performance indicators, there is risk that the NRC could move Grand Gulf into the "degraded cornerstone column," or Column 3, of the NRC's Reactor Oversight Process Action Matrix.

Critical Accounting Estimates

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

Nuclear Decommissioning Costs

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

Timing - In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated for those plants that do not have an announced shutdown date. The estimate may include assumptions regarding the possibility that the plant may have an operating life shorter than the operating license expiration, as well as assumptions regarding the probability that the plant's license will be renewed for those plants that have not yet received operating license renewal. Second, an assumption must be made whether all decommissioning activity will proceed immediately upon plant retirement, or whether the plant will be placed in SAFSTOR status. SAFSTOR is decommissioning a facility by placing it in a safe, stable condition that is maintained until it is subsequently decontaminated and dismantled to levels that permit license termination, normally within 60 years from permanent cessation of operations. A change of assumption regarding either the probability of license renewal, the period of continued operation, or the use of a SAFSTOR period can change the present value of the asset retirement obligation.

Cost Escalation Factors - Entergy's current decommissioning cost studies include an assumption that decommissioning costs will escalate over present cost levels by factors ranging from approximately 2% to 3% annually. A 50-basis point change in this assumption could change the estimated present value of the decommissioning liabilities by approximately 3% to 18%. The timing assumption influences the significance of the effect of a change in the estimated inflation or cost escalation rate because the effect increases with the length of time assumed before decommissioning activity ends.

Spent Fuel Disposal - Federal law requires the DOE to provide for the permanent storage of spent nuclear fuel, and legislation has been passed by Congress to develop a repository at Yucca Mountain, Nevada. The DOE has not yet begun accepting spent nuclear fuel and is in non-compliance with federal law. The DOE continues to delay meeting its obligation and Entergy's nuclear plant owners are continuing to pursue damage claims against the DOE for its failure to provide timely spent fuel storage. Until a federal site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities during the

decommissioning period can have a significant effect (as much as an average of 20% to 30% of total estimated decommissioning costs). Entergy's decommissioning studies include cost estimates for spent fuel storage. These estimates could change in the future, however, based on the expected timing of when the DOE begins to fulfill its obligation to receive and store spent nuclear fuel. See Note 8 to the financial statements for further discussion of Entergy's spent nuclear fuel litigation.

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

Technology and Regulation - Over the past several years, more practical experience with the actual decommissioning of nuclear facilities has been gained and that experience has been incorporated into Entergy's current decommissioning cost estimates. Given the long duration of decommissioning projects, additional experience, including technological advancements in decommissioning, could occur, however, and affect current cost estimates. In addition, if regulations regarding nuclear decommissioning were to change, this could significantly affect cost estimates.

Interest Rates - The estimated decommissioning costs that are the basis for the recorded decommissioning liability are discounted to present value using a credit-adjusted risk-free rate. When the decommissioning liability is revised, increases in cash flows are discounted using the current credit-adjusted risk-free rate. Decreases in estimated cash flows are discounted using the credit-adjusted risk-free rate used previously in estimating the decommissioning liability that is being revised. Therefore, to the extent that a revised cost study results in an increase in estimated cash flows, a change in interest rates from the time of the previous cost estimate will affect the calculation of the present value of the revised decommissioning liability.

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

Utility Regulatory Accounting

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

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

Unbilled Revenue

As discussed in Note 1 to the financial statements, Entergy records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized

37

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period, in addition to changes in certain components of the calculation.

Impairment of Long-lived Assets and Trust Fund Investments

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

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

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

• Future power and fuel prices - Electricity and gas prices can be very volatile. This volatility increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.

• Market value of generation assets - Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, these transactions are relatively infrequent, the market for such assets is volatile, and the value of individual assets is affected by factors unique to those assets.

• Future operating costs - Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant effect on operations could cause a significant change in these assumptions.

• Timing and the life of the asset - Entergy assumes an expected life of the asset. A change in the timing assumption, whether due to management decisions regarding operation of the plant, the regulatory process, or operational or other factors, could have a significant effect on the expected future cash flows and result in a significant effect on operations.

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

Entergy evaluates investment securities in the Entergy Wholesale Commodities' nuclear decommissioning trust funds with unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. If Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary-impairment is considered to have occurred and it is measured by the

38

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

present value of cash flows expected to be collected less the amortized cost basis (credit loss). The assessment of whether an investment in an equity security has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. As discussed in Note 1 to the financial statements, unrealized losses on equity securities that are considered other-than-temporarily impaired are recorded in earnings for Entergy Wholesale Commodities. Effective January 1, 2018 with the adoption of ASU 2016-01, unrealized losses and gains on investments in equity securities held by the Entergy Wholesale Commodities' nuclear decommissioning trust funds will be recorded in earnings as they occur. See Note 16 to the financial statements for details on the decommissioning trust funds.

Taxation and Uncertain Tax Positions

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

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Income Tax Legislation" above and Note 3 to the financial statements for discussion of the effects of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017.

Qualified Pension and Other Postretirement Benefits

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

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

Table of Contents

Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Assumptions

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

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

Discount rates

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

Projected health care cost trend rates

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

Expected long-term rate of return on plan assets

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

Since 2003, Entergy has targeted an asset allocation for its qualified pension plan assets of roughly 65% equity securities and 35% fixed-income securities. In 2017, Entergy confirmed the 2011 liability-driven investment strategy for its pension assets, which recommended that the target asset allocation adjust dynamically over time, based on the funded status of the plan, from its current allocation to an ultimate allocation. In 2017, Entergy adopted a new ultimate allocation for pension assets of 35% equity securities and 65% fixed income securities. The ultimate asset allocation is expected to be attained when the plan is 105% funded.

In 2016, the target allocations for both Entergy's non-taxable other postretirement assets and its taxable other postretirement assets were 65% equity securities and 35% fixed-income securities. During the first quarter of 2017, Entergy implemented a new asset allocation strategy, based on the funded status of each sub-account within each trust, which resulted in an overall shift to more fixed income in the non-taxable trusts and no material changes in asset allocation to the taxable trust. The new strategy no longer focuses on targeting an overall asset allocation for each trust, but rather a target asset allocation for each sub-account within each trust. See Note 11 to the financial statements

for discussion of the current asset allocations for Entergy's other postretirement assets.

Table of Contents

Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

Retirement and mortality rates

In October 2017 the Internal Revenue Service issued updated mortality regulations for single employer plans for determining cash contribution requirements. The regulations, based on the Society of Actuaries' 2014 mortality table, are effective for plan years beginning on or after January 1, 2018.

Costs and Sensitivities

The estimated 2018 and actual 2017 qualified pension and other postretirement costs and related underlying assumptions and sensitivities are shown below:

Costs	Estimated 2018 (In Millions)	2017
Qualified pension cost	\$254.8	\$214.2
Other postretirement cost	\$13.1	\$25.6
Assumptions	2018	2017
Discount rates		
Qualified pension		
Service cost	3.89%	4.75%
Interest cost	3.44%	3.73%
Other postretirement		
Service cost	3.88%	4.60%
Interest cost	3.33%	3.61%
Expected long-term rates of return		
Qualified pension assets	7.50%	7.50%
Other postretirement - non-taxable assets	6.50% - 7.50%	6.50% - 6.90%
Other postretirement - taxable assets - after tax rate	5.50%	5.75%
Weighted-average rate of future compensation	3.98%	3.98%
Assumed health care cost trend rates		
Pre-65 retirees	6.95%	6.55%
Post-65 retirees	7.25%	7.25%
Ultimate rate	4.75%	4.75%
Year ultimate rate is reached and beyond	2027	2026

Actual asset returns have an effect on Entergy's qualified pension and other postretirement costs. In 2017, Entergy's actual average annual return on qualified pension assets was approximately 16% and for other postretirement assets was approximately 14%, as compared with the 2017 expected long-term rates of return discussed above.

Table of ContentsEntergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

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

Actuarial Assumption	Change in Assumption Increase/(Decrease)	Impact on 2018 Qualified Pension Cost	Impact on 2017 Qualified Projected Benefit Obligation
Discount rate	(0.25%)	\$23	\$250
Rate of return on plan assets	(0.25%)	\$15	\$—
Rate of increase in compensation	0.25%	\$7	\$34

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

Actuarial Assumption	Change in Assumption Increase/(Decrease)	Impact on 2018 Postretirement Benefit Cost	Impact on 2017 Accumulated Postretirement Benefit Obligation
Discount rate	(0.25%)	\$3	\$50
Health care cost trend	0.25%	\$5	\$39

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

Accounting Mechanisms

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

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

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

Funding

Entergy's pension funding in 2017 was \$410 million. Entergy estimates pension contributions will be approximately \$352.1 million in 2018; although the 2018 required pension contributions will be known with more certainty when the January 1, 2018 valuations are completed, which is expected by April 1, 2018.

Table of Contents

Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis

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

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

Entergy contributed \$44.3 million to its postretirement plans in 2017 and plans to contribute \$52.3 million in 2018.

Federal Healthcare Legislation

In 2010 the Patient Protection and Affordable Care Act (PPACA), as amended, imposed a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. In January 2018 the effective date of the excise tax was delayed and is currently expected to take effect in 2022. Entergy will continue to monitor developments to determine the possible effect on Entergy.

Other Contingencies

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

Environmental

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

Changes to existing federal, state, or local regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.

43

Table of Contents

Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

• The identification of additional impacts, sites, issues, or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.

• The resolution or progression of existing matters through the court system or resolution by the EPA or relevant state or local authority.

Litigation

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

New Accounting Pronouncements

See Note 1 to the financial statements for discussion of new accounting pronouncements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
REPORT OF MANAGEMENT

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

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

Entergy Corporation's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Entergy Corporation's internal control over financial reporting as of December 31, 2017.

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

Based on management's assessment of internal controls using the 2013 COSO criteria, management believes that Entergy and each of the Registrant Subsidiaries maintained effective internal control over financial reporting as of December 31, 2017. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's and each of the Registrant Subsidiaries' financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

LEO P. DENAULT Chairman of the Board and Chief Executive Officer of Entergy Corporation	ANDREW S. MARSH Executive Vice President and Chief Financial Officer of Entergy Corporation, Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc.
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RICHARD C. RILEY Chairman of the Board, President, and Chief Executive Officer of Entergy Arkansas, Inc.	PHILLIP R. MAY, JR. Chairman of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC
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HALEY R. FISACKERLY Chairman of the Board, President, and Chief Executive Officer of Entergy Mississippi, Inc.	CHARLES L. RICE, JR. Chairman of the Board, President, and Chief Executive Officer of Entergy New Orleans, LLC
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SALLIE T. RAINER
Chair of the Board, President, and
Chief Executive Officer of Entergy
Texas, Inc.

RODERICK K. WEST
Chairman of the Board, President, and Chief Executive Officer of System
Energy Resources, Inc.

45

Table of ContentsENTERGY CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON

	2017	2016	2015	2014	2013
	(In Thousands, Except Percentages and Per Share Amounts)				
Operating revenues	\$11,074,481	\$10,845,645	\$11,513,251	\$12,494,921	\$11,390,947
Net income (loss)	\$425,353	(\$564,503)	(\$156,734)	\$960,257	\$730,572
Earnings (loss) per share:					
Basic	\$2.29	(\$3.26)	(\$0.99)	\$5.24	\$3.99
Diluted	\$2.28	(\$3.26)	(\$0.99)	\$5.22	\$3.99
Dividends declared per share	\$3.50	\$3.42	\$3.34	\$3.32	\$3.32
Return on common equity	5.12	% (6.73 %)	(1.83 %)	9.58	% 7.56 %
Book value per share, year-end	\$44.28	\$45.12	\$51.89	\$55.83	\$54.00
Total assets	\$46,707,149	\$45,904,434	\$44,647,681	\$46,414,455	\$43,290,290
Long-term obligations (a)	\$14,535,077	\$14,695,422	\$13,456,742	\$12,627,180	\$12,265,971

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

	2017	2016	2015	2014	2013
	(Dollars In Millions)				
Utility electric operating revenues:					
Residential	\$3,355	\$3,288	\$3,518	\$3,555	\$3,396
Commercial	2,480	2,362	2,516	2,553	2,415
Industrial	2,584	2,327	2,462	2,623	2,405
Governmental	231	217	223	227	218
Total retail	8,650	8,194	8,719	8,958	8,434
Sales for resale	253	236	249	330	210
Other	376	437	341	304	298
Total	\$9,279	\$8,867	\$9,309	\$9,592	\$8,942
Utility billed electric energy sales (GWh):					
Residential	33,834	35,112	36,068	35,932	35,169
Commercial	28,745	29,197	29,348	28,827	28,547
Industrial	47,769	45,739	44,382	43,723	41,653
Governmental	2,511	2,547	2,514	2,428	2,412
Total retail	112,859	112,595	112,312	110,910	107,781
Sales for resale	11,550	11,054	9,274	9,462	3,020
Total	124,409	123,649	121,586	120,372	110,801
Entergy Wholesale Commodities:					
Operating revenues	\$1,657	\$1,850	\$2,062	\$2,719	\$2,313
Billed electric energy sales (GWh)	30,501	35,881	39,745	44,424	45,127

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of
Entergy Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the “Corporation”) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), cash flows, and changes in equity, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2018, expressed an unqualified opinion on the Corporation’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on the Corporation’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 26, 2018

We have served as the Corporation’s auditor since 2001.

Table of ContentsENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2017	2016	2015
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Electric	\$9,278,895	\$8,866,659	\$9,308,678
Natural gas	138,856	129,348	142,746
Competitive businesses	1,656,730	1,849,638	2,061,827
TOTAL	11,074,481	10,845,645	11,513,251
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel, fuel-related expenses, and gas purchased for resale	1,991,589	1,809,200	2,452,171
Purchased power	1,427,950	1,220,527	1,390,805
Nuclear refueling outage expenses	168,151	208,678	251,316
Other operation and maintenance	3,423,689	3,296,711	3,354,981
Asset write-offs, impairments, and related charges	538,372	2,835,637	2,104,906
Decommissioning	405,685	327,425	280,272
Taxes other than income taxes	617,556	592,502	619,422
Depreciation and amortization	1,389,978	1,347,187	1,337,276
Other regulatory charges (credits) - net	(131,901)	94,243	175,304
TOTAL	9,831,069	11,732,110	11,966,453
Gain on sale of asset	16,270	—	154,037
OPERATING INCOME (LOSS)	1,259,682	(886,465)	(299,165)
OTHER INCOME			
Allowance for equity funds used during construction	95,088	67,563	51,908
Interest and investment income	288,197	145,127	187,062
Miscellaneous - net	(12,701)	(41,617)	(95,997)
TOTAL	370,584	171,073	142,973
INTEREST EXPENSE			
Interest expense	707,212	700,545	670,096
Allowance for borrowed funds used during construction	(44,869)	(34,175)	(26,627)
TOTAL	662,343	666,370	643,469
INCOME (LOSS) BEFORE INCOME TAXES	967,923	(1,381,762)	(799,661)
Income taxes	542,570	(817,259)	(642,927)
CONSOLIDATED NET INCOME (LOSS)	425,353	(564,503)	(156,734)
Preferred dividend requirements of subsidiaries	13,741	19,115	19,828
NET INCOME (LOSS) ATTRIBUTABLE TO ENTERGY CORPORATION	\$411,612	(\$583,618)	(\$176,562)

Earnings (loss) per average common share:				
Basic	\$2.29	(\$3.26)	(\$0.99)
Diluted	\$2.28	(\$3.26)	(\$0.99)
Basic average number of common shares outstanding	179,671,797	178,885,660	179,176,356	
Diluted average number of common shares outstanding	180,535,893	178,885,660	179,176,356	

See Notes to Financial Statements.

Table of ContentsENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Years Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Net Income (Loss)	\$425,353	(\$564,503)	(\$156,734)
Other comprehensive income (loss)			
Cash flow hedges net unrealized gain (loss) (net of tax expense (benefit) of (\$22,570), (\$55,298), and \$3,752)	(41,470)	(101,977)	7,852
Pension and other postretirement liabilities (net of tax expense (benefit) of (\$4,057), (\$3,952), and \$61,576)	(61,653)	(2,842)	103,185
Net unrealized investment gains (losses) (net of tax expense (benefit) of \$80,069, \$57,277, and (\$45,904))	115,311	62,177	(59,138)
Foreign currency translation (net of tax benefit of \$403, \$689, and \$345)	(748)	(1,280)	(641)
Other comprehensive income (loss)	11,440	(43,922)	51,258
Comprehensive Income (Loss)	436,793	(608,425)	(105,476)
Preferred dividend requirements of subsidiaries	13,741	19,115	19,828
Comprehensive Income (Loss) Attributable to Entergy Corporation	\$423,052	(\$627,540)	(\$125,304)

See Notes to Financial Statements.

Table of ContentsENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2017	2016	2015
	(In Thousands)		
OPERATING ACTIVITIES			
Consolidated net income (loss)	\$425,353	(\$564,503)	(\$156,734)
Adjustments to reconcile consolidated net income (loss) to net cash flow provided by operating activities:			
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	2,078,578	2,123,291	2,117,236
Deferred income taxes, investment tax credits, and non-current taxes accrued	529,053	(836,257)	(820,350)
Asset write-offs, impairments, and related charges	357,251	2,835,637	2,104,906
Gain on sale of asset	(16,270)	—	(154,037)
Changes in working capital:			
Receivables	(97,637)	(96,975)	38,152
Fuel inventory	(3,043)	38,210	(12,376)
Accounts payable	101,802	174,421	(135,211)
Prepaid taxes and taxes accrued	33,853	(28,963)	81,969
Interest accrued	742	(7,335)	(11,445)
Deferred fuel costs	56,290	(241,896)	298,725
Other working capital accounts	(4,331)	31,197	(113,701)
Changes in provisions for estimated losses	(3,279)	20,905	42,566
Changes in other regulatory assets	595,504	(48,469)	262,317
Changes in other regulatory liabilities	2,915,795	158,031	61,241
Deferred tax rate change recognized as regulatory liability / asset	(3,665,498)	—	—
Changes in pensions and other postretirement liabilities	(130,686)	(136,919)	(446,418)
Other	(549,977)	(421,676)	134,344
Net cash flow provided by operating activities	2,623,500	2,998,699	3,291,184
INVESTING ACTIVITIES			
Construction/capital expenditures	(3,607,532)	(2,780,222)	(2,500,860)
Allowance for equity funds used during construction	96,000	68,345	53,635
Nuclear fuel purchases	(377,324)	(314,706)	(493,604)
Payment for purchase of plant or assets	(16,762)	(949,329)	—
Proceeds from sale of assets	100,000	—	487,406
Insurance proceeds received for property damages	26,157	20,968	24,399
Changes in securitization account	1,323	4,007	(5,806)
NYPA value sharing payment	—	—	(70,790)
Payments to storm reserve escrow account	(2,878)	(1,544)	(69,163)
Receipts from storm reserve escrow account	11,323	—	5,916
Decrease in other investments	1,078	9,055	571
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	25,493	169,085	18,296
Proceeds from nuclear decommissioning trust fund sales	3,162,747	2,408,920	2,492,176
Investment in nuclear decommissioning trust funds	(3,260,674)	(2,484,627)	(2,550,958)
Net cash flow used in investing activities	(3,841,049)	(3,850,048)	(2,608,782)

See Notes to Financial Statements.

50

Table of ContentsENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2017	2016	2015
	(In Thousands)		
FINANCING ACTIVITIES			
Proceeds from the issuance of:			
Long-term debt	1,809,390	6,800,558	3,502,189
Preferred stock of subsidiary	14,399	—	107,426
Treasury stock	80,729	33,114	24,366
Retirement of long-term debt	(1,585,681)	(5,311,324)	(3,461,518)
Repurchase of common stock	—	—	(99,807)
Repurchase / redemptions of preferred stock	(20,599)	(115,283)	(94,285)
Changes in credit borrowings and commercial paper - net	1,163,296	(79,337)	(104,047)
Other	(7,731)	(6,872)	(9,136)
Dividends paid:			
Common stock	(628,885)	(611,835)	(598,897)
Preferred stock	(13,940)	(20,789)	(19,758)
Net cash flow provided by (used in) financing activities	810,978	688,232	(753,467)
Net decrease in cash and cash equivalents	(406,571)	(163,117)	(71,065)
Cash and cash equivalents at beginning of period	1,187,844	1,350,961	1,422,026
Cash and cash equivalents at end of period	\$781,273	\$1,187,844	\$1,350,961
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$678,371	\$746,779	\$663,630
Income taxes	(\$13,375)	\$95,317	\$103,589

See Notes to Financial Statements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31,	
	2017	2016
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	\$56,629	\$129,579
Temporary cash investments	724,644	1,058,265
Total cash and cash equivalents	781,273	1,187,844
Accounts receivable:		
Customer	673,347	654,995
Allowance for doubtful accounts	(13,587) (11,924
Other	169,377	158,419
Accrued unbilled revenues	383,813	368,677
Total accounts receivable	1,212,950	1,170,167
Deferred fuel costs	95,746	108,465
Fuel inventory - at average cost	182,643	179,600
Materials and supplies - at average cost	723,222	698,523
Deferred nuclear refueling outage costs	133,164	146,221
Prepayments and other	156,333	193,448
TOTAL	3,285,331	3,684,268
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	198	198
Decommissioning trust funds	7,211,993	5,723,897
Non-utility property - at cost (less accumulated depreciation)	260,980	233,641
Other	441,862	469,664
TOTAL	7,915,033	6,427,400
PROPERTY, PLANT, AND EQUIPMENT		
Electric	47,287,370	45,191,216
Property under capital lease	620,544	619,527
Natural gas	453,162	413,224
Construction work in progress	1,980,508	1,378,180
Nuclear fuel	923,200	1,037,899
TOTAL PROPERTY, PLANT AND EQUIPMENT	51,264,784	48,640,046
Less - accumulated depreciation and amortization	21,600,424	20,718,639
PROPERTY, PLANT AND EQUIPMENT - NET	29,664,360	27,921,407
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	—	761,280
Other regulatory assets (includes securitization property of \$485,031 as of December 31, 2017 and \$600,996 as of December 31, 2016)	4,935,689	4,769,913
Deferred fuel costs	239,298	239,100

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Goodwill	377,172	377,172
Accumulated deferred income taxes	178,204	117,885
Other	112,062	1,606,009
TOTAL	5,842,425	7,871,359
TOTAL ASSETS	\$46,707,149	\$45,904,434

See Notes to Financial Statements.

52

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

	December 31,	
	2017	2016
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$760,007	\$364,900
Notes payable and commercial paper	1,578,308	415,011
Accounts payable	1,452,216	1,285,577
Customer deposits	401,330	403,311
Taxes accrued	214,967	181,114
Interest accrued	187,972	187,229
Deferred fuel costs	146,522	102,753
Obligations under capital leases	1,502	2,423
Pension and other postretirement liabilities	71,612	76,942
Other	221,771	180,836
TOTAL	5,036,207	3,200,096
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	4,466,503	7,495,290
Accumulated deferred investment tax credits	219,634	227,147
Obligations under capital leases	22,015	24,582
Regulatory liability for income taxes-net	2,900,204	—
Other regulatory liabilities	1,588,520	1,572,929
Decommissioning and asset retirement cost liabilities	6,185,814	5,992,476
Accumulated provisions	478,273	481,636
Pension and other postretirement liabilities	2,910,654	3,036,010
Long-term debt (includes securitization bonds of \$544,921 as of December 31, 2017 and \$661,175 as of December 31, 2016)	14,315,259	14,467,655
Other	393,748	1,121,619
TOTAL	33,480,624	34,419,344
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	197,803	203,185
COMMON EQUITY		
Common stock, \$.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2017 and in 2016	2,548	2,548
Paid-in capital	5,433,433	5,417,245
Retained earnings	7,977,702	8,195,571
Accumulated other comprehensive loss	(23,531) (34,971
Less - treasury stock, at cost (74,235,135 shares in 2017 and 75,623,363 shares in 2016)	5,397,637	5,498,584
TOTAL	7,992,515	8,081,809
TOTAL LIABILITIES AND EQUITY	\$46,707,149	\$45,904,434

See Notes to Financial Statements.

53

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017, 2016, and 2015

	Common Shareholders' Equity					Accumulated Other Comprehensive Income (Loss)	Total
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings		
	(In Thousands)						
Balance at December 31, 2014	\$94,000	\$2,548	(\$5,497,526)	\$5,375,353	\$10,169,657	(\$42,307)	\$10,101,725
Consolidated net income (loss) (a)	19,828	—	—	—	(176,562)	—	(156,734)
Other comprehensive income	—	—	—	—	—	51,258	51,258
Common stock repurchases	—	—	(99,807)	—	—	—	(99,807)
Preferred stock repurchases / redemptions	(94,000)	—	—	—	(285)	—	(94,285)
Common stock issuances related to stock plans	—	—	44,954	28,405	—	—	73,359
Common stock dividends declared	—	—	—	—	(598,897)	—	(598,897)
Preferred dividend requirements of subsidiaries (a)	(19,828)	—	—	—	—	—	(19,828)
Balance at December 31, 2015	\$—	\$2,548	(\$5,552,379)	\$5,403,758	\$9,393,913	\$8,951	\$9,256,791
Consolidated net income (loss) (a)	19,115	—	—	—	(583,618)	—	(564,503)
Other comprehensive loss	—	—	—	—	—	(43,922)	(43,922)
Common stock issuances related to stock plans	—	—	53,795	13,487	—	—	67,282
Common stock dividends declared	—	—	—	—	(611,835)	—	(611,835)
Subsidiaries' capital stock redemptions	—	—	—	—	(2,889)	—	(2,889)
Preferred dividend requirements of subsidiaries (a)	(19,115)	—	—	—	—	—	(19,115)
Balance at December 31, 2016	\$—	\$2,548	(\$5,498,584)	\$5,417,245	\$8,195,571	(\$34,971)	\$8,081,809
Consolidated net income (a)	13,741	—	—	—	411,612	—	425,353
Other comprehensive income	—	—	—	—	—	11,440	11,440

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Common stock issuances related to stock plans	—	—	100,947	16,188	—	—	117,135
Common stock dividends declared	—	—	—	—	(628,885) —	(628,885)
Subsidiaries' capital stock redemptions	—	—	—	—	(596) —	(596)
Preferred dividend requirements of subsidiaries (a)	(13,741)	—	—	—	—	—	(13,741)
Balance at December 31, 2017	\$—	\$2,548	(\$5,397,637)	\$5,433,433	\$7,977,702	(\$23,531)	\$7,992,515

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries include \$13.7 million for 2017, \$19.1 million for 2016, and \$14.9 million for 2015 of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented as equity.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its subsidiaries. As required by generally accepted accounting principles in the United States of America, all intercompany transactions have been eliminated in the consolidated financial statements. Entergy's Registrant Subsidiaries (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy) also include their separate financial statements in this Form 10-K. The Registrant Subsidiaries and many other Entergy subsidiaries also maintain accounts in accordance with FERC and other regulatory guidelines.

Use of Estimates in the Preparation of Financial Statements

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

Revenues and Fuel Costs

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

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

For sales under rates implemented subject to refund, Entergy reduces revenue by accruing estimated amounts for probable refunds when Entergy believes it is probable that revenues will be refunded to customers based upon the status of the rate proceeding.

Entergy's Utility operating companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Where the fuel component of revenues is billed based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy

Table of Contents

Entergy Corporation and Subsidiaries

Notes to Financial Statements

Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

Accounting for MISO transactions

Entergy is a member of MISO, a regional transmission organization that maintains functional control over the combined transmission systems of its members and manages one of the largest energy markets in the U.S. In the MISO market, Entergy offers its generation and bids its load into the market on an hourly basis. MISO settles these hourly offers and bids based on locational marginal prices, which is pricing for energy at a given location based on a market clearing price that takes into account physical limitations on the transmission system, generation, and demand throughout the MISO region. MISO evaluates the market participants' energy offers and demand bids to economically and reliably dispatch the entire MISO system. Entergy nets purchases and sales within the MISO market on an hourly basis and reports in operating revenues when in a net selling position for an hour period and in operating expenses when in a net purchasing position for an hour period.

Property, Plant, and Equipment

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

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

Net property, plant, and equipment for Entergy (including property under capital lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2017 and 2016, is shown below:

2017	Entergy	Utility	Entergy Wholesale Commodities	Parent & Other
	(In Millions)			
Production				
Nuclear	\$6,946	\$6,694	\$252	\$—
Other	4,215	4,118	97	—
Transmission	5,844	5,842	2	—
Distribution	8,000	8,000	—	—
Other	1,755	1,748	3	4
Construction work in progress	1,981	1,951	30	—
Nuclear fuel	923	822	101	—

Property, plant, and equipment - net \$29,664 \$29,175 \$485 \$4

Table of Contents

Entergy Corporation and Subsidiaries

Notes to Financial Statements

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

Depreciation rates on average depreciable property for Entergy approximated 3.0% in 2017, 2.8% in 2016, and 2.9% in 2015. Included in these rates are the depreciation rates on average depreciable Utility property of 2.6% in 2017, 2.6% in 2016, and 2.7% 2015, and the depreciation rates on average depreciable Entergy Wholesale Commodities property of 22.3% in 2017, 5.2% in 2016, and 5.4% in 2015. The higher depreciation rate in 2017 for Entergy Wholesale Commodities reflects the significantly reduced remaining estimated operating lives associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.

Entergy amortizes nuclear fuel using a units-of-production method. Nuclear fuel amortization is included in fuel expense in the income statements. Because the value of their long-lived assets are impaired, and their remaining estimated operating lives significantly reduced, the Entergy Wholesale Commodities nuclear plants, except for Palisades, charge nuclear fuel costs directly to expense when incurred because their undiscounted cash flows are insufficient to recover the carrying amount of these capital additions.

“Non-utility property - at cost (less accumulated depreciation)” for Entergy is reported net of accumulated depreciation of \$167 million and \$169 million as of December 31, 2017 and 2016, respectively.

Construction expenditures included in accounts payable is \$368 million and \$253 million at December 31, 2017 and 2016, respectively.

Net property, plant, and equipment for the Registrant Subsidiaries (including property under capital lease and associated accumulated amortization) by company and functional category, as of December 31, 2017 and 2016, is shown below:

2017	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
Production						
Nuclear	\$1,368	\$3,664	\$—	\$—	\$—	\$1,660
Other	806	2,016	560	207	531	—
Transmission	1,650	2,148	900	81	1,021	42
Distribution	2,226	2,748	1,316	440	1,270	—
Other	247	592	203	204	168	39

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Construction work in progress	281	1,281	149	47	102	70
Nuclear fuel	277	337	—	—	—	208
Property, plant, and equipment - net	\$6,855	\$12,786	\$3,128	\$979	\$3,092	\$2,019

57

Table of Contents

Entergy Corporation and Subsidiaries
Notes to Financial Statements

2016	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Millions)					
Production						
Nuclear	\$1,201	\$3,540	\$—	\$—	\$—	\$1,783
Other	801	1,966	537	213	483	—
Transmission	1,491	1,925	740	79	943	45
Distribution	2,144	2,632	1,242	414	1,216	—
Other	216	517	201	188	106	25
Construction work in progress	304	670	118	25	111	44
Nuclear fuel	307	250	—	—	—	260
Property, plant, and equipment - net	\$6,464	\$11,500	\$2,838	\$919	\$2,859	\$2,157

Depreciation rates on average depreciable property for the Registrant Subsidiaries are shown below:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
2017	2.5%	2.3%	3.1%	3.5%	2.6%	2.8%
2016	2.5%	2.3%	3.1%	3.4%	2.5%	2.8%
2015	2.6%	2.3%	3.2%	3.0%	2.6%	2.8%

Non-utility property - at cost (less accumulated depreciation) for Entergy Louisiana is reported net of accumulated depreciation of \$152.3 million and \$154.4 million as of December 31, 2017 and 2016, respectively. Non-utility property - at cost (less accumulated depreciation) for Entergy Mississippi is reported net of accumulated depreciation of \$0.5 million and \$0.5 million as of December 31, 2017 and 2016, respectively. Non-utility property - at cost (less accumulated depreciation) for Entergy Texas is reported net of accumulated depreciation of \$4.9 million and \$4.9 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017, construction expenditures included in accounts payable are \$58.8 million for Entergy Arkansas, \$160.4 million for Entergy Louisiana, \$17.1 million for Entergy Mississippi, \$2.5 million for Entergy New Orleans, \$32.8 million for Entergy Texas, and \$33.9 million for System Energy. As of December 31, 2016, construction expenditures included in accounts payable are \$40.9 million for Entergy Arkansas, \$114.8 million for Entergy Louisiana, \$11.5 million for Entergy Mississippi, \$2.3 million for Entergy New Orleans, \$9.3 million for Entergy Texas, and \$6.2 million for System Energy.

Jointly-Owned Generating Stations

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. All parties are required to provide their own financing. The investments, fuel expenses, and other operation and maintenance expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2017, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

Table of Contents

Entergy Corporation and Subsidiaries

Notes to Financial Statements

Generating Stations		Fuel Type	Total Megawatt Capability (a)	Ownership	Investment	Accumulated Depreciation
(In Millions)						
Utility business:						
Entergy Arkansas -						
Independence	Unit 1	Coal	836	31.50 %	\$140	\$103
Independence	Common Facilities	Coal		15.75 %	\$34	\$27
White Bluff	Units 1 and 2	Coal	1,636	57.00 %	\$531	\$364
Ouachita (b)	Common Facilities	Gas				