

ENTERGY CORP /DE/
 Form 10-Q
 May 04, 2018
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2018

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 Telephone (504) 576-4000 | 1-09067 | SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) 1340 Echelon Parkway Jackson, Mississippi 39213 |

47-4469646

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

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

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

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 | <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"/> | | |

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

| | | |
|--------------------------|--------------------|-------------------------------|
| Common Stock Outstanding | | Outstanding at April 30, 2018 |
| Entergy Corporation | (\$0.01 par value) | 180,823,624 |

Entergy Corporation, Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, LLC, Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10 K for the calendar year ended December 31, 2017, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

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

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

- resolution of pending and future rate cases, 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;

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FORWARD-LOOKING INFORMATION (Continued)

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

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

changes in environmental laws and regulations, 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 northern 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 (i) Entergy's ability to implement new technologies, (ii) the impact of changes relating 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, and (iii) competition from other companies offering products and services to our customers based on new or emerging technologies;

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;

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FORWARD-LOOKING INFORMATION (Concluded)

future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets; changes in decommissioning trust fund values or earnings or in the timing of, requirements for, or cost to decommission Entergy's nuclear plant sites and the implementation of decommissioning of such sites following shutdown;

the decision to cease merchant power generation at all Entergy Wholesale Commodities nuclear power plants by 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.

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DEFINITIONS

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

| Abbreviation or Acronym | Term |
|-------------------------------|---|
| 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 |
| ASU | Accounting Standards Update issued by the FASB |
| Board | Board of Directors of Entergy Corporation |
| Cajun | Cajun Electric Power Cooperative, Inc. |
| capacity factor | Actual plant output divided by maximum potential plant output for the period |
| City Council | Council of the City of New Orleans, Louisiana |
| D.C. Circuit | U.S. Court of Appeals for the District of Columbia Circuit |
| DOE | United States Department of Energy |
| Entergy | Entergy Corporation and its direct and indirect subsidiaries |
| Entergy Corporation | Entergy Corporation, a Delaware corporation |
| Entergy Gulf States, Inc. | Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas |
| Entergy Gulf States Louisiana | Entergy Gulf States Louisiana, L.L.C., a Louisiana limited liability company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana. |
| Entergy Louisiana | Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes. |
| Entergy Texas | Entergy Texas, Inc., a Texas corporation formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires. |
| Entergy Wholesale Commodities | Entergy's non-utility business segment primarily comprised of the ownership, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers |
| EPA | United States Environmental Protection Agency |
| 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 |
| Form 10-K | Annual Report on Form 10-K for the calendar year ended December 31, 2017 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries |
| Grand Gulf GWh | Unit No. 1 of Grand Gulf Nuclear Station (nuclear), 90% owned or leased by System Energy |
| Independence | Gigawatt-hour(s), which equals one million kilowatt-hours |
| | Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power, LLC |

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DEFINITIONS (Continued)

| Abbreviation or Acronym | Term |
|-------------------------------|---|
| Indian Point 2 | Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment |
| Indian Point 3 | Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment |
| IRS | Internal Revenue Service |
| ISO | Independent System Operator |
| kW | Kilowatt, which equals one thousand watts |
| kWh | Kilowatt-hour(s) |
| LPSC | Louisiana Public Service Commission |
| MISO | Midcontinent Independent System Operator, Inc., a regional transmission organization |
| MMBtu | One million British Thermal Units |
| MPSC | Mississippi Public Service Commission |
| MW | Megawatt(s), which equals one thousand kilowatts |
| MWh | Megawatt-hour(s) |
| Net debt to net capital ratio | Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents |
| Net MW in operation | Installed capacity owned and operated |
| NRC | Nuclear Regulatory Commission |
| NYPA | New York Power Authority |
| Palisades | Palisades Nuclear Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment |
| Parent & Other | The portions of Entergy not included in the Utility or Entergy Wholesale Commodities segments, primarily consisting of the activities of the parent company, Entergy Corporation |
| Pilgrim | Pilgrim Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment |
| PPA | Purchased power agreement or power purchase agreement |
| 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. |
| River Bend | River Bend Station (nuclear), owned by Entergy Louisiana |
| 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 |

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DEFINITIONS (Concluded)

| Abbreviation or Acronym | Term |
|-------------------------|--|
| Vermont Yankee | Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment, which ceased power production in December 2014 |
| Waterford 3 | Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana |
| weather-adjusted usage | Electric usage excluding the effects of deviations from normal weather |
| White Bluff | White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas |

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ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

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

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

The Entergy Wholesale Commodities business segment includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. See "Entergy Wholesale Commodities Exit from the Merchant Power Business" below and in the Form 10-K for discussion of the operation and planned shutdown or sale of each of the Entergy Wholesale Commodities nuclear power plants.

See Note 7 to the financial statements herein for financial information regarding Entergy's business segments.

Results of Operations

First Quarter 2018 Compared to First Quarter 2017

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the first quarter 2018 to the first quarter 2017 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) | | | |
| 2017 Consolidated Net Income (Loss) | \$167,623 | (\$27,196) | (\$54,376) | \$86,051 |
| Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits) | 55,485 | (112,287) | (8) | (56,810) |
| Other operation and maintenance | 30,871 | (94,110) | (32) | (63,271) |
| Asset write-offs, impairments, and related charges | — | (138,867) | — | (138,867) |
| Taxes other than income taxes | 15,293 | (6,578) | 150 | 8,865 |
| Depreciation and amortization | 14,187 | (14,444) | 57 | (200) |
| Gain on sale of assets | — | (16,270) | — | (16,270) |
| Other income | 11,550 | (57,372) | (689) | (46,511) |
| Interest expense | 1,984 | 1,823 | 3,804 | 7,611 |
| Other expenses | 651 | (20,429) | — | (19,778) |
| Income taxes | (46,268) | 77,259 | 4,909 | 35,900 |
| 2018 Consolidated Net Income (Loss) | \$217,940 | (\$17,779) | (\$63,961) | \$136,200 |

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

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

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Entergy Corporation and Subsidiaries
 Management's Financial Discussion and Analysis

First quarter 2018 results of operations includes impairment charges of \$73 million (\$58 million net-of-tax) and first quarter 2017 results of operations includes impairment charges of \$212 million (\$138 million net-of-tax) due to costs being charged directly to expense 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 and in the Form 10-K for discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|---------------------------|----------------------------|
| 2017 net revenue | \$1,404 |
| Volume/weather | 58 |
| Retail electric price | 7 |
| Grand Gulf recovery (18) | (18) |
| Other | 9 |
| 2018 net revenue | \$1,460 |

The volume/weather variance is primarily due to an increase of 2,246 GWh, or 9%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to an increase in demand for existing customers in the petroleum refining industry and a new customer in the primary metals industry.

The retail electric price variance is primarily due to:

- an increase in formula rate plan rates effective with the first billing cycle of January 2018 at Entergy Arkansas, as approved by the APSC;
- increases in the transmission cost recovery factor rider rate in March 2017 and the distribution cost recovery factor rider rate in September 2017 at Entergy Texas, each as approved by the PUCT; and
- an increase in energy efficiency rider revenues.

The increase was partially offset by regulatory charges recorded in the first quarter 2018 to reflect the effects of a provision in the settlement reached in Entergy Louisiana's formula rate plan extension proceeding.

See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the regulatory proceedings discussed above.

The Grand Gulf recovery variance is primarily due to recovery of lower operating costs in the first quarter 2018 as compared to the first quarter 2017.

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Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|-------------------------------------|----------------------------|
| 2017 net revenue | \$494 |
| FitzPatrick reimbursement agreement | (98) |
| Nuclear volume | (26) |
| Nuclear realized price changes | 27 |
| Other | (15) |
| 2018 net revenue | \$382 |

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by \$112 million in the first quarter 2018 as compared to the first quarter 2017 primarily due to:

a decrease resulting from the reimbursement agreement with Exelon pursuant to which Exelon reimbursed Entergy in the first quarter 2017 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 were offset by other operation and maintenance expenses and taxes other than income taxes and had no effect on net income; and
lower volume in the Entergy Wholesale Commodities nuclear fleet resulting from more unplanned outage days in first quarter 2018 as compared to first quarter 2017.

The decrease was partially offset by higher realized wholesale energy prices and higher capacity prices in the first quarter 2018.

See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick and the reimbursement agreement with Exelon.

Following are key performance measures for Entergy Wholesale Commodities for the first quarter 2018 and 2017:

| | 2018 | 2017 |
|-------------------------|-------|-------|
| Owned capacity (MW) (a) | 3,962 | 4,800 |
| GWh billed | 7,885 | 8,363 |

Entergy Wholesale Commodities Nuclear Fleet

| | | |
|---|---------|---------|
| Capacity factor | 83% | 80% |
| GWh billed | 6,408 | 7,835 |
| Average energy and capacity revenue per MWh | \$56.96 | \$55.15 |
| Refueling outage days: | | |
| FitzPatrick | — | 42 |
| Indian Point 2 | 13 | — |
| Indian Point 3 | — | 19 |

(a) Owned capacity for the first quarter 2017 includes the 838 MW FitzPatrick plant, which was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

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Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$557 million for the first quarter 2017 to \$588 million for the first quarter 2018 primarily due to:

- an increase of \$19 million in nuclear generation expenses primarily due to a higher scope of work performed during plant outages in first quarter 2018 as compared to first quarter 2017 and higher nuclear labor costs, including contract labor, to position the nuclear fleet to meet its operational goals;
- an increase of \$9 million in energy efficiency costs;
- an increase of \$6 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed in first quarter 2018 as compared to first quarter 2017; and
- an increase of \$6 million in storm damage provisions. See Note 2 to the financial statements in the Form 10-K for discussion of storm cost recovery.

The increase was partially offset by higher nuclear insurance refunds of \$8 million.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes, local franchise taxes, and payroll taxes. Ad valorem taxes increased primarily due to higher assessments. Local franchise taxes increased primarily due to higher revenues in first quarter 2018 as compared to first quarter 2017.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2018, which included the St. Charles Power Station project, and changes in decommissioning trust fund investment activity, including portfolio rebalancing of certain of the decommissioning trust funds.

Entergy Wholesale Commodities

Other operation and maintenance expenses decreased from \$285 million for the first quarter 2017 to \$191 million for the first quarter 2018 primarily due to the absence of other operation and maintenance expenses from the FitzPatrick plant, which was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

The asset write-offs, impairments, and related charges variance is primarily due to impairment charges of \$73 million (\$58 million net-of-tax) in the first quarter 2018 compared to impairment charges of \$212 million (\$138 million net-of-tax) in the first quarter 2017. The impairment charges 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 and in the Form 10-K for discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet.

Depreciation and amortization expenses decreased primarily due to the decision in third quarter 2017 to continue operating Palisades until May 31, 2022. See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business” in the Form 10-K for a discussion of the planned shutdown of Palisades.

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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 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 of \$16 million on the sale. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

Other income decreased primarily due to losses on the decommissioning trust fund investments in first quarter 2018, including unrealized losses on equity investments that were previously recorded to other comprehensive income for periods prior to 2018. See Note 9 to the financial statements herein for discussion of the implementation of ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" effective January 1, 2018.

Other expenses decreased primarily due to the absence of decommissioning expense from the FitzPatrick plant after it was sold to Exelon in March 2017. See Note 14 to the financial statements in the Form 10-K for discussion of the sale of FitzPatrick.

Income Taxes

The effective income tax rate was 24.3% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to state income taxes, a write-off of a stock-based compensation deferred tax asset, and the provision for uncertain tax positions, partially offset by certain book and tax differences related to utility plant items and book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 8.3% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to the re-determined tax basis of the FitzPatrick plant as a result of the sale to Exelon in March 2017 and book and tax differences related to the allowance for equity funds used during construction, partially offset by a write-off of a stock-based compensation deferred tax asset, state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions. See Note 3 to the financial statements in the Form 10-K for further discussion of the tax benefit associated with the sale of FitzPatrick and the write-off of the stock-based compensation deferred tax asset.

Income Tax Legislation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Income Tax Legislation" in the Form 10-K for a discussion of the Tax Cuts and Jobs Act enacted in December 2017. See Note 2 to the financial statements herein and in the Form 10-K for discussion of proceedings commenced or other responses by Entergy's regulators to the Tax Cuts and Jobs Act.

Entergy Wholesale Commodities Exit from the Merchant Power Business

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Exit from the Merchant Power Business" in the Form 10-K for a discussion of management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet. Following are updates to that discussion.

Shutdown and Planned Sale of Vermont Yankee

As discussed in the Form 10-K, in December 2014 the Vermont Yankee plant ceased power production and entered its decommissioning phase, and 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. In March 2018, Entergy and NorthStar entered into a settlement agreement and a Memorandum of Understanding with State of Vermont agencies and other interested parties that set forth the terms on which the agencies and parties support the Vermont Public Utility

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Commission's approval of the transaction. The agreements provide additional financial assurance for decommissioning, spent fuel management and site restoration, and detail the site restoration standards that will apply to protect the environment and the health and safety of workers and the public. The provisions of the agreements will become effective upon approval of the transaction by the Vermont Public Utility Commission consistent with the agreements' terms, the NRC's approval of the license transfer application, and the closing of the transaction. The Vermont Public Utility Commission and the NRC are expected to issue their decisions in the third or fourth quarter of 2018.

Costs Associated with Entergy Wholesale Commodities Strategic Transactions

Entergy expects to incur employee retention and severance expenses associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet of approximately \$165 million in 2018, of which \$26 million has been incurred as of March 31, 2018, and approximately \$205 million from 2019 through mid-2022. In addition, Entergy Wholesale Commodities incurred impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets of \$73 million for the three months ended March 31, 2018. These costs were charged to expense as incurred as a result of the impaired value of certain 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.

Entergy Wholesale Commodities Authorizations to Operate Indian Point

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Authorizations to Operate Indian Point" in the Form 10-K for a discussion of the NRC operating licensing proceedings for Indian Point 2 and Indian Point 3 and the settlement reached with New York State in January 2017. The following is an update to that discussion.

In April 2018 the NRC issued a supplement to the final supplemental environmental impact statement. The supplement updates the environmental record related to the Indian Point license renewal. The NRC is expected to issue its decision in the Indian Point 2 and Indian Point 3 license renewal proceedings in fourth quarter 2018.

Liquidity and Capital Resources

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

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 March 31, 2018 is primarily due to the net issuance of debt in 2018.

| | March | December |
|-----------------|-------|----------|
| | 31, | 31, |
| | 2018 | 2017 |
| Debt to capital | 68.4% | 67.1 % |

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| | | |
|---|---------|---------|
| Effect of excluding securitization bonds | (0.7 %) | (0.8 %) |
| Debt to capital, excluding securitization bonds (a) | 67.7% | 66.3 % |
| Effect of subtracting cash | (1.6 %) | (1.1 %) |
| Net debt to net capital, excluding securitization bonds (a) | 66.1% | 65.2 % |

(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.

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in August 2022. The facility includes fronting commitments for 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 three months ended March 31, 2018 was 3.31% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2018:

| Capacity | Borrowings | Letters of Credit | Capacity Available |
|---------------|------------|----------------------|-----------------------|
| (In Millions) | | | |
| \$3,500 | \$1,125 | \$6 | \$2,369 |

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 facility's maturity date may occur. See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation credit facility and discussion of the Registrant Subsidiaries' credit facilities.

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of \$145 million that expires in November 2020. As of March 31, 2018, \$118 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the three months ended March 31, 2018 was 3.10% on the drawn portion of the facility. See Note 4 to the financial statements herein for additional discussion of the Vermont Yankee facility.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. As of March 31, 2018, Entergy Corporation had \$655 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2018 was 1.88%.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital,” that sets forth the amounts of planned construction and other capital investments by operating segment for 2018 through 2020. Following are updates to the discussion.

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New Orleans Power Station

As discussed in the Form 10-K, 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. 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. In March 2018 the City Council adopted a resolution approving construction of the 128 MW unit. The targeted commercial operation date is January 2020, subject to receipt of all necessary permits. In April 2018 intervenors opposing the construction of the New Orleans Power Station filed with the City Council a request for rehearing, which was subsequently denied, and a petition for judicial review of the City Council's decision, and also filed a lawsuit challenging the City Council's approval based on Louisiana's open meeting law.

Washington Parish Energy Center

As discussed in the Form 10-K, in April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. 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 extended and the hearing continued from June 2018 to August 2018 in order to allow the parties an opportunity to reach settlement. In April 2018 the parties filed an unopposed joint motion for consideration of proposed stipulation by the LPSC seeking approval of the signed settlement agreement at the May 16, 2018 LPSC Business and Executive Session. The settlement recommends certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy Louisiana.

Dividends

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon 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 April 2018 meeting, the Board declared a dividend of \$0.89 per share, which is the same quarterly dividend per share that Entergy has paid since the fourth quarter 2017.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|---------------|---------|
| | (In Millions) | |
| Cash and cash equivalents at beginning of period | \$781 | \$1,188 |
| Cash flow provided by (used in): | | |
| Operating activities | 557 | 529 |
| Investing activities | (974) | (812) |
| Financing activities | 841 | 178 |

Net increase (decrease) in cash and cash equivalents 424 (105)

Cash and cash equivalents at end of period \$1,205 \$1,083

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Operating Activities

Net cash flow provided by operating activities increased by \$28 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to:

a refund to customers in January 2017 of approximately \$71 million as a result of the settlement approved by the NYPSC related to the Waterford 3 replacement steam generator project. See Note 2 to the financial statements in the Form 10-K for discussion of the settlement and refund;
a decrease of \$35 million in spending on nuclear refueling outages in 2018 as compared to the same period in 2017;
and
the effect of favorable weather on billed Utility sales.

The increase was partially offset by:

lower Entergy Wholesale Commodities net revenue, excluding the effect of revenues resulting from the FitzPatrick reimbursement agreement with Exelon, in 2018 as compared to the same period in 2017, as discussed above. See Note 14 to the financial statements in the Form 10-K for discussion of the reimbursement agreement;
a decrease due to the timing of recovery of fuel and purchased power costs in 2018 as compared to the same period in 2017. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of fuel and purchased power cost recovery;
proceeds of \$23 million received in first quarter 2017 from the DOE resulting from litigation regarding spent nuclear fuel storage costs that were previously expensed. See Note 8 to the financial statements in the Form 10-K for discussion of the spent nuclear fuel litigation; and
a decrease of \$14 million in income tax refunds in the first quarter 2018 as compared to the first quarter 2017. Entergy received income tax refunds in 2018 resulting from overpayment of state income taxes and received income tax refunds in 2017 resulting from the carryback of net operating losses.

Investing Activities

Net cash flow used in investing activities increased \$162 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to:

an increase of \$137 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 \$83 million in fossil-fueled generation construction expenditures primarily due to higher spending in 2018 on the Lake Charles Power Station project and an increase of \$35 million in transmission construction expenditures primarily due to a higher scope of work performed on transmission projects in 2018 as compared to 2017; and
proceeds of \$100 million from the sale in March 2017 of the FitzPatrick plant to Exelon. See Note 14 to the financial statements in the Form 10-K for a discussion of the sale of FitzPatrick.

The increase was partially offset by a decrease of \$88 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.

Financing Activities

Net cash flow provided by financing activities increased \$663 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to long-term debt activity providing approximately \$1,772 million of cash in 2018 compared to using approximately \$575 million of cash in 2017. Included in the long-term debt activity is \$915 million in 2018 for borrowings on the Entergy Corporation long-term credit facility and \$475 million in 2017 for the repayment of borrowings on the Entergy Corporation long-term credit facility. The increase was partially offset by Entergy's net repayments of \$812 million of commercial paper in 2018 compared

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to net issuances of \$744 million of commercial paper in 2017 and a net decrease of \$126 million in 2018 in short-term borrowings by the nuclear fuel company variable interest entities.

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

Rate, Cost-recovery, and Other Regulation

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

State and Local Rate Regulation and Fuel-Cost Recovery

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

Federal Regulation

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

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. 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 March 31, 2018 (2018 represents the remainder of the year):

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Entergy Wholesale Commodities Nuclear Portfolio

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|
| Energy | | | | | |
| Percent of planned generation under contract (a): | | | | | |
| Unit-contingent (b) | 98% | 91% | 60% | 78% | 67% |
| Firm LD (c) | 9% | —% | —% | —% | —% |
| Offsetting positions (d) | (9%) | —% | —% | —% | —% |
| Total | 98% | 91% | 60% | 78% | 67% |
| Planned generation (TWh) (e) (f) | | | | | |
| | 20.7 | 25.5 | 17.9 | 9.7 | 2.8 |
| Average revenue per MWh on contracted volumes: Expected based on market prices as of March 31, 2018 | | | | | |
| | \$32.6 | \$40.6 | \$44.6 | \$58.6 | \$58.8 |
| Capacity | | | | | |
| Percent of capacity sold forward (g): | | | | | |
| Bundled capacity and energy contracts (h) | 22% | 25% | 36% | 69% | 99% |
| Capacity contracts (i) | 46% | 13% | —% | —% | —% |
| Total | 68% | 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) | | | | | |
| | \$8.2 | \$9.1 | \$— | \$— | \$— |
| Total Energy and Capacity Revenues (j) | | | | | |
| Expected sold and market total revenue per MWh | \$44.5 | \$46.1 | \$45.7 | \$53.9 | \$47.6 |
| Sensitivity: +/- \$10 per MWh market price change | \$44.4-\$44.5 | \$45.2-\$47.0 | \$42.1-\$49.4 | \$51.7-\$56.1 | \$44.3-\$50.9 |

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

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

(c) Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset) or settles financially on notional quantities; if a party fails to deliver or receive energy, the 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, 2022.

Assumes NRC license renewals for two units, as follows (with current license expirations in parentheses):

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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” in the Form 10-K. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see “Entergy Wholesale Commodities Authorizations to Operate Indian Point” in the Form 10-K.

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

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

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

Includes assumptions on converting a portion of the portfolio to contracted with fixed price cost or discount and

(j) excludes non-cash revenue from the amortization of the Palisades below-market purchased power agreement, mark-to-market activity, and service revenues.

Entergy estimates that a positive \$10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on March 31, 2018 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of \$1.4 million for the remainder of 2018. As of March 31, 2017, a positive \$10 per MWh change would have had a corresponding effect on pre-tax income of \$22 million for the remainder of 2017. A negative \$10 per MWh change in the annual average energy price in the markets based on March 31, 2018 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax income of (\$1.4) million for the remainder of 2018. As of March 31, 2017, a negative \$10 per MWh change would have had a corresponding effect on pre-tax income of (\$19) million for the remainder of 2017.

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 March 31, 2018, based on power prices at that time, Entergy had liquidity exposure of \$126 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 March 31, 2018, Entergy would have been required to provide approximately \$64 million of additional cash or letters of credit under some of the agreements. As of March 31, 2018, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by \$319 million for a \$1 per MMBtu increase in gas prices in both the short- and long-term markets.

As of March 31, 2018, 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.

Nuclear Matters

See “MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters” in the Form 10-K for a discussion of nuclear matters.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy’s accounting for nuclear decommissioning costs, utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund

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Entergy Corporation and Subsidiaries

Management's Financial Discussion and Analysis

investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See Note 1 to the financial statements in the Form 10-K for discussion of new accounting pronouncements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|---|--------------------------------------|------------------|
| | (In Thousands, Except Share Data) | |
| OPERATING REVENUES | | |
| Electric | \$2,248,262 | \$1,991,740 |
| Natural gas | 56,695 | 43,351 |
| Competitive businesses | 418,924 | 553,367 |
| TOTAL | 2,723,881 | 2,588,458 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 443,296 | 417,566 |
| Purchased power | 396,023 | 357,768 |
| Nuclear refueling outage expenses | 42,760 | 42,564 |
| Other operation and maintenance | 783,585 | 846,856 |
| Asset write-offs, impairments, and related charges | 72,924 | 211,791 |
| Decommissioning | 94,400 | 114,374 |
| Taxes other than income taxes | 165,218 | 156,353 |
| Depreciation and amortization | 347,065 | 347,265 |
| Other regulatory charges (credits) | 42,946 | (85,302) |
| TOTAL | 2,388,217 | 2,409,235 |
| Gain on sale of assets | — | 16,270 |
| OPERATING INCOME | 335,664 | 195,493 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 28,343 | 19,008 |
| Interest and investment income | 16,870 | 56,549 |
| Miscellaneous - net | (31,356) | (15,189) |
| TOTAL | 13,857 | 60,368 |
| INTEREST EXPENSE | | |
| Interest expense | 182,923 | 171,089 |
| Allowance for borrowed funds used during construction | (13,265) | (9,042) |
| TOTAL | 169,658 | 162,047 |
| INCOME BEFORE INCOME TAXES | 179,863 | 93,814 |
| Income taxes | 43,663 | 7,763 |
| CONSOLIDATED NET INCOME | 136,200 | 86,051 |
| Preferred dividend requirements of subsidiaries | 3,439 | 3,446 |

NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION \$132,761 \$82,605

Earnings per average common share:

| | | |
|-------------------------------------|--------|--------|
| Basic | \$0.73 | \$0.46 |
| Diluted | \$0.73 | \$0.46 |
| Dividends declared per common share | \$0.89 | \$0.87 |

| | | |
|---|-------------|-------------|
| Basic average number of common shares outstanding | 180,707,575 | 179,335,063 |
| Diluted average number of common shares outstanding | 181,431,968 | 179,842,053 |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| Net Income | \$136,200 | \$86,051 |
| Other comprehensive income | | |
| Cash flow hedges net unrealized gain (loss) (net of tax expense (benefit) of \$25,349 and (\$359)) | 95,427 | (528) |
| Pension and other postretirement liabilities (net of tax expense of \$4,568 and \$6,377) | 16,574 | 8,632 |
| Net unrealized investment gain (loss) (net of tax expense of \$5,375 and \$39,294) | (32,856) | 37,827 |
| Other comprehensive income | 79,145 | 45,931 |
| Comprehensive Income | 215,345 | 131,982 |
| Preferred dividend requirements of subsidiaries | 3,439 | 3,446 |
| Comprehensive Income Attributable to Entergy Corporation | \$211,906 | \$128,536 |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|---|----------------|-------------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Consolidated net income | \$136,200 | \$86,051 |
| Adjustments to reconcile consolidated net income to net cash flow provided by operating activities: | | |
| Depreciation, amortization, and decommissioning, including nuclear fuel amortization | 525,181 | 531,373 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 104,607 | 16,497 |
| Asset write-offs, impairments, and related charges | 25,800 | 145,026 |
| Gain on sale of assets | — | (16,270) |
| Changes in working capital: | | |
| Receivables | 131,150 | 156,201 |
| Fuel inventory | (16,261) |) 6,465 |
| Accounts payable | (68,857) |) (47,682) |
| Taxes accrued | (56,301) |) (58,832) |
| Interest accrued | (10,011) |) (13,921) |
| Deferred fuel costs | (76,238) |) (7,389) |
| Other working capital accounts | (28,004) |) (7,324) |
| Changes in provisions for estimated losses | 10,744 | (4,031) |
| Changes in other regulatory assets | 84,349 | 47,497 |
| Changes in other regulatory liabilities | (31,380) |) (18,324) |
| Changes in pensions and other postretirement liabilities | (97,418) |) (86,430) |
| Other | (76,168) |) (199,514) |
| Net cash flow provided by operating activities | 557,393 | 529,393 |
| INVESTING ACTIVITIES | | |
| Construction/capital expenditures | (931,479) |) (794,448) |
| Allowance for equity funds used during construction | 28,512 | 19,254 |
| Nuclear fuel purchases | (49,647) |) (137,613) |
| Proceeds from sale of assets | — | 100,000 |
| Insurance proceeds received for property damages | 1,582 | 20,909 |
| Changes in securitization account | (7,063) |) (963) |
| Payments to storm reserve escrow account | (1,175) |) (480) |
| Receipts from storm reserve escrow account | — | 8,836 |
| Increases in other investments | (406) |) (10,377) |
| Litigation proceeds for reimbursement of spent nuclear fuel storage costs | — | 25,493 |
| Proceeds from nuclear decommissioning trust fund sales | 1,091,332 | 513,750 |
| Investment in nuclear decommissioning trust funds | (1,106,094) |) (556,161) |
| Net cash flow used in investing activities | (974,438) |) (811,800) |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | 2018 | 2017 |
|--|----------------|-------------|
| | (In Thousands) | |
| FINANCING ACTIVITIES | | |
| Proceeds from the issuance of: | | |
| Long-term debt | 2,505,726 | 236,198 |
| Treasury stock | 1,952 | 2,448 |
| Retirement of long-term debt | (734,000) | (811,690) |
| Changes in credit borrowings and commercial paper - net | (773,177) | 908,378 |
| Other | 5,193 | 1,810 |
| Dividends paid: | | |
| Common stock | (160,887) | (156,073) |
| Preferred stock | (3,439) | (3,446) |
| Net cash flow provided by financing activities | 841,368 | 177,625 |
| | | |
| Net increase (decrease) in cash and cash equivalents | 424,323 | (104,782) |
| | | |
| Cash and cash equivalents at beginning of period | 781,273 | 1,187,844 |
| | | |
| Cash and cash equivalents at end of period | \$1,205,596 | \$1,083,062 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid (received) during the period for: | | |
| Interest - net of amount capitalized | \$185,606 | \$178,134 |
| Income taxes | (\$4,297) | (\$18,044) |

See Notes to Financial Statements.

Table of ContentsENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents: | | |
| Cash | \$57,921 | \$56,629 |
| Temporary cash investments | 1,147,675 | 724,644 |
| Total cash and cash equivalents | 1,205,596 | 781,273 |
| Accounts receivable: | | |
| Customer | 616,653 | 673,347 |
| Allowance for doubtful accounts | (14,515 |) (13,587 |
| Other | 163,039 | 169,377 |
| Accrued unbilled revenues | 316,624 | 383,813 |
| Total accounts receivable | 1,081,801 | 1,212,950 |
| Deferred fuel costs | 83,445 | 95,746 |
| Fuel inventory - at average cost | 198,904 | 182,643 |
| Materials and supplies - at average cost | 741,677 | 723,222 |
| Deferred nuclear refueling outage costs | 112,365 | 133,164 |
| Prepayments and other | 231,946 | 156,333 |
| TOTAL | 3,655,734 | 3,285,331 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Investment in affiliates - at equity | 198 | 198 |
| Decommissioning trust funds | 7,115,686 | 7,211,993 |
| Non-utility property - at cost (less accumulated depreciation) | 289,074 | 260,980 |
| Other | 433,868 | 441,862 |
| TOTAL | 7,838,826 | 7,915,033 |
| PROPERTY, PLANT, AND EQUIPMENT | | |
| Electric | 47,515,661 | 47,287,370 |
| Property under capital lease | 620,419 | 620,544 |
| Natural gas | 462,756 | 453,162 |
| Construction work in progress | 2,347,660 | 1,980,508 |
| Nuclear fuel | 857,893 | 923,200 |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | 51,804,389 | 51,264,784 |
| Less - accumulated depreciation and amortization | 21,701,715 | 21,600,424 |
| PROPERTY, PLANT, AND EQUIPMENT - NET | 30,102,674 | 29,664,360 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Other regulatory assets (includes securitization property of \$455,148 as of March 31, 2018 and \$485,031 as of December 31, 2017) | 4,851,338 | 4,935,689 |
| Deferred fuel costs | 239,347 | 239,298 |
| Goodwill | 377,172 | 377,172 |
| Accumulated deferred income taxes | 21,144 | 178,204 |

| | | |
|--------------|--------------|--------------|
| Other | 195,290 | 112,062 |
| TOTAL | 5,684,291 | 5,842,425 |
| | | |
| TOTAL ASSETS | \$47,281,525 | \$46,707,149 |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017
(Unaudited)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Currently maturing long-term debt | \$1,260,008 | \$760,007 |
| Notes payable and commercial paper | 805,131 | 1,578,308 |
| Accounts payable | 1,260,718 | 1,452,216 |
| Customer deposits | 403,072 | 401,330 |
| Taxes accrued | 158,667 | 214,967 |
| Interest accrued | 177,961 | 187,972 |
| Deferred fuel costs | 58,032 | 146,522 |
| Obligations under capital leases | 1,419 | 1,502 |
| Pension and other postretirement liabilities | 63,612 | 71,612 |
| Current portion of unprotected excess accumulated deferred income taxes | 912,103 | — |
| Other | 131,949 | 221,771 |
| TOTAL | 5,232,672 | 5,036,207 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 4,452,168 | 4,466,503 |
| Accumulated deferred investment tax credits | 217,502 | 219,634 |
| Obligations under capital leases | 21,632 | 22,015 |
| Regulatory liability for income taxes-net | 1,981,963 | 2,900,204 |
| Other regulatory liabilities | 1,563,278 | 1,588,520 |
| Decommissioning and asset retirement cost liabilities | 6,328,664 | 6,185,814 |
| Accumulated provisions | 489,026 | 478,273 |
| Pension and other postretirement liabilities | 2,821,236 | 2,910,654 |
| Long-term debt (includes securitization bonds of \$520,253 as of March 31, 2018 and \$544,921 as of December 31, 2017) | 15,591,628 | 14,315,259 |
| Other | 409,014 | 393,748 |
| TOTAL | 33,876,111 | 33,480,624 |
| Commitments and Contingencies | | |
| Subsidiaries' preferred stock without sinking fund | 197,799 | 197,803 |
| COMMON EQUITY | | |
| Common stock, \$.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2018 and in 2017 | 2,548 | 2,548 |
| Paid-in capital | 5,417,263 | 5,433,433 |
| Retained earnings | 8,493,790 | 7,977,702 |
| Accumulated other comprehensive loss | (561,498) | (23,531) |
| Less - treasury stock, at cost (73,953,521 shares in 2018 and 74,235,135 shares in 2017) | 5,377,160 | 5,397,637 |
| TOTAL | 7,974,943 | 7,992,515 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$47,281,525 | \$46,707,149 |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 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, 2016 | \$— | \$2,548 | (\$5,498,584) | \$5,417,245 | \$8,195,571 | (\$34,971) | \$8,081,809 |
| Consolidated net income (a) | 3,446 | — | — | — | 82,605 | — | 86,051 |
| Other comprehensive income | — | — | — | — | — | 45,931 | 45,931 |
| Common stock issuances related to stock plans | — | — | 22,083 | (19,166) | — | — | 2,917 |
| Common stock dividends declared | — | — | — | — | (156,073) | — | (156,073) |
| Preferred dividend requirements of subsidiaries (a) | (3,446) | — | — | — | — | — | (3,446) |
| Balance at March 31, 2017 | \$— | \$2,548 | (\$5,476,501) | \$5,398,079 | \$8,122,103 | \$10,960 | \$8,057,189 |
| Balance at December 31, 2017 | \$— | \$2,548 | (\$5,397,637) | \$5,433,433 | \$7,977,702 | (\$23,531) | \$7,992,515 |
| Implementation of accounting standards | — | — | — | — | 576,257 | (632,617) | (56,360) |
| Balance at January 1, 2018 | \$— | \$2,548 | (\$5,397,637) | \$5,433,433 | \$8,553,959 | (\$656,148) | \$7,936,155 |
| Consolidated net income (a) | 3,439 | — | — | — | 132,761 | — | 136,200 |
| Other comprehensive income | — | — | — | — | — | 79,145 | 79,145 |
| Common stock issuances related to stock plans | — | — | 20,477 | (16,170) | — | — | 4,307 |
| Common stock dividends declared | — | — | — | — | (160,887) | — | (160,887) |
| Preferred dividend requirements of subsidiaries (a) | (3,439) | — | — | — | — | — | (3,439) |
| Reclassification pursuant to ASU 2018-02 | — | — | — | — | (32,043) | 15,505 | (16,538) |
| Balance at March 31, 2018 | \$— | \$2,548 | (\$5,377,160) | \$5,417,263 | \$8,493,790 | (\$561,498) | \$7,974,943 |

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2018 and 2017 include \$3.4 million and \$3.4 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.

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ENTERGY CORPORATION AND SUBSIDIARIES
 SELECTED OPERATING RESULTS
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| Description | 2018 | 2017 | Increase/ (Decrease) | % |
|---|-----------------------|---------|-------------------------|------|
| | (Dollars in Millions) | | | |
| Utility electric operating revenues: | | | | |
| Residential | \$892 | \$705 | \$187 | 27 |
| Commercial | 596 | 536 | 60 | 11 |
| Industrial | 597 | 565 | 32 | 6 |
| Governmental | 57 | 53 | 4 | 8 |
| Total billed retail | 2,142 | 1,859 | 283 | 15 |
| Sales for resale | 69 | 78 | (9) | (12) |
| Other | 37 | 55 | (18) | (33) |
| Total | \$2,248 | \$1,992 | \$256 | 13 |
| Utility billed electric energy sales (GWh): | | | | |
| Residential | 9,287 | 7,637 | 1,650 | 22 |
| Commercial | 6,732 | 6,439 | 293 | 5 |
| Industrial | 11,405 | 11,117 | 288 | 3 |
| Governmental | 608 | 593 | 15 | 3 |
| Total retail | 28,032 | 25,786 | 2,246 | 9 |
| Sales for resale | 3,244 | 3,022 | 222 | 7 |
| Total | 31,276 | 28,808 | 2,468 | 9 |
| Entergy Wholesale Commodities: | | | | |
| Operating revenues | \$419 | \$553 | (\$134) | (24) |
| Billed electric energy sales (GWh) | 7,885 | 8,363 | (478) | (6) |

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ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy and the Registrant Subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict with certainty the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition, except as otherwise discussed in the Form 10-K or in this report. Entergy discusses regulatory proceedings in Note 2 to the financial statements in the Form 10-K and herein and discusses tax proceedings in Note 3 to the financial statements in the Form 10-K and Note 10 to the financial statements herein.

Vidalia Purchased Power Agreement

See Note 8 to the financial statements in the Form 10-K for information on Entergy Louisiana's Vidalia purchased power agreement.

ANO Damage, Outage, and NRC Reviews

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

Pilgrim NRC Oversight and Planned Shutdown

See Note 8 to the financial statements in the Form 10-K for a discussion of the NRC's enhanced inspections of Pilgrim and Entergy's planned shutdown of Pilgrim on May 31, 2019.

Spent Nuclear Fuel Litigation

See Note 8 to the financial statements in the Form 10-K for information on Entergy's spent nuclear fuel litigation.

Nuclear Insurance

See Note 8 to the financial statements in the Form 10-K for information on nuclear liability and property insurance associated with Entergy's nuclear power plants.

Non-Nuclear Property Insurance

See Note 8 to the financial statements in the Form 10-K for information on Entergy's non-nuclear property insurance program.

Employment and Labor-related Proceedings

See Note 8 to the financial statements in the Form 10-K for information on Entergy's employment and labor-related proceedings.

Asbestos Litigation (Entergy Arkansas, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)

See Note 8 to the financial statements in the Form 10-K for information regarding asbestos litigation.

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

NOTE 2. RATE AND REGULATORY MATTERS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Regulatory Assets and Regulatory Liabilities

See Note 2 to the financial statements in the Form 10-K for information regarding regulatory assets and regulatory liabilities in the Utility business presented on the balance sheets of Entergy and the Registrant Subsidiaries. The following are updates to that discussion.

Regulatory activity regarding the Tax Cuts and Jobs Act

See the “Other Tax Matters - Tax Cuts and Jobs Act” section in Note 3 to the financial statements in the Form 10-K for discussion of the effects of the enactment in December 2017 of the Tax Cuts and Jobs Act (the Tax Act), including its effects on Entergy’s and the Registrant Subsidiaries’ regulatory asset/liability for income taxes.

After assessing the activity described in more detail below regarding the proposals the Registrant Subsidiaries have made to their regulators for the return of unprotected excess accumulated deferred income taxes to customers, in the first quarter 2018, Entergy and each of the Registrant Subsidiaries reclassified from the regulatory liability for income taxes to current liabilities the portion of their unprotected excess accumulated deferred income taxes that they expect to return to customers over the next twelve months.

Entergy Arkansas

See the Form 10-K for a discussion of the activity of the APSC and Entergy Arkansas after enactment of the Tax Act in December 2017. The APSC granted Entergy Arkansas’s request for clarification regarding the APSC’s order issued after enactment of the Tax Act. The APSC states that its order was not a final determination and that the APSC has made no decision at this time on the appropriate final accounting or ratemaking treatment of the amounts in question.

Consistent with its previously stated intent to return unprotected excess accumulated deferred income taxes to customers as expeditiously as possible, Entergy Arkansas initiated a tariff docket in February 2018 proposing to establish a tax adjustment rider to provide retail customers with certain tax benefits associated with the Tax Act. For the residential customer class, the unprotected excess accumulated deferred income taxes will be returned to customers over a 21-month period from April 2018 through December 2019. For all other customer classes, the unprotected excess accumulated deferred income taxes will be returned to customers over a 9-month period from April 2018 through December 2018. A true-up provision also was included, with any over- or under-returned unprotected excess accumulated deferred income taxes to be credited or billed to customers during the billing month of January 2020, with any residual amounts of over- or under-returned unprotected excess accumulated deferred income taxes to be flowed through Entergy Arkansas’s energy cost recovery rider. In March 2018 the APSC approved the tax adjustment rider effective with the first billing cycle of April 2018.

Entergy Louisiana

See the Form 10-K for a discussion of the activity of the LPSC and Entergy Louisiana after enactment of the Tax Act in December 2017. At the March 2018 LPSC Business and Executive Session, the LPSC staff provided a report on the tax-related rulemaking and invited additional interventions and comments before a proposed rule is issued. The LPSC staff commented that the proposed rule would likely set forth a generic mechanism that can be used by utilities to reflect the effects of the Tax Act in rates and a process by which utilities can propose utility specific treatment, if

desired.

See the “Formula Rate Plan Extension Request” discussion below. In the formula rate plan settlement approved by the LPSC in April 2018 the parties agreed that Entergy Louisiana will return to customers one-half of its eligible

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

unprotected excess deferred income taxes from May 2018 through December 2018 and return to customers the other half from January 2019 through August 2022. In addition, the parties agreed that in order to flow back to customers certain other tax benefits created by the Tax Act, Entergy Louisiana would establish a regulatory liability effective January 1, 2018 in the amount of \$9.1 million per month until new base rates under the formula rate plan are established, and this regulatory liability will be returned to customers over the next formula rate plan rate-effective period. Entergy Louisiana recorded a \$27 million regulatory liability in the first quarter 2018 pursuant to this provision of the settlement. The LPSC staff and intervenors in the settlement reserved the right to obtain data from Entergy Louisiana to confirm the determination of excess accumulated deferred income taxes resulting from the Tax Act and analysis thereof as part of the formula rate plan review proceeding for the upcoming 2017 test year filing.

Entergy Mississippi

As discussed in the Form 10-K, after enactment of the Tax Act the MPSC ordered utilities, including Entergy Mississippi, that operate under a formula rate plan to file a description by February 26, 2018, of how the Tax Act will be reflected in the formula rate plan under which the utility operates. Entergy Mississippi's plan, as filed with the MPSC on February 26, 2018, included a request to reflect the changes related to the Tax Act in the 2018 formula rate plan filing. Entergy Mississippi filed its 2018 formula rate plan on March 15, 2018 and included a proposal to return all of its unprotected excess accumulated deferred income taxes to customers through rates or in exchange for other assets, or a combination of both, by the end of 2018.

Also, in March 2018 the MPSC issued a subsequent order in its generic tax reform docket ordering utilities, including Entergy Mississippi, to explain the implementation of the utilities tax adjustment clause, or, in the alternative, why the tax adjustment clause is inapplicable; submit an analysis of the ratemaking effects of the Tax Act on current and future revenue requirements for rate schedules that include a gross-up for federal taxes; and make appropriate accounting entries to recognize the removal of excess deferred taxes from the balance of the utility's accumulated deferred income tax account, or, in the alternative, explain why recording such entries is not appropriate. In April 2018, Entergy Mississippi filed its response to the MPSC stating that the tax adjustment clauses in its base rates are properly implemented through its formula rate plan. Entergy Mississippi also provided analysis of the ratemaking effects of the Tax Act.

Entergy New Orleans

As discussed in the Form 10-K, after enactment of the Tax Act the City Council passed a resolution ordering Entergy New Orleans to, effective January 1, 2018, record deferred regulatory liabilities to account for the Tax Act's effect on Entergy New Orleans's revenue requirement and to make a filing by mid-March 2018 regarding the Tax Act's effects on Entergy New Orleans's operating income and rate base and potential mechanisms for customers to receive benefits of the Tax Act. In March 2018, Entergy New Orleans filed its response to that resolution stating that the Tax Act reduced income tax expense from what is presently reflected in rates by approximately \$8.2 million annually for electric operations and by approximately \$1.3 million annually for gas operations. In the filing, Entergy New Orleans proposed to return to customers from June 2018 through August 2019 the benefits of the reduction in income tax expense and its unprotected excess accumulated deferred income taxes through a combination of bill credits and investments in energy efficiency programs, grid modernization, and Smart City projects. The City Council's resolution also directed Entergy New Orleans to request that Entergy Services file with the FERC for revisions of the Unit Power Sales Agreement and MSS-4 replacement tariffs to address the return of excess accumulated deferred income taxes. Entergy has submitted filings of this type to the FERC.

System Energy

In a filing made with the FERC in March 2018, Entergy proposed revisions to the Unit Power Sales Agreement, among other agreements, to reflect the effects of the Tax Act. In the filing System Energy proposes to return all of its unprotected excess accumulated deferred income taxes to its customers by the end of 2018.

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

Fuel and purchased power cost recovery

Entergy Arkansas

Energy Cost Recovery Rider

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01547 per kWh to \$0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Arkansas Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Act. Entergy Arkansas replied to the Arkansas Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Act are appropriately considered in the APSC's separate proceeding looking at potential implications of the new tax law. The APSC general staff filed a reply to the Arkansas Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. In April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation of the issues suggested by the Attorney General in the proceeding at this time. The redetermined rate became effective with the first billing cycle of April 2018.

Entergy Texas

As discussed in the Form 10-K, in July 2015 certain parties filed briefs in an open PUCT proceeding asserting that Entergy Texas should refund to retail customers an additional \$10.9 million in bandwidth remedy payments Entergy Texas received related to calendar year 2006 production costs. In October 2015 an ALJ issued a proposal for decision recommending that the additional bandwidth remedy payments be refunded to retail customers. In January 2016 the PUCT issued its order affirming the ALJ's recommendation, and Entergy Texas filed a motion for rehearing of the PUCT's decision, which the PUCT denied. In March 2016, Entergy Texas filed a complaint in Federal District Court for the Western District of Texas and a petition in the Travis County (State) District Court appealing the PUCT's decision. The pending appeals did not stay the PUCT's decision, and Entergy Texas refunded to customers the \$10.9 million over a four-month period beginning with the first billing cycle of July 2016. The federal appeal of the PUCT's January 2016 decision was heard in December 2016, and the Federal District Court granted Entergy Texas's requested relief. In January 2017 the PUCT and an intervenor filed petitions for appeal to the U.S. Court of Appeals for the Fifth Circuit of the Federal District Court ruling. Oral argument was held before the U.S. Court of Appeals for the Fifth Circuit in February 2018. In April 2018 the U.S. Court of Appeals for the Fifth Circuit reversed the decision of the Federal District Court, reinstating the original PUCT decision. Entergy Texas is considering its legal options. The State District Court appeal of the PUCT's January 2016 decision remains pending.

In December 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.5 million for the months of May 2017 through October 2017. Also in December 2017, the PUCT's ALJ approved the refund on an interim basis. For most customers, the refunds flowed through bills beginning January 2018 and continued through March 2018. The fuel refund was approved by the PUCT in March 2018.

Retail Rate Proceedings

See Note 2 to the financial statements in the Form 10-K for detailed information regarding retail rate proceedings involving the Utility operating companies. The following are updates to that information.

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Filings with the APSC (Entergy Arkansas)

Internal Restructuring

As discussed in the Form 10-K, in November 2017, Entergy Arkansas filed an application with the APSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Arkansas to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the APSC, the FERC, and the NRC. Entergy Arkansas also filed a notice with the Missouri Public Service Commission in December 2017 out of an abundance of caution, although Entergy Arkansas does not serve any retail customers in Missouri. In April 2018 the Missouri Public Service Commission approved Entergy Arkansas's filing. If the appropriate approvals are obtained, Entergy Arkansas expects the restructuring will be consummated on or before December 1, 2018.

Filings with the LPSC (Entergy Louisiana)

Retail Rates - Electric

Formula Rate Plan Extension Request

In August 2017, Entergy Louisiana filed a request with the LPSC seeking to extend its formula rate plan for three years (2017-2019) with limited modifications of its terms. Those modifications include: a one-time resetting of base rates to the midpoint of the band at Entergy Louisiana's authorized return on equity of 9.95% for the 2017 test year; narrowing of the formula rate plan bandwidth from a total of 160 basis points to 80 basis points; and a forward-looking mechanism that would allow Entergy Louisiana to recover certain transmission-related costs contemporaneously with when those projects begin delivering benefits to customers. Several parties intervened in the proceeding and all parties participated in settlement discussions. In April 2018 the LPSC approved an unopposed joint motion filed by Entergy Louisiana and the LPSC staff that settles the matter. The settlement extends the formula rate plan for three years, providing for rates through at least August 2021. In addition to retaining the major features of the traditional formula rate plan, substantive features of the extended formula rate plan include:

• a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year and for the St. Charles Power Station when it enters commercial operation;

• a 9.8% target earned return on common equity for the 2018 and 2019 test years;

• narrowing of the common equity bandwidth to plus or minus 60 basis points around the earned return on common equity;

• a cap on potential revenue increase of \$35 million for the 2018 evaluation period, and \$70 million for the cumulative 2018 and 2019 evaluation periods, on formula rate plan cost of service rate increases (the cap excludes rate changes associated with the transmission recovery mechanism described below and rate changes associated with additional capacity);

- a framework for the flow back of certain tax benefits created by the Tax Act to customers, as described in "Regulatory activity regarding the Tax Cuts and Jobs Act" above; and
- a transmission recovery mechanism providing for the opportunity to recover certain transmission related expenditures in excess of \$100 million annually for projects placed in service up to one month prior to rate change outside of sharing that is designed to operate in a manner similar to the additional capacity mechanism.

Union Power Station and Deactivation or Retirement Decisions for Entergy Louisiana Plants

As discussed in the Form 10-K, as a term of the LPSC-approved settlement authorizing the purchase of Power Blocks 3 and 4 of the Union Power Station, Entergy Louisiana agreed to make a filing with the LPSC to review its decisions to deactivate Ninemile 3 and Willow Glen 2 and 4 and its decision to retire Little Gypsy 1. In January 2016, Entergy Louisiana made its compliance filing with the LPSC. Entergy Louisiana, LPSC staff, and intervenors participated in a technical conference in March 2016 where Entergy Louisiana presented information on its deactivation/

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retirement decisions for these four units in addition to information on the current deactivation decisions for the ten-year planning horizon. No party contests the prudence of the decision to deactivate Willow Glen 2 and 4 or suggests reactivation of these units; however, issues have been raised related to Entergy Louisiana's decision to give up its transmission service rights in MISO for Willow Glen 2 and 4 rather than placing the units into suspended status for the three-year term permitted by MISO. In March 2018 the LPSC adopted the ALJ's recommended order finding that Entergy Louisiana did not demonstrate that its decision to permanently surrender transmission rights for the mothballed (not retired) Willow Glen 2 and 4 units was reasonable and that Entergy Louisiana should hold customers harmless from increased transmission expenses should those units be reactivated. Because no party or the LPSC suggested that Willow Glen 2 and 4 should be reactivated and because the cost to return those units to service far exceeds the revenue the units were expected to generate in MISO, Entergy Louisiana retired Willow Glen 2 and 4 in March 2018.

Retail Rates - Gas

2017 Rate Stabilization Plan Filing

In January 2018, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2017. The filing of the evaluation report for the test year 2017 reflected an earned return on common equity of 9.06%. This earned return is below the earnings sharing band of the rate stabilization plan and results in a rate increase of \$0.1 million. Due to the enactment of the Tax Act in late-December 2017, Entergy Louisiana did not have adequate time to reflect the effects of this tax legislation in the rate stabilization plan. In April 2018 Entergy Louisiana filed a supplemental evaluation report for the test year ended September 2017, reflecting the effects of the Tax Act, including a proposal to use the unprotected excess accumulated deferred income taxes to offset storm restoration deferred operation and maintenance costs incurred by Entergy Louisiana in connection with the August 2016 flooding disaster in its gas service area. The supplemental filing reflects an earned return on common equity of 10.79%. If the as-filed rates from the supplemental filing are accepted by the LPSC, customers will receive a cost reduction of approximately \$0.7 million effective with bills rendered on and after the first billing cycle of May 2018, as well as a \$0.2 million prospective reduction in the gas infrastructure rider effective with bills rendered on and after the first billing cycle of July 2018.

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan

In March 2018, Entergy Mississippi submitted its formula rate plan 2018 test year filing and 2017 look-back filing showing Entergy Mississippi's earned return for the historical 2017 calendar year and projected earned return for the 2018 calendar year, in large part as a result of the lower federal corporate income tax rate effective in 2018, to be within the formula rate plan bandwidth, resulting in no change in rates. The filing is currently subject to MPSC review. See "Regulatory activity regarding the Tax Cuts and Jobs Act" above for additional discussion regarding the proposed treatment of the effects of the lower federal corporate income tax rate.

Internal Restructuring

In March 2018, Entergy Mississippi filed an application with the MPSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Mississippi to a new entity, which would ultimately be held by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the MPSC, the FERC, and the NRC. If the MPSC approves the

restructuring by August 2018 and the restructuring closes on or before December 1, 2018, Entergy Mississippi proposed in its application to credit retail customers \$27 million over six years, beginning in 2019. If the MPSC, the FERC, and the NRC approvals are obtained, Entergy Mississippi expects the restructuring will be consummated on or before December 1, 2018.

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

• Entergy Mississippi would redeem its outstanding preferred stock, at the aggregate redemption price of approximately \$21.2 million, including call premiums, plus accumulated and unpaid dividends, if any.

• Entergy Mississippi would convert from a Mississippi corporation to a Texas corporation.

Under the Texas Business Organizations Code (TXBOC), Entergy Mississippi will allocate substantially all of its assets to a new subsidiary, Entergy Mississippi Power and Light, LLC, a Texas limited liability company (Entergy Mississippi Power and Light), and Entergy Mississippi Power and Light will assume substantially all of the liabilities of Entergy Mississippi, in a transaction regarded as a merger under the TXBOC. Entergy Mississippi will remain in existence and hold the membership interests in Entergy Mississippi Power and Light.

Entergy Mississippi will contribute the membership interests in Entergy Mississippi Power and Light to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation).

• As a result of the contribution, Entergy Mississippi Power and Light will be a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

• Entergy Mississippi will change its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light will then change its name to Entergy Mississippi, LLC.

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

Advanced Metering Infrastructure (AMI) Filings

Entergy New Orleans

As discussed in the Form 10-K, in February 2018 the City Council approved Entergy New Orleans's application seeking a finding that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. Deployment of the information technology infrastructure began in 2017 and deployment of the communications network is expected to begin later in 2018. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to explore the options for accelerating the deployment of AMI. Entergy New Orleans is required to report its findings to the City Council by June 2018.

System Agreement Cost Equalization Proceedings

As discussed in the Form 10-K, in August 2017 the D.C. Circuit issued a decision denying the LPSC's appeal of the FERC's October 2011 and February 2014 orders, but also granting the request by all parties to the appeal for remand and agency reconsideration on the issue of whether the operating companies should be required to issue refunds for the 20-month period from September 2001 to May 2003. The matter was remanded back to the FERC and, in March 2018, the LPSC filed at the FERC its initial brief addressing the issue that the D.C. Circuit remanded back to the FERC in August 2017. In its brief, the LPSC argued that the FERC should require the Utility operating companies to issue refunds for the 20-month refund period from September 2001 to May 2003.

Rough Production Cost Equalization Rates

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

As discussed in the Form 10-K, in December 2014 the FERC consolidated the 2011, 2012, 2013, and 2014 rate filings for settlement and hearing procedures. In May 2015, Entergy filed direct testimony in the consolidated rate filings and the LPSC filed direct testimony concerning its complaint proceeding that is consolidated with the rate filings, challenging certain components of the pending bandwidth calculations for prior years. Hearings occurred in

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November 2015, and the ALJ issued an initial decision in July 2016. In the initial decision, the ALJ generally agreed with Entergy's bandwidth calculations with one exception on the accounting related to the Waterford 3 sale/leaseback. In March 2018 the FERC issued an order affirming the initial decision. In April 2018 the LPSC requested rehearing of the FERC's March 2018 order affirming the ALJ's initial decision. Based on the March 2018 FERC order, the following preliminary estimated payments/receipts were recorded in March 2018 among the Utility operating companies:

| | Payments (Receipts) (In Millions) |
|---------------------|--------------------------------------|
| Entergy Arkansas | \$6 |
| Entergy New Orleans | \$2 |
| Entergy Texas | (\$8) |

Entergy Services expects to file in May 2018 the bandwidth true-up payments and receipts for the 2011-2014 rate filings.

Interruptible Load Proceedings

See the Form 10-K for a discussion of the interruptible load proceedings. As discussed in the Form 10-K, the LPSC appealed the April and September 2016 orders to the D.C. Circuit. In March 2018 the D.C. Circuit issued an order denying the LPSC's appeal and affirming the FERC's decision that it would be inequitable to award refunds in the proceeding. In April 2018 the LPSC sought rehearing en banc of the D.C. Circuit's order denying the LPSC's appeal.

Complaint Against System Energy

As discussed in the Form 10-K, in January 2017 the APSC and the MPSC filed a complaint requesting that the FERC establish proceedings to investigate System Energy's return on equity under the Unit Power Sales Agreement, establish a refund effective date, and establish a new and lower return on equity. In September 2017 the FERC established a refund effective date of January 23, 2017, consolidated the return on equity complaint with the proceeding described in "Unit Power Sales Agreement" in the Form 10-K, and directed the parties to engage in settlement proceedings before an ALJ. Settlement discussions are ongoing. The refund effective date in connection with the APSC/MPSC complaint expired on April 23, 2018. In April 2018 the LPSC filed a complaint with the FERC against System Energy seeking an additional fifteen-month refund period. The LPSC complaint requests similar relief from the FERC with respect to System Energy's return on equity and also requests the FERC to investigate System Energy's capital structure and application of System Energy's allowed depreciation rates to plant additions associated with the Grand Gulf sale/leaseback transactions. System Energy expects to answer the LPSC complaint in May 2018.

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NOTE 3. EQUITY (Entergy Corporation and Entergy Louisiana)

Common Stock

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share calculations included on the consolidated income statements:

| | For the Three Months Ended March 31, | | | | | |
|--|--------------------------------------|--------|----------|--------|--------|----------|
| | 2018 | | 2017 | | | |
| | (In Millions, Except Per Share Data) | | | | | |
| Basic earnings per share | Income | Shares | \$/share | Income | Shares | \$/share |
| Net income attributable to Entergy Corporation | \$132.8 | 180.7 | \$0.73 | \$82.6 | 179.3 | \$0.46 |
| Average dilutive effect of: | | | | | | |
| Stock options | | 0.2 | — | | 0.1 | — |
| Other equity plans | | 0.5 | — | | 0.4 | — |
| Diluted earnings per share | \$132.8 | 181.4 | \$0.73 | \$82.6 | 179.8 | \$0.46 |

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 4 million for the three months ended March 31, 2018 and approximately 4.9 million for the three months ended March 31, 2017.

Entergy's stock options and other equity compensation plans are discussed in Note 5 to the financial statements herein and in Note 12 to the financial statements in the Form 10-K.

Treasury Stock

During the three months ended March 31, 2018, Entergy Corporation issued 281,614 shares of its previously repurchased common stock to satisfy stock option exercises, vesting of shares of restricted stock, and other stock-based awards. Entergy Corporation did not repurchase any of its common stock during the three months ended March 31, 2018.

Retained Earnings

On April 11, 2018, Entergy Corporation's Board of Directors declared a common stock dividend of \$0.89 per share, payable on June 1, 2018, to holders of record as of May 10, 2018.

Entergy implemented ASU No. 2016-01 "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" effective January 1, 2018. The ASU requires investments in equity securities, excluding those accounted for under the equity method or resulting in consolidation of the investee, to be measured at fair value with changes recognized in net income. Entergy implemented this standard using a modified retrospective method, and recorded an adjustment increasing retained earnings and reducing accumulated other comprehensive income by \$633 million as of January 1, 2018 for the cumulative effect of the unrealized gains and losses on investments in equity securities held by the decommissioning trust funds that do not meet the criteria for regulatory accounting treatment. See Note 9 to the financial statements herein for further discussion of effects of the new standard.

Entergy implemented ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" effective January 1, 2018. The ASU requires entities to recognize the income tax consequences of intra-entity asset transfers, other than inventory, at the time the transfer occurs. Entergy implemented this standard

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using a modified retrospective method, and recorded an adjustment decreasing retained earnings by \$56 million as of January 1, 2018 for the cumulative effect of recording deferred tax assets on previously-recognized intra-entity asset transfers.

Entergy adopted ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," in the first quarter 2018. The ASU allows a one-time reclassification from accumulated other comprehensive income to retained earnings for certain tax effects resulting from the Tax Cuts and Jobs Act that would otherwise be stranded in accumulated other comprehensive income. Entergy's policy for releasing income tax effects from accumulated other comprehensive income for available-for-sale securities is to use the portfolio approach. Entergy elected to reclassify the \$15.5 million of stranded tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act to retained earnings (\$32 million decrease) or the regulatory liability for income taxes (\$16.5 million increase). Entergy's reclassification only includes the effect of the change in the federal corporate income tax rate on accumulated other comprehensive income.

Comprehensive Income

Accumulated other comprehensive income (loss) is included in the equity section of the balance sheets of Entergy and Entergy Louisiana. The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended March 31, 2018 by component:

| | Cash flow hedges net unrealized gain (loss) (In Thousands) | Pension and other postretirement liabilities | Net unrealized investment gain (loss) | Total Accumulated Other Comprehensive Income (Loss) |
|---|--|--|--|---|
| Ending balance, December 31, 2017 | (\$37,477) | (\$531,099) | \$545,045 | (\$23,531) |
| Implementation of accounting standards | — | — | (632,617) | (632,617) |
| Beginning balance, January 1, 2018 | (\$37,477) | (\$531,099) | (\$87,572) | (\$656,148) |
| Other comprehensive income (loss) before reclassifications | 71,566 | — | 838 | 72,404 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 23,861 | 16,574 | (33,694) | 6,741 |
| Net other comprehensive income (loss) for the period | 95,427 | 16,574 | (32,856) | 79,145 |
| Reclassification pursuant to ASU 2018-02 | (7,756) | (90,966) | 114,227 | 15,505 |
| Ending balance, March 31, 2018 | \$50,194 | (\$605,491) | (\$6,201) | (\$561,498) |

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The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended March 31, 2017 by component:

| | Cash flow hedges net unrealized gain (loss) (In Thousands) | Pension and other postretirement liabilities | Net unrealized investment gain (loss) | Foreign currency translation | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|--|--|------------------------------------|---|
| Beginning balance, January 1, 2017 | \$3,993 | (\$469,446) | \$429,734 | \$748 | (\$34,971) |
| Other comprehensive income (loss) before reclassifications | 32,608 | — | 39,872 | — | 72,480 |
| Amounts reclassified from accumulated other comprehensive income (loss) | (33,136) | 8,632 | (2,045) | — | (26,549) |
| Net other comprehensive income (loss) for the period | (528) | 8,632 | 37,827 | — | 45,931 |
| Ending balance, March 31, 2017 | \$3,465 | (\$460,814) | \$467,561 | \$748 | \$10,960 |

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the three months ended March 31, 2018 and 2017:

| | Pension and Other Postretirement Liabilities | |
|---|--|------------|
| | 2018 | 2017 |
| | (In Thousands) | |
| Beginning balance, January 1, | (\$46,400) | (\$48,442) |
| Amounts reclassified from accumulated other comprehensive income (loss) | (501) | (370) |
| Net other comprehensive income (loss) for the period | (501) | (370) |
| Reclassification pursuant to ASU 2018-02 | (10,049) | — |
| Ending balance, March 31, | (\$56,950) | (\$48,812) |

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy for the three months ended March 31, 2018 and 2017 are as follows:

| | Amounts reclassified from AOCI | | Income Statement Location |
|---|--------------------------------------|------------|---|
| | 2018 | 2017 | |
| | (In Thousands) | | |
| Cash flow hedges net unrealized gain (loss) | | | |
| Power contracts | (\$30,082) | \$51,227 | Competitive business operating revenues |
| Interest rate swaps | (122) | (250) | Miscellaneous - net |
| Total realized gain (loss) on cash flow hedges | (30,204) | 50,977 | |
| | 6,343 | (17,841) | Income taxes |
| Total realized gain (loss) on cash flow hedges (net of tax) | (\$23,861) | \$33,136 | |
| Pension and other postretirement liabilities | | | |
| Amortization of prior-service credit | \$5,426 | \$6,562 | (a) |
| Amortization of loss | (24,952) | (21,571) | (a) |
| Settlement loss | (1,616) | — | (a) |
| Total amortization | (21,142) | (15,009) | |
| | 4,568 | 6,377 | Income taxes |
| Total amortization (net of tax) | (\$16,574) | (\$8,632) | |
| Net unrealized investment gain (loss) | | | |
| Realized gain (loss) | \$53,314 | \$4,010 | Interest and investment income |
| | (19,620) | (1,965) | Income taxes |
| Total realized investment gain (loss) (net of tax) | \$33,694 | \$2,045 | |
| Total reclassifications for the period (net of tax) | (\$6,741) | \$26,549 | |

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 6 to the financial statements herein for additional details.

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) into income for Entergy Louisiana for the three months ended March 31, 2018 and 2017 are as follows:

| | Amounts reclassified from AOCI | | Income Statement Location |
|---|--------------------------------------|---------|---------------------------|
| | 2018 | 2017 | |
| | (In Thousands) | | |
| Pension and other postretirement liabilities | | | |
| Amortization of prior-service credit | \$1,934 | \$1,934 | (a) |
| Amortization of loss | (1,257) | (1,332) | (a) |
| Total amortization | 677 | 602 | |
| | (176) | (232) | Income taxes |
| Total amortization (net of tax) | 501 | 370 | |
| Total reclassifications for the period (net of tax) | \$501 | \$370 | |

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement cost. See Note 6 to the financial statements herein for additional details.

NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT, SHORT-TERM BORROWINGS, AND LONG-TERM DEBT (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy Corporation has in place a credit facility that has a borrowing capacity of \$3.5 billion and expires in August 2022. The facility includes fronting commitments for 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 three months ended March 31, 2018 was 3.31% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2018.

| Capacity | Borrowings | Letters of Credit | Capacity Available |
|---------------|------------|----------------------|-----------------------|
| (In Millions) | | | |
| \$3,500 | \$1,125 | \$6 | \$2,369 |

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

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to \$2 billion. At March 31, 2018, Entergy Corporation had \$655 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2018 was 1.88%.

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Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of March 31, 2018 as follows:

| Company | Expiration Date | Amount of Facility | Interest Rate (a) | Amount Drawn as of March 31, 2018 | Letters of Credit Outstanding as of March 31, 2018 |
|---------------------|-----------------|--------------------|-------------------|-----------------------------------|--|
| Entergy Arkansas | April 2018 | \$20 million (b) | 3.14% | \$— | \$— |
| Entergy Arkansas | August 2022 | \$150 million (c) | 3.12% | \$50 million | \$— |
| Entergy Louisiana | August 2022 | \$350 million (c) | 2.94% | \$100 million | \$9.1 million |
| Entergy Mississippi | May 2018 | \$37.5 million (d) | 3.39% | \$— | \$— |
| Entergy Mississippi | May 2018 | \$35 million (d) | 3.39% | \$— | \$— |
| Entergy Mississippi | May 2018 | \$20 million (d) | 3.39% | \$— | \$— |
| Entergy Mississippi | May 2018 | \$10 million (d) | 3.39% | \$— | \$— |
| Entergy New Orleans | November 2018 | \$25 million (c) | 3.36% | \$— | \$0.8 million |
| Entergy Texas | August 2022 | \$150 million (c) | 3.39% | \$— | \$24.4 million |

(a) For credit facilities with no borrowings as of March 31, 2018, the interest rate is the estimated interest rate as of March 31, 2018 that would have been applied to outstanding borrowings under the facility.

Borrowings under the Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option. In April 2018, Entergy Arkansas renewed its credit facility through April 2019.

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

Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option. Entergy Mississippi expects to renew its credit facilities prior to expiration.

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

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into 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 March 31, 2018:

| Company | Amount of Uncommitted Facility | Letter of Credit Fee | Letters of Credit Issued as of March 31, 2018 (a) |
|---------------------|--------------------------------|----------------------|---|
| Entergy Arkansas | \$25 million | 0.70% | \$1 million |
| Entergy Louisiana | \$125 million | 0.70% | \$23.8 million |
| Entergy Mississippi | \$40 million | 0.70% | \$16.6 million |

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| | | | |
|---------------------|--------------|-------|----------------|
| Entergy New Orleans | \$15 million | 1.00% | \$4.8 million |
| Entergy Texas | \$50 million | 0.70% | \$25.6 million |

As of March 31, 2018, letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 (a) million for Entergy Arkansas, \$0.1 million for Entergy Mississippi, and \$0.2 million for Entergy Texas. See Note 8 to the financial statements herein for discussion of financial transmission rights.

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The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through October 31, 2019. In addition to borrowings from commercial banks, these companies 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 the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from internal and external short term borrowings combined may not exceed the FERC-authorized limits. The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of March 31, 2018 (aggregating both internal and external short-term borrowings) for the Registrant Subsidiaries:

| | Authorized Borrowings (In Millions) | |
|---------------------|--|-------|
| Entergy Arkansas | \$250 | \$124 |
| Entergy Louisiana | \$450 | \$— |
| Entergy Mississippi | \$175 | \$75 |
| Entergy New Orleans | \$150 | \$— |
| Entergy Texas | \$200 | \$— |
| System Energy | \$200 | \$— |

Entergy Nuclear Vermont Yankee Credit Facility

Entergy Nuclear Vermont Yankee has a credit facility guaranteed by Entergy Corporation with a borrowing capacity of \$145 million that expires in November 2020. Entergy Nuclear Vermont Yankee does not have the ability to issue letters of credit against the credit facility. This facility provides working capital to Entergy Nuclear Vermont Yankee for general business purposes including, without limitation, the decommissioning of Vermont Yankee. The commitment fee is currently 0.20% of the undrawn commitment amount. As of March 31, 2018, \$118 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the three months ended March 31, 2018 was 3.10% on the drawn portion of the facility.

Variable Interest Entities (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)

See Note 17 to the financial statements in the Form 10-K for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIEs). To finance the acquisition and ownership of nuclear fuel, the nuclear fuel company VIEs have credit facilities and three of the four VIEs also issued commercial paper as of March 31, 2018 as follows:

| Company | Expiration Date | Amount of Facility | Weighted Average Interest Rate on Borrowings (a) | Amount Outstanding as of March 31, 2018 |
|----------------------------------|-----------------|-----------------------|--|---|
| | | (Dollars in Millions) | | |
| Entergy Arkansas VIE | May 2019 | \$80 | 3.74% | \$43.9 (b) |
| Entergy Louisiana River Bend VIE | May 2019 | \$105 | 2.82% | \$52.3 |
| Entergy Louisiana Waterford VIE | May 2019 | \$85 | 3.35% | \$62.9 (b) |
| System Energy VIE | May 2019 | \$120 | 3.46% | \$43.2 (b) |

(a) Includes letter of credit fees and bank fronting fees on commercial paper issuances by the nuclear fuel company variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy. The nuclear

fuel company variable interest entity for Entergy Louisiana River Bend does not issue commercial paper, but borrows directly on its bank credit facility.

(b) The total amount outstanding as of March 31, 2018 is commercial paper, and is classified as a current liability.

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

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of March 31, 2018 as follows:

| Company | Description | Amount |
|----------------------------------|----------------------------------|---------------|
| Entergy Arkansas VIE | 3.65% Series L due July 2021 | \$90 million |
| Entergy Arkansas VIE | 3.17% Series M due December 2023 | \$40 million |
| Entergy Louisiana River Bend VIE | 3.38% Series R due August 2020 | \$70 million |
| Entergy Louisiana Waterford VIE | 3.92% Series H due February 2021 | \$40 million |
| Entergy Louisiana Waterford VIE | 3.22% Series I due December 2023 | \$20 million |
| System Energy VIE | 3.78% Series I due October 2018 | \$85 million |
| System Energy VIE | 3.42% Series J due April 2021 | \$100 million |

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

Debt Issuances and Retirements

(Entergy Louisiana)

In March 2018, Entergy Louisiana issued \$750 million of 4.00% collateral trust mortgage bonds due March 2033. Entergy Louisiana is using the proceeds, together with other funds, to finance the construction of the Lake Charles Power Station and St. Charles Power Station; to repay, at maturity, its \$375 million of 6.0% Series first mortgage bonds due May 2018; to repay borrowings from the money pool; to repay borrowings under its \$350 million credit facility; and for general corporate purposes.

(System Energy)

In March 2018 the System Energy nuclear fuel trust variable interest entity issued \$100 million of 3.42% Series J notes due April 2021. The System Energy nuclear fuel trust variable interest entity used the proceeds to purchase additional nuclear fuel.

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Fair Value

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of March 31, 2018 are as follows:

| | Book Value of Long-Term Debt (In Thousands) | Fair Value of Long-Term Debt (a) (b) |
|---------------------|---|---|
| Entergy | \$16,851,636 | \$16,771,585 |
| Entergy Arkansas | \$2,978,569 | \$2,812,019 |
| Entergy Louisiana | \$6,938,439 | \$7,022,323 |
| Entergy Mississippi | \$1,270,399 | \$1,252,877 |
| Entergy New Orleans | \$436,995 | \$446,981 |
| Entergy Texas | \$1,562,555 | \$1,603,892 |
| System Energy | \$601,582 | \$576,121 |

(a) The values exclude lease obligations of \$34 million at System Energy and long-term DOE obligations of \$184 million at Entergy Arkansas, and include debt due within one year.

(b) Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 8 to the financial statements herein.

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of December 31, 2017 were as follows:

| | Book Value of Long-Term Debt (In Thousands) | Fair Value of Long-Term Debt (a) (b) |
|---------------------|---|---|
| Entergy | \$15,075,266 | \$15,367,453 |
| Entergy Arkansas | \$2,952,399 | \$2,865,844 |
| Entergy Louisiana | \$6,144,071 | \$6,389,774 |
| Entergy Mississippi | \$1,270,122 | \$1,285,741 |
| Entergy New Orleans | \$436,870 | \$455,968 |
| Entergy Texas | \$1,587,150 | \$1,661,902 |
| System Energy | \$551,488 | \$529,119 |

(a) The values exclude the lease obligations of \$34 million at System Energy and long-term DOE obligations of \$183 million at Entergy Arkansas, and include debt due within one year.

(b) Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 8 to the financial statements herein.

NOTE 5. STOCK-BASED COMPENSATION (Entergy Corporation)

Entergy grants stock and stock-based awards, which are described more fully in Note 12 to the financial statements in the Form 10-K. Awards under Entergy's plans generally vest over three years.

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

Stock Options

Entergy granted options on 687,400 shares of its common stock under the 2015 Equity Ownership Plan during the first quarter 2018 with a fair value of \$6.99 per option. As of March 31, 2018, there were options on 4,393,990 shares of common stock outstanding with a weighted-average exercise price of \$74.39. The intrinsic value, which has no effect on net income, of the outstanding stock options is calculated by the positive difference between the weighted average exercise price of the stock options granted and Entergy Corporation's common stock price as of March 31, 2018. The aggregate intrinsic value of the stock options outstanding as of March 31, 2018 was \$19.3 million.

The following table includes financial information for outstanding stock options for the three months ended March 31, 2018 and 2017:

| | 2018 | 2017 |
|---|------------------|-------|
| | (In Millions) | |
| Compensation expense included in Entergy's net income | \$1.1 | \$1.1 |
| Tax benefit recognized in Entergy's net income | \$0.3 | \$0.4 |
| Compensation cost capitalized as part of fixed assets and inventory | \$0.2 | \$0.2 |

Other Equity Awards

In January 2018 the Board approved and Entergy granted 333,850 restricted stock awards and 182,408 long-term incentive awards under the 2015 Equity Ownership Plan. The restricted stock awards were made effective as of January 25, 2018 and were valued at \$78.08 per share, which was the closing price of Entergy's common stock on that date. One-third of the restricted stock awards will vest upon each anniversary of the grant date. In addition, long-term incentive awards were granted in the form of performance units that represent the value of, and are settled with, one share of Entergy Corporation common stock at the end of the three-year performance period, plus dividends accrued during the performance period on the number of performance units earned. Beginning with the 2018-2020 performance period, a cumulative utility earnings metric has been added to the Long-Term Performance Unit Program to supplement the relative total shareholder return measure that historically has been used in this program with each measure equally weighted. The performance units were granted effective as of January 25, 2018 and half were valued at \$78.08 per share, the closing price of Entergy's common stock on that date; and half were valued at \$86.75 per share based on various factors, primarily market conditions. See Note 12 to the financial statements in the Form 10-K for a description of the Long-Term Performance Unit Program. Shares of restricted stock have the same dividend and voting rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period. Performance units have the same dividend rights as shares of Entergy common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period.

The following table includes financial information for other outstanding equity awards for the three months ended March 31, 2018 and 2017:

| | 2018 | 2017 |
|---|------------------|-------|
| | (In Millions) | |
| Compensation expense included in Entergy's net income | \$8.8 | \$8.2 |
| Tax benefit recognized in Entergy's net income | \$2.2 | \$3.1 |
| Compensation cost capitalized as part of fixed assets and inventory | \$2.3 | \$2.0 |

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

NOTE 6. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy implemented ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" effective January 1, 2018. The ASU requires entities to report the service cost component of defined benefit pension cost and postretirement benefit cost (net benefit cost) in the same line item as other compensation costs arising from services rendered during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations and are presented in miscellaneous - net in other income. The amendment regarding the presentation of net benefit cost was required to be applied retrospectively for all periods presented. In addition, the ASU allows only the service cost component of net benefit cost to be eligible for capitalization on a prospective basis. In accordance with the regulatory treatment of net benefit cost of the Registrant Subsidiaries, a regulatory asset/liability will be recorded in other regulatory assets/liabilities for the non-service cost components of net benefit cost that would have been capitalized. The retroactive presentation changes resulted in decreases (increases) in other operation and maintenance expenses and decreases (increases) in other income for the three months ended March 31, 2017, with no change in net income, of \$21 million for Entergy, \$2.8 million for Entergy Arkansas, \$6.1 million for Entergy Louisiana, \$0.6 million for Entergy Mississippi, \$0.2 million for Entergy New Orleans, (\$0.2) million for Entergy Texas, and \$0.9 million for System Energy. The retroactive effect of the change for the year ended December 31, 2017 would be decreases in other operation and maintenance expenses and decreases in other income, with no change in net income, of \$108 million for Entergy, \$13.7 million for Entergy Arkansas, \$27.8 million for Entergy Louisiana, \$2.7 million for Entergy Mississippi, \$1.3 million for Entergy New Orleans, \$0.2 million for Entergy Texas, and \$6.2 million for System Energy. The retroactive effect of the change for the year ended December 31, 2016 would be decreases (increases) in other operation and maintenance expenses and decreases (increases) in other income, with no change in net income, of \$71 million for Entergy, \$13.4 million for Entergy Arkansas, \$26.1 million for Entergy Louisiana, \$2.4 million for Entergy Mississippi, \$1 million for Entergy New Orleans, (\$1.1) million for Entergy Texas, and \$5.1 million for System Energy. The retroactive effect of the change for the year ended December 31, 2015 would be decreases in other operation and maintenance expenses and decreases in other income, with no change in net income, of \$148 million for Entergy, \$30.7 million for Entergy Arkansas, \$50.7 million for Entergy Louisiana, \$6.3 million for Entergy Mississippi, \$4 million for Entergy New Orleans, \$4 million for Entergy Texas, and \$10.2 million for System Energy.

Components of Qualified Net Pension Cost

Entergy's qualified pension cost, including amounts capitalized, for the first quarters of 2018 and 2017, included the following components:

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| Service cost - benefits earned during the period | \$38,752 | \$33,410 |
| Interest cost on projected benefit obligation | 66,854 | 65,206 |
| Expected return on assets | (110,535) | (102,056) |
| Amortization of prior service cost | 99 | 65 |
| Amortization of loss | 68,526 | 56,930 |
| Net pension costs | \$63,696 | \$53,555 |

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Notes to Financial Statements

The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for their employees for the first quarters of 2018 and 2017, included the following components:

| 2018 | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas | System Energy |
|--|---------------------|----------------------|------------------------|---------------------------|------------------|------------------|
| | (In Thousands) | | | | | |
| Service cost - benefits earned during the period | \$6,189 | \$8,446 | \$1,822 | \$673 | \$1,589 | \$1,776 |
| Interest cost on projects benefit obligation | 13,004 | 14,940 | 3,769 | 1,813 | 3,348 | 3,227 |
| Expected return on assets | (21,851) | (24,809) | (6,502) | (2,993) | (6,523) | (4,991) |
| Amortization of loss | 13,412 | 14,450 | 3,610 | 1,954 | 2,626 | 3,715 |
| Net pension cost | \$10,754 | \$13,027 | \$2,699 | \$1,447 | \$1,040 | \$3,727 |
| 2017 | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas | System Energy |
| | (In Thousands) | | | | | |
| Service cost - benefits earned during the period | \$5,090 | \$6,925 | \$1,472 | \$625 | \$1,364 | \$1,536 |
| Interest cost on projected benefit obligation | 12,944 | 14,809 | 3,732 | 1,791 | 3,392 | 3,091 |
| Expected return on assets | (20,427) | (23,017) | (6,131) | (2,800) | (6,180) | (4,663) |
| Amortization of loss | 11,640 | 12,354 | 3,053 | 1,658 | 2,310 | 2,964 |
| Net pension cost | \$9,247 | \$11,071 | \$2,126 | \$1,274 | \$886 | \$2,928 |

Non-Qualified Net Pension Cost

Entergy recognized \$8.9 million and \$4.6 million in pension cost for its non-qualified pension plans in the first quarters of 2018 and 2017, respectively. Reflected in the pension cost for non-qualified pension plans in the first quarter of 2018 is a \$4.4 million settlement charge related to the payment of lump sum benefits out of the plan.

The Registrant Subsidiaries recognized the following pension cost for their employees for their non-qualified pension plans for the first quarters of 2018 and 2017:

| | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas |
|------|---------------------|----------------------|------------------------|---------------------------|------------------|
| | (In Thousands) | | | | |
| 2018 | \$132 | \$50 | \$80 | \$21 | \$137 |
| 2017 | \$105 | \$48 | \$64 | \$18 | \$127 |

Reflected in Entergy Arkansas's non-qualified pension costs in the first quarter of 2018 is \$12 thousand in settlement charges related to the payment of lump sum benefits out of this plan.

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Notes to Financial Statements

Components of Net Other Postretirement Benefit Cost

Entergy's other postretirement benefit cost, including amounts capitalized, for the first quarters of 2018 and 2017, included the following components:

| | 2018 | 2017 |
|---|----------------|----------|
| | (In Thousands) | |
| Service cost - benefits earned during the period | \$6,782 | \$6,729 |
| Interest cost on accumulated postretirement benefit obligation (APBO) | 12,681 | 13,960 |
| Expected return on assets | (10,373) | (9,408) |
| Amortization of prior service credit | (9,251) | (10,356) |
| Amortization of loss | 3,432 | 5,476 |
| Net other postretirement benefit cost | \$3,271 | \$6,401 |

The Registrant Subsidiaries' other postretirement benefit cost, including amounts capitalized, for their employees for the first quarters of 2018 and 2017, included the following components:

| 2018 | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas | System Energy |
|--|---------------------|----------------------|------------------------|---------------------------|------------------|------------------|
| | (In Thousands) | | | | | |
| Service cost - benefits earned during the period | \$793 | \$1,556 | \$321 | \$129 | \$330 | \$306 |
| Interest cost on APBO | 1,997 | 2,789 | 683 | 417 | 939 | 500 |
| Expected return on assets | (4,342) | — | (1,303) | (1,313) | (2,446) | (783) |
| Amortization of prior service credit | (1,278) | (1,934) | (456) | (186) | (579) | (378) |
| Amortization of loss | 289 | 388 | 377 | 34 | 206 | 233 |
| Net other postretirement benefit cost | (\$2,541) | \$2,799 | (\$378) | (\$919) | (\$1,550) | (\$122) |

| 2017 | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas | System Energy |
|--|---------------------|----------------------|------------------------|---------------------------|------------------|------------------|
| | (In Thousands) | | | | | |
| Service cost - benefits earned during the period | \$863 | \$1,593 | \$290 | \$142 | \$372 | \$320 |
| Interest cost on APBO | 2,255 | 3,025 | 690 | 469 | 1,124 | 559 |
| Expected return on assets | (3,959) | — | (1,200) | (1,159) | (2,180) | (717) |
| Amortization of prior service credit | (1,278) | (1,934) | (456) | (186) | (579) | (378) |
| Amortization of loss | 1,115 | 465 | 419 | 105 | 826 | 390 |
| Net other postretirement benefit cost | (\$1,004) | \$3,149 | (\$257) | (\$629) | (\$437) | \$174 |

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Reclassification out of Accumulated Other Comprehensive Income (Loss)

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) for the first quarters of 2018 and 2017:

| 2018 | Qualified Pension Costs (In Thousands) | Other Postretirement Costs | Non-Qualified Pension Costs | Total |
|---|---|----------------------------------|-----------------------------------|------------|
| Entergy | | | | |
| Amortization of prior service (cost)/credit | (\$99) | \$5,595 | (\$70) | \$5,426 |
| Amortization of loss | (21,957) | (1,932) | (1,063) | (24,952) |
| Settlement loss | — | — | (1,616) | (1,616) |
| | (\$22,056) | \$3,663 | (\$2,749) | (\$21,142) |
| Entergy Louisiana | | | | |
| Amortization of prior service credit | \$— | \$1,934 | \$— | \$1,934 |
| Amortization of loss | (867) | (388) | (2) | (1,257) |
| | (\$867) | \$1,546 | (\$2) | \$677 |
| 2017 | | | | |
| Entergy | | | | |
| Amortization of prior service (cost)/credit | (\$65) | \$6,717 | (\$90) | \$6,562 |
| Amortization of loss | (18,450) | (2,202) | (919) | (21,571) |
| | (\$18,515) | \$4,515 | (\$1,009) | (\$15,009) |
| Entergy Louisiana | | | | |
| Amortization of prior service credit | \$— | \$1,934 | \$— | \$1,934 |
| Amortization of loss | (865) | (465) | (2) | (1,332) |
| | (\$865) | \$1,469 | (\$2) | \$602 |

Employer Contributions

Based on current assumptions, Entergy expects to contribute \$352.1 million to its qualified pension plans in 2018. As of March 31, 2018, Entergy had contributed \$91.8 million to its pension plans. Based on current assumptions, the Registrant Subsidiaries expect to contribute the following to qualified pension plans for their employees in 2018:

| | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas | System Energy |
|--|---------------------|----------------------|------------------------|---------------------------|------------------|------------------|
| | (In Thousands) | | | | | |
| Expected 2018 pension contributions | \$64,062 | \$71,917 | \$14,933 | \$7,250 | \$10,883 | \$13,786 |
| Pension contributions made through March 2018 | \$17,373 | \$19,510 | \$4,194 | \$2,061 | \$3,873 | \$3,715 |
| Remaining estimated pension contributions to be made in 2018 | \$46,689 | \$52,407 | \$10,739 | \$5,189 | \$7,010 | \$10,071 |

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NOTE 7. BUSINESS SEGMENT INFORMATION (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy Corporation

Entergy's reportable segments as of March 31, 2018 are Utility and Entergy Wholesale Commodities. Utility 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. Entergy Wholesale Commodities includes the ownership, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. Entergy Wholesale Commodities also 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. "All Other" includes the parent company, Entergy Corporation, and other business activity.

Entergy's segment financial information for the first quarters of 2018 and 2017 is as follows:

| | Utility | Entergy Wholesale Commodities | All Other | Eliminations | Entergy |
|--------------------------------------|----------------|-------------------------------------|-------------|---------------|--------------|
| | (In Thousands) | | | | |
| 2018 | | | | | |
| Operating revenues | \$2,304,990 | \$418,924 | \$— | (\$33) | \$2,723,881 |
| Income taxes | \$52,224 | (\$1,078) | (\$7,483) | \$— | \$43,663 |
| Consolidated net income (loss) | \$217,940 | (\$17,779) | (\$32,063) | (\$31,898) | \$136,200 |
| Total assets as of March 31, 2018 | \$43,690,561 | \$5,504,233 | \$834,463 | (\$2,747,732) | \$47,281,525 |
| 2017 | | | | | |
| Operating revenues | \$2,035,112 | \$553,367 | \$— | (\$21) | \$2,588,458 |
| Income taxes | \$98,492 | (\$78,337) | (\$12,392) | \$— | \$7,763 |
| Consolidated net income (loss) | \$167,623 | (\$27,197) | (\$22,477) | (\$31,898) | \$86,051 |
| Total assets as of December 31, 2017 | \$42,978,669 | \$5,638,009 | \$1,011,612 | (\$2,921,141) | \$46,707,149 |

The Entergy Wholesale Commodities business is sometimes referred to as the "competitive businesses." Eliminations are primarily intersegment activity. Almost all of Entergy's goodwill is related to the Utility segment.

As discussed in Note 13 to the financial statements in the Form 10-K, 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. These decisions and transactions resulted in asset impairments; employee retention and severance expenses and other benefits-related costs; and contracted economic development contributions.

Total restructuring charges for the first quarter 2018 were comprised of the following:

| | | |
|---|---------------------------------------|-------|
| Employee retention and severance expenses and other | Contracted economic development costs | Total |
|---|---------------------------------------|-------|

benefits-related
costs
(In Millions)

| | | | |
|-------------------------------|-------|------|-------|
| Balance as of January 1, 2018 | \$83 | \$14 | \$97 |
| Restructuring costs accrued | 26 | — | 26 |
| Balance as of March 31, 2018 | \$109 | \$14 | \$123 |

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Total restructuring charges for the first quarter 2017 were comprised of the following:

| | Employee retention and severance expenses and other benefits-related costs | Contracted economic development costs | Total |
|-------------------------------|--|--|-------|
| | (In Millions) | | |
| Balance as of January 1, 2017 | \$70 | \$21 | \$91 |
| Restructuring costs accrued | 24 | — | 24 |
| Balance as of March 31, 2017 | \$94 | \$21 | \$115 |

In addition, Entergy incurred \$73 million in the first quarter 2018 and \$212 million in the first quarter 2017 of impairment charges related to nuclear fuel spending, nuclear refueling outage spending, and expenditures for capital assets. These costs are 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.

Going forward, Entergy Wholesale Commodities expects to incur employee retention and severance expenses associated with management's strategy to reduce the size of the Entergy Wholesale Commodities' merchant fleet of approximately \$165 million in 2018, of which \$26 million has been incurred as of March 31, 2018, and approximately \$205 million from 2019 through mid-2022.

Registrant Subsidiaries

Each of the Registrant Subsidiaries has one reportable segment, which is an integrated utility business, except for System Energy, which is an electricity generation business. Each of the Registrant Subsidiaries' operations is managed on an integrated basis by that company because of the substantial effect of cost-based rates and regulatory oversight on the business process, cost structures, and operating results.

NOTE 8. RISK MANAGEMENT AND FAIR VALUES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Market Risk

In the normal course of business, Entergy is exposed to a number of market risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular commodity or instrument. All financial and commodity-related instruments, including derivatives, are subject to market risk including commodity price risk, equity price, and interest rate risk. Entergy uses derivatives primarily to mitigate commodity price risk, particularly power price and fuel price risk.

The Utility has limited exposure to the effects of market risk because it operates primarily under cost-based rate regulation. To the extent approved by their retail regulators, the Utility operating companies use derivative

instruments to hedge the exposure to price volatility inherent in their purchased power, fuel, and gas purchased for resale costs that are recovered from customers.

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy and capacity in the day ahead or spot markets. In addition to its forward physical power and gas contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price falls, the combination of instruments is expected to settle in gains that offset lower revenue from generation, which results in a more predictable cash flow.

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Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Hedging instruments and volumes are chosen based on ability to mitigate risk associated with future energy and capacity prices; however, other considerations are factored into hedge product and volume decisions including corporate liquidity, corporate credit ratings, counterparty credit risk, hedging costs, firm settlement risk, and product availability in the marketplace. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

Derivatives

Some derivative instruments are classified as cash flow hedges due to their financial settlement provisions while others are classified as normal purchase/normal sale transactions due to their physical settlement provisions. Normal purchase/normal sale risk management tools include power purchase and sales agreements, fuel purchase agreements, capacity contracts, and tolling agreements. Financially-settled cash flow hedges can include natural gas and electricity swaps and options and interest rate swaps. Entergy may enter into financially-settled swap and option contracts to manage market risk that may or may not be designated as hedging instruments.

Entergy enters into derivatives to manage natural risks inherent in its physical or financial assets or liabilities. Electricity over-the-counter instruments and futures contracts that financially settle against day-ahead power pool prices are used to manage price exposure for Entergy Wholesale Commodities generation. The maximum length of time over which Entergy Wholesale Commodities is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at March 31, 2018 is approximately 3 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 98% for the remainder of 2018, of which approximately 79% is sold under financial derivatives and the remainder under normal purchase/normal sale contracts. Total planned generation for the remainder of 2018 is 20.7 TWh.

Entergy may use standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Cash, letters of credit, and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. The collateral agreements require a counterparty to post cash or letters of credit in the event an exposure exceeds an established threshold. The threshold represents an unsecured credit limit, which may be supported by a parental/affiliate guaranty, as determined in accordance with Entergy's credit policy. In addition, collateral agreements allow for termination and liquidation of all positions in the event of a failure or inability to post collateral.

Certain of the agreements to sell the power produced by Entergy Wholesale Commodities power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations depending on the mark-to-market values of the contracts. The primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. As of March 31, 2018, derivative contracts with one counterparty were in a liability position (approximately \$0.3 million total). In addition to the corporate guarantee, \$0.5 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and \$6 million in cash collateral and \$69 million in letters

of credit were required to be posted by its counterparties to the Entergy subsidiary. As of December 31, 2017, derivative contracts with eight counterparties were in a liability position (approximately \$65 million total). In addition to the corporate guarantee, \$1 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and \$4 million in cash collateral and \$34 million in letters of credit were required to be posted by its counterparties to the Entergy subsidiary. If the Entergy Corporation credit rating falls below investment grade, Entergy would have to post collateral equal to the estimated outstanding liability under the contract at the applicable date.

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Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Louisiana and Entergy New Orleans) and Entergy Mississippi through the purchase of short-term natural gas swaps that financially settle against NYMEX futures. These swaps are marked-to-market through fuel expense with offsetting regulatory assets or liabilities. All benefits or costs of the program are recorded in fuel costs. The notional volumes of these swaps are based on a portion of projected annual exposure to gas for electric generation at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy Louisiana and Entergy New Orleans. The total volume of natural gas swaps outstanding as of March 31, 2018 is 63,890,000 MMBtu for Entergy, including 53,730,000 MMBtu for Entergy Louisiana and 10,160,000 MMBtu for Entergy Mississippi. Credit support for these natural gas swaps is covered by master agreements that do not require collateral based on mark-to-market value, but do carry adequate assurance language that may lead to requests for collateral.

During the second quarter 2017, Entergy participated in the annual financial transmission rights auction process for the MISO planning year of June 1, 2017 through May 31, 2018. Financial transmission rights are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Entergy's customer load. They are not designated as hedging instruments. Entergy initially records financial transmission rights at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period prior to settlement. Unrealized gains or losses on financial transmission rights held by Entergy Wholesale Commodities are included in operating revenues. The Utility operating companies recognize regulatory liabilities or assets for unrealized gains or losses on financial transmission rights. The total volume of financial transmission rights outstanding as of March 31, 2018 is 18,490 GWh for Entergy, including 4,153 GWh for Entergy Arkansas, 8,162 GWh for Entergy Louisiana, 2,562 GWh for Entergy Mississippi, 943 GWh for Entergy New Orleans, and 2,541 GWh for Entergy Texas. Credit support for financial transmission rights held by the Utility operating companies is covered by cash and/or letters of credit issued by each Utility operating company as required by MISO. Credit support for financial transmission rights held by Entergy Wholesale Commodities is covered by cash. No cash or letters of credit were required to be posted for financial transmission rights exposure for Entergy Wholesale Commodities as of March 31, 2018 and December 31, 2017. Letters of credit posted with MISO covered the financial transmission rights exposure for Entergy Arkansas, Entergy Mississippi, and Entergy Texas as of March 31, 2018 and December 31, 2017.

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The fair values of Entergy's derivative instruments in the consolidated balance sheet as of March 31, 2018 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

| Instrument | Balance Sheet Location | Gross Fair Value (a) | Offsetting Position (b) | Net Fair Value (c) (d) | Business |
|---|--|----------------------|-------------------------|---------------------------|---|
| | | (In Millions) | | | |
| Derivatives designated as hedging instruments | | | | | |
| Assets: | | | | | |
| Electricity swaps and options | Prepayments and other (current portion) | \$63 | (\$14) | \$49 | Entergy Wholesale Commodities |
| Electricity swaps and options | Other deferred debits and other assets (non-current portion) | \$31 | (\$5) | \$26 | Entergy Wholesale Commodities |
| Liabilities: | | | | | |
| Electricity swaps and options | Other current liabilities (current portion) | \$13 | (\$13) | \$— | Entergy Wholesale Commodities |
| Electricity swaps and options | Other non-current liabilities (non-current portion) | \$5 | (\$5) | \$— | Entergy Wholesale Commodities |
| Derivatives not designated as hedging instruments | | | | | |
| Assets: | | | | | |
| Electricity swaps and options | Prepayments and other (current portion) | \$3 | (\$3) | \$— | Entergy Wholesale Commodities |
| Financial transmission rights | Prepayments and other | \$9 | (\$1) | \$8 | Utility and Entergy Wholesale Commodities |
| Liabilities: | | | | | |
| Electricity swaps and options | Other current liabilities (current portion) | \$4 | (\$4) | \$— | Entergy Wholesale Commodities |
| Natural gas swaps | Other current liabilities | \$1 | \$— | \$1 | Utility |

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The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2017 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

| Instrument | Balance Sheet Location | Gross Fair Value (a) | Offsetting Position (b) | Net Fair Value (c) | Business |
|---|--|----------------------|-------------------------|--------------------|---|
| (In Millions) | | | | | |
| Derivatives designated as hedging instruments | | | | | |
| Assets: | | | | | |
| Electricity swaps and options | Prepayments and other (current portion) | \$19 | (\$19) | \$— | Entergy Wholesale Commodities |
| Electricity swaps and options | Other deferred debits and other assets (non-current portion) | \$19 | (\$14) | \$5 | Entergy Wholesale Commodities |
| Liabilities: | | | | | |
| Electricity swaps and options | Other current liabilities (current portion) | \$86 | (\$20) | \$66 | Entergy Wholesale Commodities |
| Electricity swaps and options | Other non-current liabilities (non-current portion) | \$17 | (\$14) | \$3 | Entergy Wholesale Commodities |
| Derivatives not designated as hedging instruments | | | | | |
| Assets: | | | | | |
| Electricity swaps and options | Prepayments and other (current portion) | \$9 | (\$9) | \$— | Entergy Wholesale Commodities |
| Financial transmission rights | Prepayments and other | \$22 | (\$1) | \$21 | Utility and Entergy Wholesale Commodities |
| Liabilities: | | | | | |
| Electricity swaps and options | Other current liabilities (current portion) | \$9 | (\$8) | \$1 | Entergy Wholesale Commodities |
| Natural gas swaps | Other current liabilities | \$6 | \$— | \$6 | Utility |

(a) Represents the gross amounts of recognized assets/liabilities

(b) Represents the netting of fair value balances with the same counterparty

(c) Represents the net amounts of assets/liabilities presented on the Entergy Corporation and Subsidiaries' Consolidated Balance Sheet

(d) Excludes cash collateral in the amount of \$1 million posted and \$6 million held as of March 31, 2018 and \$1 million posted and \$4 million held as of December 31, 2017. Also excludes \$69 million in letters of credit held as of March 31, 2018 and \$34 million in letters of credit held as of December 31, 2017.

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The effects of Entergy's derivative instruments designated as cash flow hedges on the consolidated income statements for the three months ended March 31, 2018 and 2017 are as follows:

| Instrument | Amount of gain recognized in other comprehensive income (In Millions) | Income Statement location | Amount of gain (loss) reclassified from accumulated other comprehensive income into income (a) (In Millions) |
|----------------------------------|--|--|--|
| 2018 | | | |
| Electricity swaps and options | \$91 | Competitive businesses operating revenues | (\$30) |
| 2017 | | | |
| Electricity swaps and options | \$50 | Competitive businesses operating revenues | \$51 |

(a) Before taxes of (\$6) million and \$18 million for the three months ended March 31, 2018 and 2017, respectively

At each reporting period, Entergy measures its hedges for ineffectiveness. Any ineffectiveness is recognized in earnings during the period. The ineffective portion of cash flow hedges is recorded in competitive business operating revenues. The change in fair value of Entergy's cash flow hedges due to ineffectiveness during the three months ended March 31, 2018 and 2017 was \$13.3 million and (\$1) million, respectively.

Based on market prices as of March 31, 2018, unrealized gains recorded in accumulated other comprehensive income on cash flow hedges relating to power sales totaled \$65 million of net unrealized gains. Approximately \$41 million is expected to be reclassified from accumulated other comprehensive income to operating revenues in the next twelve months. The actual amount reclassified from accumulated other comprehensive income, however, could vary due to future changes in market prices.

Entergy may effectively liquidate a cash flow hedge instrument by entering into a contract offsetting the original hedge, and then de-designating the original hedge in this situation. Gains or losses accumulated in other comprehensive income prior to de-designation continue to be deferred in other comprehensive income until they are included in income as the original hedged transaction occurs. From the point of de-designation, the gains or losses on the original hedge and the offsetting contract are recorded as assets or liabilities on the balance sheet and offset as they flow through to earnings.

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The effects of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the three months ended March 31, 2018 and 2017 are as follows:

| Instrument | Amount of gain recognized in accumulated other comprehensive income (In Millions) | Income Statement location | Amount of gain (loss) recorded in the income statement (In Millions) |
|-------------------------------|--|---|---|
| 2018 | | | |
| Natural gas swaps | \$— | Fuel, fuel-related expenses, and gas purchased for resale | (a) \$— |
| Financial transmission rights | \$— | Purchased power expense | (b) \$32 |
| Electricity swaps and options | \$— | (c) Competitive business operating revenues | \$1 |
| 2017 | | | |
| Natural gas swaps | \$— | Fuel, fuel-related expenses, and gas purchased for resale | (a) (\$7) |
| Financial transmission rights | \$— | Purchased power expense | (b) \$30 |
| Electricity swaps and options | \$9 | (c) Competitive business operating revenues | \$— |

(a) Due to regulatory treatment, the natural gas swaps are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps are settled are recovered or refunded through fuel cost recovery mechanisms.

(b) Due to regulatory treatment, the changes in the estimated fair value of financial transmission rights for the Utility operating companies are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the financial transmission rights for the Utility operating companies are settled are recovered or refunded through fuel cost recovery mechanisms.

(c) Amount of gain recognized in accumulated other comprehensive income from electricity swaps and options de-designated as hedged items.

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The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of March 31, 2018 are shown in the table below. Certain investments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with accounting guidance for derivatives and hedging.

| Instrument | Balance Sheet Location | Gross Fair Value (a) | Offsetting Position (b) | Net Fair Value (c) (d) | Registrant |
|-------------------------------|---------------------------|-------------------------|----------------------------|---------------------------|---------------------|
| (In Millions) | | | | | |
| Assets: | | | | | |
| Financial transmission rights | Prepayments and other | \$1.9 | (\$0.1) | \$1.8 | Entergy Arkansas |
| Financial transmission rights | Prepayments and other | \$3.8 | (\$0.4) | \$3.4 | Entergy Louisiana |
| Financial transmission rights | Prepayments and other | \$0.9 | \$— | \$0.9 | Entergy Mississippi |
| Financial transmission rights | Prepayments and other | \$0.7 | \$— | \$0.7 | Entergy New Orleans |
| Financial transmission rights | Prepayments and other | \$1.4 | \$— | \$1.4 | Entergy Texas |
| Liabilities: | | | | | |
| Natural gas swaps | Other current liabilities | \$1.2 | \$— | \$1.2 | Entergy Louisiana |
| Natural gas swaps | Other current liabilities | \$0.2 | \$— | \$0.2 | Entergy Mississippi |

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2017 are as follows:

| Instrument | Balance Sheet Location | Gross Fair Value (a) | Offsetting Position (b) | Net Fair Value (c) (d) | Registrant |
|-------------------------------|---------------------------|-------------------------|----------------------------|---------------------------|---------------------|
| (In Millions) | | | | | |
| Assets: | | | | | |
| Financial transmission rights | Prepayments and other | \$3.2 | (\$0.2) | \$3.0 | Entergy Arkansas |
| Financial transmission rights | Prepayments and other | \$11.0 | (\$0.8) | \$10.2 | Entergy Louisiana |
| Financial transmission rights | Prepayments and other | \$2.1 | \$— | \$2.1 | Entergy Mississippi |
| Financial transmission rights | Prepayments and other | \$2.2 | \$— | \$2.2 | Entergy New Orleans |
| Financial transmission rights | Prepayments and other | \$3.6 | (\$0.2) | \$3.4 | Entergy Texas |
| Liabilities: | | | | | |
| Natural gas swaps | Other current liabilities | \$5.0 | \$— | \$5.0 | Entergy Louisiana |
| Natural gas swaps | Other current liabilities | \$1.2 | \$— | \$1.2 | Entergy Mississippi |
| Natural gas swaps | Other current liabilities | \$0.2 | \$— | \$0.2 | Entergy New Orleans |

(a) Represents the gross amounts of recognized assets/liabilities

(b) Represents the netting of fair value balances with the same counterparty

(c) Represents the net amounts of assets/liabilities presented on the Registrant Subsidiaries' balance sheets

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As of March 31, 2018, letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Arkansas, \$0.1 million for Entergy Mississippi, and \$0.2 million for Entergy Texas. As of (d) December 31, 2017, letters of credit posted with MISO covered financial transmission rights exposure of \$0.2 million for Entergy Arkansas, \$0.1 million for Entergy Mississippi, and \$0.05 million for Entergy Texas.

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the three months ended March 31, 2018 and 2017 are as follows:

| Instrument | Income Statement Location | Amount of gain (loss) recorded in the income statement (In Millions) | Registrant |
|-------------------------------|---|--|-------------------------|
| 2018 | | | |
| Natural gas swaps | Fuel, fuel-related expenses, and gas purchased for resale | (\$0.2) | (a) Entergy Mississippi |
| Natural gas swaps | Fuel, fuel-related expenses, and gas purchased for resale | (\$0.1) | (a) Entergy New Orleans |
| Financial transmission rights | Purchased power expense | \$8.0 | (b) Entergy Arkansas |
| Financial transmission rights | Purchased power expense | \$17.6 | (b) Entergy Louisiana |
| Financial transmission rights | Purchased power expense | \$7.8 | (b) Entergy Mississippi |
| Financial transmission rights | Purchased power expense | \$3.3 | (b) Entergy New Orleans |
| Financial transmission rights | Purchased power expense | (\$3.5) | (b) Entergy Texas |
| 2017 | | | |
| Natural gas swaps | Fuel, fuel-related expenses, and gas purchased for resale | (\$6.1) | (a) Entergy Louisiana |
| Natural gas swaps | Fuel, fuel-related expenses, and gas purchased for resale | (\$1.1) | (a) Entergy Mississippi |
| Natural gas swaps | Fuel, fuel-related expenses, and gas purchased for resale | (\$0.1) | (a) Entergy New Orleans |
| Financial transmission rights | Purchased power expense | \$4.6 | (b) Entergy Arkansas |
| Financial transmission rights | Purchased power expense | \$15.2 | (b) Entergy Louisiana |
| Financial transmission rights | Purchased power expense | \$3.1 | (b) Entergy Mississippi |
| Financial transmission rights | Purchased power expense | \$2.4 | (b) Entergy New Orleans |
| Financial transmission rights | Purchased power expense | \$5.3 | (b) Entergy Texas |

(a) Due to regulatory treatment, the natural gas swaps are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps are settled are recovered or refunded through fuel cost recovery mechanisms.

(b) Due to regulatory treatment, the changes in the estimated fair value of financial transmission rights for the Utility operating companies are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the financial transmission rights for the Utility operating companies are settled are recovered or refunded through fuel cost recovery mechanisms.

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Fair Values

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

Accounting standards define fair value as an exit price, or the price that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between knowledgeable market participants at the date of measurement. Entergy and the Registrant Subsidiaries use assumptions or market input data that market participants would use in pricing assets or liabilities at fair value. The inputs can be readily observable, corroborated by market data, or generally unobservable. Entergy and the Registrant Subsidiaries endeavor to use the best available information to determine fair value.

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy establishes the highest priority for unadjusted market quotes in an active market for the identical asset or liability and the lowest priority for unobservable inputs.

The three levels of the fair value hierarchy are:

Level 1 - Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of individually owned common stocks, cash equivalents (temporary cash investments, securitization recovery trust account, and escrow accounts), debt instruments, and gas hedge contracts. Cash equivalents includes all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at the date of purchase.

Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden by Entergy if it is believed such would be more reflective of fair value. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 consists primarily of individually-owned debt instruments.

Level 3 - Level 3 inputs are pricing inputs that are generally less observable or unobservable from objective sources. These inputs are used with internally developed methodologies to produce management's best estimate of fair value for the asset or liability. Level 3 consists primarily of financial transmission rights and derivative power

contracts used as cash flow hedges of power sales at merchant power plants.

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The values for power contract assets or liabilities are based on both observable inputs including public market prices and interest rates, and unobservable inputs such as implied volatilities, unit contingent discounts, expected basis differences, and credit adjusted counterparty interest rates. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Business Unit Risk Control group and the Accounting Policy and Entergy Wholesale Commodities Accounting group. The primary functions of the Business Unit Risk Control group include: gathering, validating and reporting market data, providing market risk analyses and valuations in support of Entergy Wholesale Commodities' commercial transactions, developing and administering protocols for the management of market risks, and implementing and maintaining controls around changes to market data in the energy trading and risk management system. The Business Unit Risk Control group is also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Accounting Policy and Entergy Wholesale Commodities Accounting group performs functions related to market and counterparty settlements, revenue reporting and analysis and financial accounting. The Business Unit Risk Control group reports to the Vice President and Treasurer while the Accounting Policy and Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The amounts reflected as the fair value of electricity swaps are based on the estimated amount that the contracts are in-the-money at the balance sheet date (treated as an asset) or out-of-the-money at the balance sheet date (treated as a liability) and would equal the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts include cash flow hedges that swap fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values are based on the mark-to-market comparison between the fixed contract prices and the floating prices determined each period from quoted forward power market prices. The differences between the fixed price in the swap contract and these market-related prices multiplied by the volume specified in the contract and discounted at the counterparties' credit adjusted risk free rate are recorded as derivative contract assets or liabilities. For contracts that have unit contingent terms, a further discount is applied based on the historical relationship between contract and market prices for similar contract terms.

The amounts reflected as the fair values of electricity options are valued based on a Black Scholes model, and are calculated at the end of each month for accounting purposes. Inputs to the valuation include end of day forward market prices for the period when the transactions will settle, implied volatilities based on market volatilities provided by a third party data aggregator, and U.S. Treasury rates for a risk-free return rate. As described further below, prices and implied volatilities are reviewed and can be adjusted if it is determined that there is a better representation of fair value.

On a daily basis, the Business Unit Risk Control group calculates the mark-to-market for electricity swaps and options. The Business Unit Risk Control group also validates forward market prices by comparing them to other sources of forward market prices or to settlement prices of actual market transactions. Significant differences are analyzed and potentially adjusted based on these other sources of forward market prices or settlement prices of actual market transactions. Implied volatilities used to value options are also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available and compared with other sources of market implied volatilities. Moreover, on at least a monthly basis, the Office of Corporate Risk Oversight confirms the mark-to-market calculations and prepares price scenarios and credit downgrade scenario analysis. The scenario analysis is communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis is completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities' portfolio. In particular, the credit and liquidity effects are calculated for this analysis. This analysis is communicated to senior management within Entergy and Entergy Wholesale Commodities.

The values of financial transmission rights are based on unobservable inputs, including estimates of congestion costs in MISO between applicable generation and load pricing nodes based on the 50th percentile of historical prices. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Business Unit Risk Control group. The values are calculated internally and verified against the data published by MISO. Entergy's Accounting Policy and Entergy Wholesale Commodities Accounting group reviews these valuations for reasonableness, with the assistance of others within the organization with knowledge of the various inputs and

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assumptions used in the valuation. The Business Unit Risk Control groups report to the Vice President and Treasurer. The Accounting Policy and Entergy Wholesale Commodities Accounting group reports to the Chief Accounting Officer.

The following tables set forth, by level within the fair value hierarchy, Entergy's assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2018 and December 31, 2017. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------|------------|------------|---------|
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$1,148 | \$— | \$— | \$1,148 |
| Decommissioning trust funds (a): | | | | |
| Equity securities | 577 | — | — | 577 |
| Debt securities | 1,084 | 1,535 | — | 2,619 |
| Common trusts (b) | | | | 3,920 |
| Power contracts | — | — | 75 | 75 |
| Securitization recovery trust account | 52 | — | — | 52 |
| Escrow accounts | 398 | — | — | 398 |
| Financial transmission rights | — | — | 8 | 8 |
| | \$3,259 | \$1,535 | \$83 | \$8,797 |
| Liabilities: | | | | |
| Gas hedge contracts | \$1 | \$— | \$— | \$1 |
| 2017 | Level 1 | Level 2 | Level 3 | Total |
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$725 | \$— | \$— | \$725 |
| Decommissioning trust funds (a): | | | | |
| Equity securities | 526 | — | — | 526 |
| Debt securities | 1,125 | 1,425 | — | 2,550 |
| Common trusts (b) | | | | 4,136 |
| Power contracts | — | — | 5 | 5 |
| Securitization recovery trust account | 45 | — | — | 45 |
| Escrow accounts | 406 | — | — | 406 |
| Financial transmission rights | — | — | 21 | 21 |
| | \$2,827 | \$1,425 | \$26 | \$8,414 |
| Liabilities: | | | | |
| Power contracts | \$— | \$— | \$70 | \$70 |
| Gas hedge contracts | 6 | — | — | 6 |
| | \$6 | \$— | \$70 | \$76 |

The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to (a) approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements for additional information on the investment portfolios.

Common trust funds are not publicly quoted, and are valued by the fund administrators using net asset value as a (b) practical expedient. Accordingly, these funds are not assigned a level in the fair value table. The fund administrator of these investments allows daily trading at the net asset value and trades settle at a later date.

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The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2018 and 2017:

| | 2018 | | 2017 | |
|--|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | Power Contracts | Financial transmission rights | Power Contracts | Financial transmission rights |
| | (In Millions) | | | |
| Balance as of January 1, | (\$65) | \$21 | \$5 | \$21 |
| Total gains (losses) for the period (a) | | | | |
| Included in earnings | 14 | (1) | — | — |
| Included in other comprehensive income | 91 | — | 50 | — |
| Included as a regulatory liability/asset | — | 20 | — | 17 |
| Settlements | 35 | (32) | (50) | (30) |
| Balance as of March 31, | \$75 | \$8 | \$5 | \$8 |

Change in unrealized gains or losses for the period included in earnings for derivatives held at the end of the (a) reporting period is \$0.2 million for the three months ended March 31, 2018 and \$0.4 million for the three months ended March 31, 2017.

The following table sets forth a description of the types of transactions classified as Level 3 in the fair value hierarchy and significant unobservable inputs to each which cause that classification as of March 31, 2018:

| Transaction Type | Fair Value as of March 31, 2018 | Significant Unobservable Inputs | Range from Average % | Effect on Fair Value |
|-------------------------------------|---------------------------------------|------------------------------------|-------------------------------|-------------------------|
| | (In Millions) | | | (In Millions) |
| Power contracts - electricity swaps | \$75 | Unit contingent discount | +/-4% - 4.75% | \$5 - \$7 |

The following table sets forth an analysis of each of the types of unobservable inputs impacting the fair value of items classified as Level 3 within the fair value hierarchy, and the sensitivity to changes to those inputs:

| Significant Unobservable Input | Transaction Type | Position | Change to Input | Effect on Fair Value |
|--------------------------------------|-------------------|----------|---------------------|-------------------------|
| Unit contingent discount | Electricity swaps | Sell | Increase (Decrease) | Decrease (Increase) |

The following table sets forth, by level within the fair value hierarchy, the Registrant Subsidiaries' assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2018 and December 31, 2017. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

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Entergy Arkansas

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------|------------|------------|---------|
| | (In Millions) | | | |
| Assets: | | | | |
| Decommissioning trust funds (a): | | | | |
| Equity securities | \$3.6 | \$— | \$— | \$3.6 |
| Debt securities | 111.3 | 239.5 | — | 350.8 |
| Common trusts (b) | | | | 581.3 |
| Securitization recovery trust account | 7.9 | — | — | 7.9 |
| Financial transmission rights | — | — | 1.8 | 1.8 |
| | \$122.8 | \$239.5 | \$1.8 | \$945.4 |

| 2017 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------|------------|------------|---------|
| | (In Millions) | | | |
| Assets: | | | | |
| Decommissioning trust funds (a): | | | | |
| Equity securities | \$11.7 | \$— | \$— | \$11.7 |
| Debt securities | 115.8 | 232.4 | — | 348.2 |
| Common trusts (b) | | | | 585.0 |
| Securitization recovery trust account | 3.7 | — | — | 3.7 |
| Escrow accounts | 2.4 | — | — | 2.4 |
| Financial transmission rights | — | — | 3.0 | 3.0 |
| | \$133.6 | \$232.4 | \$3.0 | \$954.0 |

Entergy Louisiana

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------|------------|------------|-----------|
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$561.9 | \$— | \$— | \$561.9 |
| Decommissioning trust funds (a): | | | | |
| Equity securities | 12.2 | — | — | 12.2 |
| Debt securities | 145.6 | 370.7 | — | 516.3 |
| Common trusts (b) | | | | 775.9 |
| Escrow accounts | 285.6 | — | — | 285.6 |
| Securitization recovery trust account | 9.5 | — | — | 9.5 |
| Financial transmission rights | — | — | 3.4 | 3.4 |
| | \$1,014.8 | \$370.7 | \$3.4 | \$2,164.8 |
| Liabilities: | | | | |
| Gas hedge contracts | \$1.2 | \$— | \$— | \$1.2 |

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| 2017 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------|------------|------------|-----------|
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$30.1 | \$— | \$— | \$30.1 |
| Decommissioning trust funds (a): | | | | |
| Equity securities | 15.2 | — | — | 15.2 |
| Debt securities | 143.3 | 350.5 | — | 493.8 |
| Common trusts (b) | | | | 803.1 |
| Escrow accounts | 289.5 | — | — | 289.5 |
| Securitization recovery trust account | 2.0 | — | — | 2.0 |
| Financial transmission rights | — | — | 10.2 | 10.2 |
| | \$480.1 | \$350.5 | \$10.2 | \$1,643.9 |
| Liabilities: | | | | |
| Gas hedge contracts | \$5.0 | \$— | \$— | \$5.0 |

Entergy Mississippi

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------------|------------|------------|--------|
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$0.3 | \$— | \$— | \$0.3 |
| Escrow accounts | 32.1 | — | — | 32.1 |
| Financial transmission rights | — | — | 0.9 | 0.9 |
| | \$32.4 | \$— | \$0.9 | \$33.3 |
| Liabilities: | | | | |
| Gas hedge contracts | \$0.2 | \$— | \$— | \$0.2 |

| 2017 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------------|------------|------------|--------|
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$4.5 | \$— | \$— | \$4.5 |
| Escrow accounts | 32.0 | — | — | 32.0 |
| Financial transmission rights | — | — | 2.1 | 2.1 |
| | \$36.5 | \$— | \$2.1 | \$38.6 |
| Liabilities: | | | | |
| Gas hedge contracts | \$1.2 | \$— | \$— | \$1.2 |

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Entergy New Orleans

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|------|------------|------------|------------|-------|
|------|------------|------------|------------|-------|

(In Millions)

Assets:

| | | | | |
|---------------------------------------|--------|-----|-------|--------|
| Temporary cash investments | \$1.3 | \$— | \$— | \$1.3 |
| Securitization recovery trust account | 4.8 | — | — | 4.8 |
| Escrow accounts | 79.8 | — | — | 79.8 |
| Financial transmission rights | — | — | 0.7 | 0.7 |
| | \$85.9 | \$— | \$0.7 | \$86.6 |

| 2017 | Level 1 | Level 2 | Level 3 | Total |
|------|------------|------------|------------|-------|
|------|------------|------------|------------|-------|

(In Millions)

Assets:

| | | | | |
|---------------------------------------|---------|-----|-------|---------|
| Temporary cash investments | \$32.7 | \$— | \$— | \$32.7 |
| Securitization recovery trust account | 1.5 | — | — | 1.5 |
| Escrow accounts | 81.9 | — | — | 81.9 |
| Financial transmission rights | — | — | 2.2 | 2.2 |
| | \$116.1 | \$— | \$2.2 | \$118.3 |

Liabilities:

| | | | | |
|---------------------|-------|-----|-----|-------|
| Gas hedge contracts | \$0.2 | \$— | \$— | \$0.2 |
|---------------------|-------|-----|-----|-------|

Entergy Texas

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|------|------------|------------|------------|-------|
|------|------------|------------|------------|-------|

(In Millions)

Assets:

| | | | | |
|---------------------------------------|--------|-----|-------|--------|
| Temporary cash investments | \$39.0 | \$— | \$— | \$39.0 |
| Securitization recovery trust account | 29.7 | — | — | 29.7 |
| Financial transmission rights | — | — | 1.4 | 1.4 |
| | \$68.7 | \$— | \$1.4 | \$70.1 |

| 2017 | Level 1 | Level 2 | Level 3 | Total |
|------|------------|------------|------------|-------|
|------|------------|------------|------------|-------|

(In Millions)

Assets:

| | | | | |
|---------------------------------------|---------|-----|-------|---------|
| Temporary cash investments | \$115.5 | \$— | \$— | \$115.5 |
| Securitization recovery trust account | 37.7 | — | — | 37.7 |
| Financial transmission rights | — | — | 3.4 | 3.4 |
| | \$153.2 | \$— | \$3.4 | \$156.6 |

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System Energy

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------------|------------|------------|-----------|
| 2018 | | | | |
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$278.7 | \$— | \$— | \$278.7 |
| Decommissioning trust funds (a): | | | | |
| Equity securities | 2.3 | — | — | 2.3 |
| Debt securities | 172.5 | 153.1 | — | 325.6 |
| Common trusts (b) | | | | 568.3 |
| | \$453.5 | \$153.1 | \$— | \$1,174.9 |
| 2017 | | | | |
| | (In Millions) | | | |
| Assets: | | | | |
| Temporary cash investments | \$287.1 | \$— | \$— | \$287.1 |
| Decommissioning trust funds (a): | | | | |
| Equity securities | 3.1 | — | — | 3.1 |
| Debt securities | 187.2 | 143.3 | — | 330.5 |
| Common trusts (b) | | | | 572.1 |
| | \$477.4 | \$143.3 | \$— | \$1,192.8 |

The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements herein for additional information on the investment portfolios.

Common trust funds are not publicly quoted, and are valued by the fund administrators using net asset value as a practical expedient. Accordingly, these funds are not assigned a level in the fair value table. The fund administrator of these investments allows daily trading at the net asset value and trades settle at a later date.

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2018.

| | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas |
|--|---------------------|----------------------|------------------------|---------------------------|------------------|
| | (In Millions) | | | | |
| Balance as of January 1, | \$3.0 | \$10.2 | \$2.1 | \$2.2 | \$3.4 |
| Gains included as a regulatory liability/asset | 6.8 | 10.8 | 6.6 | 1.8 | (5.5) |
| Settlements | (8.0) | (17.6) | (7.8) | (3.3) | 3.5 |
| Balance as of March 31, | \$1.8 | \$3.4 | \$0.9 | \$0.7 | \$1.4 |

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The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2017.

| | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas |
|---|---------------------|----------------------|------------------------|---------------------------|------------------|
| | (In Millions) | | | | |
| Balance as of January 1, | \$5.4 | \$8.5 | \$3.2 | \$1.1 | \$3.1 |
| Gains (losses) included as a regulatory liability/asset | 0.1 | 10.8 | 1.2 | 1.8 | 3.2 |
| Settlements | (4.6) | (15.2) | (3.1) | (2.4) | (5.3) |
| Balance as of March 31, | \$0.9 | \$4.1 | \$1.3 | \$0.5 | \$1.0 |

NOTE 9. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, and System Energy)

Entergy holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The NRC requires Entergy subsidiaries to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1, Indian Point 2, Indian Point 3, Vermont Yankee, and Palisades. The funds are invested primarily in equity securities, fixed-rate debt securities, and cash and cash equivalents.

Entergy implemented ASU No. 2016-01 “Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” effective January 1, 2018. The ASU requires investments in equity securities, excluding those accounted for under the equity method or resulting in consolidation of the investee, to be measured at fair value with changes recognized in net income. Entergy implemented this ASU using a modified retrospective method, and Entergy recorded an adjustment increasing retained earnings and reducing accumulated other comprehensive loss by \$633 million as of January 1, 2018 for the cumulative effect of the unrealized gains and losses on investments in equity securities held by the decommissioning trust funds that do not meet the criteria for regulatory accounting treatment. Going forward, unrealized gains and losses on investments in equity securities held by the nuclear decommissioning trust funds will be recorded in earnings as they occur rather than in other comprehensive income. In accordance with the regulatory treatment of the decommissioning trust funds of the Registrant Subsidiaries, an offsetting amount of unrealized gains/(losses) will continue to be recorded in other regulatory liabilities/assets.

Entergy records decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the 30% interest in River Bend formerly owned by Cajun, Entergy Louisiana records an offsetting amount in other deferred credits for the excess trust earnings not currently expected to be needed to decommission the plant. Decommissioning trust funds for Pilgrim, Indian Point 1, Indian Point 2, Indian Point 3, Vermont Yankee, and Palisades do not meet the criteria for regulatory accounting treatment. Accordingly, unrealized gains/losses recorded on the equity securities in the trust funds are recognized in earnings. Unrealized gains recorded on the available-for-sale debt securities in the trust funds are recognized in the accumulated other comprehensive income component of shareholders’ equity. Unrealized losses (where cost exceeds fair market value) on the available-for-sale debt securities in the trust funds are also recorded in the accumulated other comprehensive income component of shareholders’ equity unless the unrealized loss is other than temporary and therefore recorded in earnings. Generally, Entergy records gains and losses on its debt and equity

securities using the specific identification method to determine the cost basis of its securities.

The unrealized gains/(losses) recognized during the three months ended March 31, 2018 on equity securities still held as of March 31, 2018 were (\$64) million. The equity securities are generally held in funds that are designed

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to approximate or somewhat exceed the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index or the Russell 3000 Index.

The available-for-sale securities held as of March 31, 2018 and December 31, 2017 are summarized as follows:

| | Fair Value | Total Unrealized Gains | Total Unrealized Losses |
|-------------------|---------------|------------------------------|-------------------------------|
| (In Millions) | | | |
| 2018 | | | |
| Debt Securities | 2,619 | 23 | 48 |
| 2017 | | | |
| Equity Securities | \$4,662 | \$2,131 | \$1 |
| Debt Securities | 2,550 | 44 | 16 |
| Total | \$7,212 | \$2,175 | \$17 |

The unrealized gains/(losses) above are reported before deferred taxes of \$472 million as of December 31, 2017 for equity securities, and (\$2) million as of March 31, 2018 and \$7 million as of December 31, 2017 for debt securities. The amortized cost of debt securities was \$2,643 million as of March 31, 2018 and \$2,539 million as of December 31, 2017. As of March 31, 2018, the debt securities have an average coupon rate of approximately 3.26%, an average duration of approximately 6.18 years, and an average maturity of approximately 10.09 years.

The fair value and gross unrealized losses of the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2018:

| | Fair Value | Gross Unrealized Losses |
|---------------------|---------------|-------------------------------|
| (In Millions) | | |
| Less than 12 months | \$1,667 | \$35 |
| More than 12 months | 241 | 13 |
| Total | \$1,908 | \$48 |

The fair value and gross unrealized losses of available-for-sale securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2017:

| | Equity Securities | | Debt Securities | |
|---------------------|----------------------|-------------------------------|-----------------|-------------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| (In Millions) | | | | |
| Less than 12 months | \$8 | \$1 | \$1,099 | \$7 |
| More than 12 months | — | — | 265 | 9 |
| Total | \$8 | \$1 | \$1,364 | \$16 |

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The fair value of debt securities, summarized by contractual maturities, as of March 31, 2018 and December 31, 2017 are as follows:

| | 2018 | 2017 |
|---------------------|---------------|---------|
| | (In Millions) | |
| less than 1 year | \$89 | \$74 |
| 1 year - 5 years | 928 | 902 |
| 5 years - 10 years | 784 | 812 |
| 10 years - 15 years | 152 | 147 |
| 15 years - 20 years | 101 | 100 |
| 20 years+ | 565 | 515 |
| Total | \$2,619 | \$2,550 |

During the three months ended March 31, 2018 and 2017, proceeds from the dispositions of securities amounted to \$1,091 million and \$514 million, respectively. During the three months ended March 31, 2018 and 2017, gross gains of \$1 million and \$9 million, respectively, and gross losses of \$7 million and \$5 million, respectively, related to available-for-sale securities were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of March 31, 2018 are \$485 million for Indian Point 1, \$614 million for Indian Point 2, \$789 million for Indian Point 3, \$453 million for Palisades, \$1,048 million for Pilgrim, and \$591 million for Vermont Yankee. The fair values of the decommissioning trust funds related to the Entergy Wholesale Commodities nuclear plants as of December 31, 2017 are \$491 million for Indian Point 1, \$621 million for Indian Point 2, \$798 million for Indian Point 3, \$458 million for Palisades, \$1,068 million for Pilgrim, and \$613 million for Vermont Yankee. The fair values of the decommissioning trust funds for the Registrant Subsidiaries' nuclear plants are detailed below.

Entergy Arkansas

Entergy Arkansas holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of March 31, 2018 and December 31, 2017 are summarized as follows:

| | Fair Value | Total Unrealized Gains | Total Unrealized Losses |
|-------------------|---------------|------------------------|-------------------------|
| | (In Millions) | | |
| 2018 | | | |
| Debt Securities | 350.8 | 0.5 | 9.7 |
| 2017 | | | |
| Equity Securities | \$596.7 | \$354.9 | \$— |
| Debt Securities | 348.2 | 2.1 | 3.0 |
| Total | \$944.9 | \$357.0 | \$3.0 |

The amortized cost of debt securities was \$360 million as of March 31, 2018 and \$349.1 million as of December 31, 2017. As of March 31, 2018, the debt securities have an average coupon rate of approximately 2.67%, an average duration of approximately 5.48 years, and an average maturity of approximately 6.90 years.

The unrealized gains/(losses) recognized during the three months ended March 31, 2018 on equity securities still held as of March 31, 2018 were (\$8) million. The equity securities are generally held in funds that are designed

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to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2018:

| | Debt Securities | |
|---------------------|-----------------|-------------------------|
| | Fair Value | Gross Unrealized Losses |
| | (In Millions) | |
| Less than 12 months | \$277.8 | \$7.2 |
| More than 12 months | 42.5 | 2.5 |
| Total | \$320.3 | \$9.7 |

The fair value and gross unrealized losses of the available-for-sale securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2017:

| | Equity Securities | | Debt Securities | |
|---------------------|-------------------|-------------------------|-----------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| | (In Millions) | | | |
| Less than 12 months | \$— | \$— | \$168.0 | \$1.2 |
| More than 12 months | — | — | 41.4 | 1.8 |
| Total | \$— | \$— | \$209.4 | \$3.0 |

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2018 and December 31, 2017 are as follows:

| | 2018 | 2017 |
|---------------------|---------------|---------|
| | (In Millions) | |
| less than 1 year | \$14.1 | \$13.0 |
| 1 year - 5 years | 130.6 | 123.4 |
| 5 years - 10 years | 177.9 | 180.6 |
| 10 years - 15 years | 3.4 | 4.8 |
| 15 years - 20 years | 7.0 | 3.4 |
| 20 years+ | 17.8 | 23.0 |
| Total | \$350.8 | \$348.2 |

During the three months ended March 31, 2018 and 2017, proceeds from the dispositions of securities amounted to \$34.9 million and \$36 million, respectively. During the three months ended March 31, 2018 and 2017, gross gains of \$0.1 million and \$0.5 million, respectively, and gross losses of \$0.1 million and \$0.1 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

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Entergy Louisiana

Entergy Louisiana holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of March 31, 2018 and December 31, 2017 are summarized as follows:

| | Fair Value | Total Unrealized Gains | Total Unrealized Losses |
|-------------------|---------------|------------------------------|-------------------------------|
| (In Millions) | | | |
| 2018 | | | |
| Debt Securities | 516.3 | 5.7 | 8.4 |
| 2017 | | | |
| Equity Securities | \$818.3 | \$461.2 | \$— |
| Debt Securities | 493.8 | 10.9 | 3.6 |
| Total | \$1,312.1 | \$472.1 | \$3.6 |

The amortized cost of debt securities was \$519 million as of March 31, 2018 and \$490 million as of December 31, 2017. As of March 31, 2018, the debt securities have an average coupon rate of approximately 3.83%, an average duration of approximately 6.05 years, and an average maturity of approximately 11.85 years.

The unrealized gains/(losses) recognized during the three months ended March 31, 2018 on equity securities still held as of March 31, 2018 were (\$10.8) million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2018:

| | Fair Value | Gross Unrealized Losses |
|---------------------|---------------|-------------------------------|
| (In Millions) | | |
| Less than 12 months | \$254.9 | \$4.6 |
| More than 12 months | 78.8 | 3.8 |
| Total | \$333.7 | \$8.4 |

The fair value and gross unrealized losses of the available-for-sale securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2017:

| | Equity Securities | Debt Securities |
|---------------------|-------------------------------|-------------------------------|
| | Fair Value | Fair Value |
| | Gross Unrealized Losses | Gross Unrealized Losses |
| (In Millions) | | |
| Less than 12 months | \$— | \$135.3 |
| More than 12 months | — | 84.4 |

Total \$— \$219.7 \$3.6

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The fair value of debt securities, summarized by contractual maturities, as of March 31, 2018 and December 31, 2017 are as follows:

| | 2018 | 2017 |
|---------------------|---------------|---------|
| | (In Millions) | |
| less than 1 year | \$28.1 | \$23.2 |
| 1 year - 5 years | 136.7 | 122.8 |
| 5 years - 10 years | 108.4 | 109.3 |
| 10 years - 15 years | 52.9 | 52.7 |
| 15 years - 20 years | 44.7 | 50.7 |
| 20 years+ | 145.5 | 135.1 |
| Total | \$516.3 | \$493.8 |

During the three months ended March 31, 2018 and 2017, proceeds from the dispositions of securities amounted to \$125.5 million and \$40.6 million, respectively. During the three months ended March 31, 2018 and 2017, gross gains of \$0.5 million and \$0.03 million, respectively, and gross losses of \$0.8 million and \$0.2 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

System Energy

System Energy holds equity securities and available-for-sale debt securities in nuclear decommissioning trust accounts. The available-for-sale securities held as of March 31, 2018 and December 31, 2017 are summarized as follows:

| | Fair Value | Total Unrealized Gains | Total Unrealized Losses |
|-------------------|---------------|------------------------|-------------------------|
| | (In Millions) | | |
| 2018 | | | |
| Debt Securities | 325.6 | 1.4 | 5.8 |
| 2017 | | | |
| Equity Securities | \$575.2 | \$308.6 | \$— |
| Debt Securities | 330.5 | 4.2 | 1.2 |
| Total | \$905.7 | \$312.8 | \$1.2 |

The amortized cost of debt securities was \$330 million as of March 31, 2018 and \$327.5 million as of December 31, 2017. As of March 31, 2018, the debt securities have an average coupon rate of approximately 2.72%, an average duration of approximately 6.38 years, and an average maturity of approximately 9.39 years.

The unrealized gains/(losses) recognized during the three months ended March 31, 2018 on equity securities still held as of March 31, 2018 were (\$7.8) million. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

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The fair value and gross unrealized losses of the available-for-sale debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of March 31, 2018:

| | Debt Securities | |
|---------------------|-----------------|-------------------------|
| | Fair Value | Gross Unrealized Losses |
| | (In Millions) | |
| Less than 12 months | \$240.7 | \$5.5 |
| More than 12 months | 10.2 | 0.3 |
| Total | \$250.9 | \$5.8 |

The fair value and gross unrealized losses of the available-for-sale securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2017:

| | Equity Securities | | Debt Securities | |
|---------------------|-------------------|-------------------------|-----------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| | (In Millions) | | | |
| Less than 12 months | \$— | \$— | \$196.9 | \$1.0 |
| More than 12 months | — | — | 10.4 | 0.2 |
| Total | \$— | \$— | \$207.3 | \$1.2 |

The fair value of debt securities, summarized by contractual maturities, as of March 31, 2018 and December 31, 2017 are as follows:

| | 2018 | 2017 |
|---------------------|---------------|---------|
| | (In Millions) | |
| less than 1 year | \$5.5 | \$4.1 |
| 1 year - 5 years | 164.5 | 173.0 |
| 5 years - 10 years | 78.4 | 78.5 |
| 10 years - 15 years | 3.8 | 1.0 |
| 15 years - 20 years | 10.7 | 6.9 |
| 20 years+ | 62.7 | 67.0 |
| Total | \$325.6 | \$330.5 |

During the three months ended March 31, 2018 and 2017, proceeds from the dispositions of securities amounted to \$54.2 million and \$75.8 million, respectively. During the three months ended March 31, 2018 and 2017, gross gains of \$0.1 million and \$0.1 million, respectively, and gross losses of \$0.6 million and \$0.7 million, respectively, related to available-for-sale securities were reclassified out of other regulatory liabilities/assets into earnings.

Other-than-temporary impairments and unrealized gains and losses

Entergy evaluates the available-for-sale debt securities in the Entergy Wholesale Commodities' nuclear decommissioning trust funds with unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to

recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy

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did not have any material other-than-temporary impairments relating to credit losses on debt securities for the three months ended March 31, 2018 and 2017. 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.

NOTE 10. INCOME TAXES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See "Income Tax Audits" and "Other Tax Matters" in Note 3 to the financial statements in the Form 10-K for a discussion of income tax audits, the Tax Cuts and Jobs Act, and other income tax matters involving Entergy. The following are updates to that discussion.

As discussed in the Form 10-K, the Tax Cuts and Jobs Act limits the deduction for net business interest expense in certain circumstances. The limitation does not apply to interest expense allocable to the Utility. In Notice 2018-28 released on April 2, 2018, the IRS announced that it intends to issue proposed regulations that will provide guidance to assist taxpayers in complying with the new interest provisions under the Tax Cuts and Jobs Act. The notice provides general and limited information of the IRS's interpretation regarding methodologies that could be used for the allocation of the interest expense limitation. As a result of the new provision contained in the Tax Cuts and Jobs Act, Entergy recorded a limitation in the first quarter 2018 which did not have a material effect on financial position, results of operations, or cash flows.

For a discussion of proceedings commenced or other responses by Entergy's regulators to the Tax Cuts and Jobs Act, see Note 2 to the financial statements herein and in the Form 10-K.

NOTE 11. PROPERTY, PLANT, AND EQUIPMENT (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Construction Expenditures in Accounts Payable

Construction expenditures included in accounts payable at March 31, 2018 are \$280 million for Entergy, \$39.1 million for Entergy Arkansas, \$119.4 million for Entergy Louisiana, \$7.5 million for Entergy Mississippi, \$5.6 million for Entergy New Orleans, \$14.8 million for Entergy Texas, and \$41.9 million for System Energy. Construction expenditures included in accounts payable at December 31, 2017 are \$368 million for Entergy, \$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.

NOTE 12. VARIABLE INTEREST ENTITIES (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 17 to the financial statements in the Form 10-K for a discussion of variable interest entities. See Note 4 to the financial statements herein for details of the nuclear fuel companies' credit facilities and commercial paper borrowings and long-term debt.

System Energy is considered to hold a variable interest in the lessor from which it leases an undivided interest representing approximately 11.5% of the Grand Gulf nuclear plant. System Energy is the lessee under this

arrangement, which is described in more detail in Note 10 to the financial statements in the Form 10-K. System Energy made payments on its lease, including interest, of \$8.6 million in the three months ended March 31, 2018 and \$8.6 million in the three months ended March 31, 2017.

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Notes to Financial Statements

NOTE 13. REVENUE RECOGNITION (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Revenue Recognition

Entergy implemented ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," effective January 1, 2018. Topic 606 requires entities to "recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU details a five-step model that should be followed to achieve the core principle. This accounting was applied to all contracts using the modified retrospective method, which requires an adjustment to retained earnings for the cumulative effect of adopting the standard as of the effective date. Because the standard did not result in any material change in how Entergy recognizes revenue, however, no adjustment to retained earnings was required. Similarly, there was no effect on revenues recognized under Topic 606 for the three months ended March 31, 2018.

Revenues from electric service and the sale of natural gas are recognized when services are transferred to the customer in an amount equal to what Entergy has the right to bill the customer because this amount represents the value of services provided to customers.

Entergy's total revenues for the three months ended March 31, 2018 were as follows:

| | 2018 (In Thousands) |
|----------------------------------|---------------------------|
| Utility: | |
| Residential | \$892,085 |
| Commercial | 595,720 |
| Industrial | 597,186 |
| Governmental | 56,478 |
| Total billed retail | 2,141,469 |
| Sales for resale (a) | 69,526 |
| Other electric revenues (b) | 27,433 |
| Non-customer revenues (c) | 9,834 |
| Total electric revenues | 2,248,262 |
| Natural gas | 56,695 |
| Entergy Wholesale Commodities: | |
| Competitive businesses sales (a) | 409,135 |
| Non-customer revenues (c) | 9,789 |
| Total competitive businesses | 418,924 |
| Total operating revenues | \$2,723,881 |

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

The Registrant Subsidiaries' total revenues for the three months ended March 31, 2018 were as follows:

| 2018 | Entergy Arkansas | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | Entergy Texas |
|-----------------------------|---------------------|----------------------|------------------------|---------------------------|------------------|
| | (In Thousands) | | | | |
| Residential | \$235,524 | \$295,517 | \$148,342 | \$64,575 | \$148,126 |
| Commercial | 120,634 | 224,928 | 110,460 | 54,272 | 85,427 |
| Industrial | 111,477 | 352,336 | 42,501 | 7,570 | 83,302 |
| Governmental | 4,648 | 17,310 | 10,848 | 17,691 | 5,981 |
| Total billed retail | 472,283 | 890,091 | 312,151 | 144,108 | 322,836 |
| Sales for resale (a) | 66,103 | 89,255 | 1,993 | 13,337 | 23,361 |
| Other electric revenues (b) | 10,024 | 20,503 | (719) | (3,111) | 2,264 |
| Non-customer revenues (c) | 2,614 | 5,257 | 2,318 | 1,484 | 479 |
| Total electric revenues | 551,024 | 1,005,106 | 315,743 | 155,818 | 348,940 |
| Natural gas | — | 24,238 | — | 32,457 | — |
| Total operating revenues | \$551,024 | \$1,029,344 | \$315,743 | \$188,275 | \$348,940 |

Sales for resale and competitive businesses sales include day-ahead sales of energy in a market administered by an ISO. These sales represent financially binding commitments for the sale of physical energy the next day. These (a) sales are adjusted to actual power generated and delivered in the real time market. Given the short duration of these transactions, Entergy does not consider them to be derivatives subject to fair value adjustments, and includes them as part of customer revenues.

(b) Other electric revenues consist primarily of transmission and ancillary services provided to participants of an ISO-administered market and unbilled revenue.

(c) Non-customer revenues include the settlement of financial hedges, occasional sales of inventory, alternative revenue programs, provisions for revenue subject to refund, and late fees.

Electric Revenues

Entergy's primary source of revenue is from retail electric sales sold under tariff rates approved by regulators in its various jurisdictions. Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, Mississippi, and Texas. Energy is provided on demand throughout the month, measured by a meter located at the customer's property. Approved rates vary by customer class due to differing requirements of the customers and market factors involved in fulfilling those requirements. Entergy issues monthly bills to customers at rates approved by regulators for power and related services provided during the previous billing cycle.

To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies record an estimate 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 market prices of power in the respective jurisdiction. The inputs are revised as needed to approximate actual usage and cost. Each month, estimated unbilled amounts are recorded as unbilled revenue and accounts receivable, and the prior month's estimate is reversed. Price and volume differences resulting from factors

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

such as weather affect the calculation of unbilled revenues from one period to the other. This may result in variability of reported revenues from one period to the next as prior estimates are reversed and new estimates recorded.

Entergy may record revenue based on rates that are subject to refund. Such revenues are reduced by estimated refund amounts when Entergy believes refunds are probable based on the status of rate proceedings as of the date financial statements are prepared. Because these refunds will be made through a reduction in future rates, and not as a reduction in bills previously issued, they are presented as non-customer revenue in the table above.

System Energy's only source of revenue is the sale of electric power and capacity generated from its 90% interest in the Grand Gulf nuclear plant to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy issues monthly bills to its affiliated customers equal to its actual operating costs plus a return on common equity approved by the FERC.

Entergy's Utility operating companies also sell excess power not needed for its own customers, primarily through transactions with 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. MISO settles these offers and bids based on locational marginal prices. These represent 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 each market participant's energy offers and demand bids to economically and reliably dispatch the entire MISO system. Entergy nets purchases and sales within the MISO market and reports in operating revenues when in a net selling position and in operating expenses when in a net purchasing position.

Natural Gas

Entergy Louisiana and Entergy New Orleans also distribute natural gas to retail customers in and around Baton Rouge, Louisiana, and the City of New Orleans, including Algiers, respectively. Gas transferred to customers is measured by a meter at the customer's property. Entergy issues monthly invoices to customers at rates approved by regulators for the volume of gas transferred to date.

Competitive Businesses Revenues

The Entergy Wholesale Commodities segment derives almost all of its revenue from sales of electric power and capacity produced by its operating plants to wholesale customers. The majority of Entergy Wholesale Commodities revenues are from Entergy's nuclear power plants located in the northern United States. Entergy issues monthly invoices to the counterparties for these electric sales at the respective contracted or ISO market rate of electricity and related services provided during the previous month.

Most of the Palisades nuclear plant output is sold under a 15-year PPA with Consumers Energy, executed as part of the acquisition of the plant in 2007 and expiring in 2022. The PPA prices are for a set price per MWh and escalate each year, up to \$61.50/MWh in 2022. Entergy issues monthly invoices to Consumers Energy for electric sales based on the actual output of electricity and related services provided during the previous month at the contract price. Additionally, as the PPA pricing was considered below-market at the time of acquisition, a liability was recorded for the fair value of the below-market PPA, and is being amortized to revenue over the life of the agreement.

Practical Expedients and Exceptions

Entergy has elected not to disclose the value of unsatisfied performance obligations for contracts with an original expected term of one year or less, or for revenue recognized in an amount equal to what Entergy has the right to bill the customer for services performed.

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Entergy Corporation and Subsidiaries

Notes to Financial Statements

Most of Entergy's contracts, except in a few cases where there are defined minimums or stated terms, are on demand. This results in customer bills that vary each month based on an approved tariff and usage. Entergy imposes monthly or annual minimum requirements on some customers primarily as credit and cost recovery guarantees and not as pricing for unsatisfied performance obligations. These minimums typically expire after the initial term or when specified costs have been recovered. The minimum amounts are part of each month's bill and recognized as revenue accordingly. Some of the subsidiaries within the Entergy Wholesale Commodities segment have operations and maintenance services contracts that have fixed components and terms longer than one year. The total fixed consideration related to these unsatisfied performance obligations, however, is not material to Entergy revenues.

Recovery of Fuel Costs

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 based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are based 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.

Taxes Imposed on Revenue-Producing Transactions

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

NOTE 14. ASSET RETIREMENT OBLIGATIONS (Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 9 to the financial statements in the Form 10-K for a discussion of asset retirement obligations. Following are updates to that discussion.

In the first quarter 2018, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for River Bend as a result of a revised decommissioning cost study. The revised estimate resulted in an \$85.4 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining life of the unit.

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

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Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk

See “Market and Credit Risk Sensitive Instruments” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis.

Part I, Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2018, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) management, including their respective Principal Executive Officers (PEO) and Principal Financial Officers (PFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, each PEO and PFO has concluded that, as to the Registrant or Registrants for which they serve as PEO or PFO, the Registrant’s or Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant’s or Registrants’ disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant’s or Registrants’ management, including their respective PEOs and PFOs, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrants’ management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended March 31, 2018 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased \$22 million primarily due to higher net revenue and a lower effective income tax rate, partially offset by higher other operation and maintenance expenses, higher depreciation and amortization expenses, higher taxes other than income taxes, and higher nuclear refueling outage expenses.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|-----------------------|----------------------------|
| 2017 net revenue | \$330.3 |
| Retail electric price | 22.4 |
| Volume/weather | 20.4 |
| Other | 1.0 |
| 2018 net revenue | \$374.1 |

The retail electric price variance is primarily due to an increase in formula rate plan rates effective with the first billing cycle of January 2018 and an increase in the energy efficiency rider effective January 2018, each as approved by the APSC. See Note 2 to the financial statements in the Form 10-K for further discussion of the formula rate plan filing.

The volume/weather variance is primarily due to an increase of 599 GWh, or 12%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales and an increase in industrial usage. The increase in industrial usage is primarily due to a new customer in the primary metals industry.

Other Income Statement Variances

Nuclear refueling outage expenses increased primarily due to the amortization of higher costs associated with the most recent outages as compared to previous outages.

Other operation and maintenance expenses increased primarily due to an increase of \$6.5 million in nuclear generation expenses primarily due to higher labor costs, including contract labor, to position the nuclear fleet to meet its operational goals and an increase of \$3.7 million in energy efficiency costs. The increase was partially offset by higher nuclear insurance refunds of \$3.6 million. See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters” in the Form 10-K for a discussion of the increased operating costs to position the nuclear fleet to meet its operational goals.

Taxes other than income taxes increased primarily due to increases in local franchise taxes and payroll taxes. The increase in local franchise taxes is primarily due to higher billing factors and higher electric retail revenues.

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 Management's Financial Discussion and Analysis

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Interest expense increased primarily due to the issuance of \$220 million of 3.5% Series first mortgage bonds in May 2017.

Income Taxes

The effective income tax rate was 20.7% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to certain book and tax differences related to utility plant items and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes and a write-off of a stock-based compensation deferred tax asset.

The effective income tax rate was 44.4% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to a write-off of a stock-based compensation deferred tax asset, state income taxes, and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

Income Tax Legislation

See the "Income Tax Legislation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K for a discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2017 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements herein and in the Form 10-K contains discussion of proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| Cash and cash equivalents at beginning of period | \$6,216 | \$20,509 |
| Cash flow provided by (used in): | | |
| Operating activities | 179,890 | 154,541 |
| Investing activities | (161,344) | (207,097) |
| Financing activities | (23,839) | 32,522 |
| Net decrease in cash and cash equivalents | (5,293) | (20,034) |
| Cash and cash equivalents at end of period | \$923 | \$475 |

Operating Activities

Net cash flow provided by operating activities increased \$25.3 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to the timing of payments to vendors and the

timing of recovery of fuel and purchased power costs, partially offset by the timing of receivables from customers.

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Entergy Arkansas, Inc. and Subsidiaries
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Investing Activities

Net cash flow used in investing activities decreased \$45.8 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to a decrease in cash used of \$49 million as a result of the fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle and a decrease of \$15.8 million in transmission construction expenditures primarily due to a lower scope of work performed in 2018 as compared to the same period in 2017. The decrease was partially offset by an increase of \$8.6 million in information technology construction expenditures primarily due to increased spending on various technology projects and an increase of \$6.1 million in nuclear construction expenditures primarily due to a higher scope of work performed on various nuclear projects in 2018 as compared to the same period in 2017.

Financing Activities

Entergy Arkansas's financing activities used \$23.8 million of cash for the three months ended March 31, 2018 compared to providing \$32.5 million of cash for the three months ended March 31, 2017 primarily due to:

net repayments of short-term borrowings of \$6.1 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2018 as compared to net short-term borrowings of \$52.3 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2017;
 borrowings of \$50 million in 2018 on the Entergy Arkansas long-term credit facility;
 repayment of \$24.9 million of long-term borrowings in 2018 on the Entergy Arkansas nuclear fuel company variable interest entity credit facility; and
 money pool activity.

Decreases in Entergy Arkansas's payable to the money pool are a use of cash flow, and Entergy Arkansas's payable to the money pool decreased by \$42.3 million in 2018 compared to decreasing by \$20.2 million in 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for more details on long-term debt.

Capital Structure

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

| | March 31, 2018 | December 31, 2017 | |
|---|----------------------|-------------------------|--|
| Debt to capital | 55.3 % | 55.5 % | |
| Effect of excluding the securitization bonds | (0.3 %) | (0.3 %) | |
| Debt to capital, excluding securitization bonds (a) | 55.0 % | 55.2 % | |
| Effect of subtracting cash | — % | — % | |
| Net debt to net capital, excluding securitization bonds (a) | 55.0 % | 55.2 % | |

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Arkansas.

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its

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Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

investors and creditors in evaluating Entergy Arkansas's financial condition because the securitization bonds are non-recourse to Entergy Arkansas, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Arkansas 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 Arkansas's financial condition because net debt indicates Entergy Arkansas's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Arkansas's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Arkansas's payables to the money pool were as follows:

| March 31, 2018 | December 31, 2017 | March 31, 2017 | December 31, 2016 |
|-------------------|----------------------|-------------------|----------------------|
| (In Thousands) | | | |
| \$123,858 | \$166,137 | \$31,008 | \$51,232 |

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Arkansas has a credit facility in the amount of \$150 million scheduled to expire in August 2022. Entergy Arkansas also has a \$20 million credit facility scheduled to expire in April 2019. The \$150 million credit facility includes fronting commitments for the issuance of letters of credit against \$5 million of the borrowing capacity of the facility. As of March 31, 2018, cash borrowings of \$50 million and no letters of credit were outstanding under the credit facilities. In addition, Entergy Arkansas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of March 31, 2018, a \$1 million letter of credit was outstanding under Entergy Arkansas's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of \$80 million scheduled to expire in May 2019. As of March 31, 2018, \$43.9 million in letters of credit to support a like amount of commercial paper issued were outstanding under the Entergy Arkansas nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facility.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel-cost recovery. The following are updates to that discussion.

Retail Rates

Internal Restructuring

As discussed in the Form 10-K, in November 2017, Entergy Arkansas filed an application with the APSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Arkansas to a new entity, which would ultimately be owned by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the APSC, the FERC, and the NRC. Entergy Arkansas also filed a notice with the Missouri Public Service Commission in December 2017 out of

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Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

an abundance of caution, although Entergy Arkansas does not serve any retail customers in Missouri. In April 2018 the Missouri Public Service Commission approved Entergy Arkansas's filing. If the appropriate approvals are obtained, Entergy Arkansas expects the restructuring will be consummated on or before December 1, 2018.

Energy Cost Recovery Rider

In March 2018, Entergy Arkansas filed its annual redetermination of its energy cost rate pursuant to the energy cost recovery rider, which reflected an increase in the rate from \$0.01547 per kWh to \$0.01882 per kWh. The Arkansas Attorney General filed a response to Entergy Arkansas's annual redetermination filing requesting that the APSC suspend the proposed tariff to investigate the amount of the redetermination or, alternatively, to allow recovery subject to refund. Among the reasons the Arkansas Attorney General cited for suspension were questions pertaining to how Entergy Arkansas forecasted sales and potential implications of the Tax Cuts and Jobs Act. Entergy Arkansas replied to the Arkansas Attorney General's filing and stated that, to the extent there are questions pertaining to its load forecasting or the operation of the energy cost recovery rider, those issues exceed the scope of the instant rate redetermination. Entergy Arkansas also stated that potential effects of the Tax Cuts and Job Act are appropriately considered in the APSC's separate proceeding looking at potential implications of the new tax law. The APSC general staff filed a reply to the Arkansas Attorney General's filing and agreed that Entergy Arkansas's filing complied with the terms of the energy cost recovery rider. In April 2018 the APSC issued an order declining to suspend Entergy Arkansas's energy cost recovery rider rate and declining to require further investigation of the issues suggested by the Attorney General in the proceeding at this time. The redetermined rate became effective with the first billing cycle of April 2018.

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Federal Regulation" in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

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

New Accounting Pronouncements

See “New Accounting Pronouncements” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of new accounting pronouncements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| OPERATING REVENUES | | |
| Electric | \$551,024 | \$474,351 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 108,306 | 99,409 |
| Purchased power | 71,972 | 55,133 |
| Nuclear refueling outage expenses | 23,402 | 19,619 |
| Other operation and maintenance | 169,358 | 163,008 |
| Decommissioning | 14,760 | 13,895 |
| Taxes other than income taxes | 27,905 | 24,051 |
| Depreciation and amortization | 71,981 | 67,066 |
| Other regulatory credits - net | (3,307) | (10,526) |
| TOTAL | 484,377 | 431,655 |
| OPERATING INCOME | 66,647 | 42,696 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 4,008 | 4,350 |
| Interest and investment income | 6,814 | 6,932 |
| Miscellaneous - net | (3,871) | (2,956) |
| TOTAL | 6,951 | 8,326 |
| INTEREST EXPENSE | | |
| Interest expense | 29,766 | 27,252 |
| Allowance for borrowed funds used during construction | (1,890) | (1,962) |
| TOTAL | 27,876 | 25,290 |
| INCOME BEFORE INCOME TAXES | 45,722 | 25,732 |
| Income taxes | 9,467 | 11,428 |
| NET INCOME | 36,255 | 14,304 |
| Preferred dividend requirements | 357 | 357 |
| EARNINGS APPLICABLE TO COMMON STOCK | \$35,898 | \$13,947 |

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | \$36,255 | \$14,304 |
| Adjustments to reconcile net income to net cash flow provided by operating activities: | | |
| Depreciation, amortization, and decommissioning, including nuclear fuel amortization | 115,976 | 105,721 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 11,877 | 16,361 |
| Changes in assets and liabilities: | | |
| Receivables | 31,033 | 53,355 |
| Fuel inventory | (13,868) | (5,747) |
| Accounts payable | (26,924) | (73,635) |
| Taxes accrued | 10,072 | 7,175 |
| Interest accrued | 9,748 | 8,562 |
| Deferred fuel costs | 1,971 | (9,137) |
| Other working capital accounts | 5,591 | 15,485 |
| Provisions for estimated losses | 6,520 | 1,997 |
| Other regulatory assets | 13,835 | 1,815 |
| Other regulatory liabilities | (13,546) | 23,435 |
| Pension and other postretirement liabilities | (19,277) | (19,553) |
| Other assets and liabilities | 10,627 | 14,403 |
| Net cash flow provided by operating activities | 179,890 | 154,541 |
| INVESTING ACTIVITIES | | |
| Construction expenditures | (167,485) | (165,496) |
| Allowance for equity funds used during construction | 4,143 | 4,557 |
| Nuclear fuel purchases | (19,391) | (88,537) |
| Proceeds from sale of nuclear fuel | 30,907 | 51,029 |
| Proceeds from nuclear decommissioning trust fund sales | 34,865 | 36,013 |
| Investment in nuclear decommissioning trust funds | (40,238) | (40,961) |
| Changes in securitization account | (4,145) | (3,702) |
| Net cash flow used in investing activities | (161,344) | (207,097) |
| FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 175,000 | — |
| Retirement of long-term debt | (149,904) | — |
| Changes in short-term borrowings - net | (6,087) | 52,300 |
| Changes in money pool payable - net | (42,279) | (20,224) |
| Dividends paid: | | |
| Preferred stock | (357) | (357) |
| Other | (212) | 803 |
| Net cash flow provided by (used in) financing activities | (23,839) | 32,522 |
| Net decrease in cash and cash equivalents | (5,293) | (20,034) |
| Cash and cash equivalents at beginning of period | 6,216 | 20,509 |
| Cash and cash equivalents at end of period | \$923 | \$475 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest - net of amount capitalized

\$18,761 \$17,311

See Notes to Financial Statements.

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CONSOLIDATED BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents: | | |
| Cash | \$891 | \$6,184 |
| Temporary cash investments | 32 | 32 |
| Total cash and cash equivalents | 923 | 6,216 |
| Securitization recovery trust account | 7,893 | 3,748 |
| Accounts receivable: | | |
| Customer | 127,821 | 110,016 |
| Allowance for doubtful accounts | (1,250 |) (1,063 |
| Associated companies | 34,105 | 38,765 |
| Other | 46,631 | 65,209 |
| Accrued unbilled revenues | 79,707 | 105,120 |
| Total accounts receivable | 287,014 | 318,047 |
| Deferred fuel costs | 61,282 | 63,302 |
| Fuel inventory - at average cost | 43,226 | 29,358 |
| Materials and supplies - at average cost | 198,585 | 192,853 |
| Deferred nuclear refueling outage costs | 49,047 | 56,485 |
| Prepayments and other | 9,597 | 12,108 |
| TOTAL | 657,567 | 682,117 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Decommissioning trust funds | 935,728 | 944,890 |
| Other | 786 | 3,160 |
| TOTAL | 936,514 | 948,050 |
| UTILITY PLANT | | |
| Electric | 11,111,420 | 11,059,538 |
| Construction work in progress | 361,843 | 280,888 |
| Nuclear fuel | 226,435 | 277,345 |
| TOTAL UTILITY PLANT | 11,699,698 | 11,617,771 |
| Less - accumulated depreciation and amortization | 4,827,210 | 4,762,352 |
| UTILITY PLANT - NET | 6,872,488 | 6,855,419 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Other regulatory assets (includes securitization property of \$24,682 as of March 31, 2018 and \$28,583 as of December 31, 2017) | 1,553,602 | 1,567,437 |
| Deferred fuel costs | 67,145 | 67,096 |
| Other | 20,397 | 13,910 |
| TOTAL | 1,641,144 | 1,648,443 |
| TOTAL ASSETS | \$10,107,713 | \$10,134,029 |

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Short-term borrowings | \$43,887 | \$49,974 |
| Accounts payable: | | |
| Associated companies | 308,104 | 365,915 |
| Other | 169,916 | 215,942 |
| Customer deposits | 97,885 | 97,687 |
| Taxes accrued | 57,393 | 47,321 |
| Interest accrued | 27,963 | 18,215 |
| Current portion of unprotected excess accumulated deferred income taxes | 386,489 | — |
| Other | 28,730 | 29,922 |
| TOTAL | 1,120,367 | 824,976 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 1,205,470 | 1,190,669 |
| Accumulated deferred investment tax credits | 33,803 | 34,104 |
| Regulatory liability for income taxes - net | 597,025 | 985,823 |
| Other regulatory liabilities | 352,354 | 363,591 |
| Decommissioning | 995,973 | 981,213 |
| Accumulated provisions | 41,249 | 34,729 |
| Pension and other postretirement liabilities | 334,016 | 353,274 |
| Long-term debt (includes securitization bonds of \$34,739 as of March 31, 2018 and \$34,662 as of December 31, 2017) | 2,978,569 | 2,952,399 |
| Other | 4,885 | 5,147 |
| TOTAL | 6,543,344 | 6,900,949 |
| Commitments and Contingencies | | |
| Preferred stock without sinking fund | 31,350 | 31,350 |
| COMMON EQUITY | | |
| Common stock, \$0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2018 and 2017 | 470 | 470 |
| Paid-in capital | 790,264 | 790,264 |
| Retained earnings | 1,621,918 | 1,586,020 |
| TOTAL | 2,412,652 | 2,376,754 |
| TOTAL LIABILITIES AND EQUITY | \$10,107,713 | \$10,134,029 |

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | Common Equity | | | Total |
|------------------------------|-----------------|--------------------|----------------------|-------------|
| | Common Stock | Paid-in Capital | Retained Earnings | |
| | (In Thousands) | | | |
| Balance at December 31, 2016 | \$470 | \$790,243 | \$1,462,604 | \$2,253,317 |
| Net income | — | — | 14,304 | 14,304 |
| Preferred stock dividends | — | — | (357) | (357) |
| Balance at March 31, 2017 | \$470 | \$790,243 | \$1,476,551 | \$2,267,264 |
| Balance at December 31, 2017 | \$470 | \$790,264 | \$1,586,020 | \$2,376,754 |
| Net income | — | — | 36,255 | 36,255 |
| Preferred stock dividends | — | — | (357) | (357) |
| Balance at March 31, 2018 | \$470 | \$790,264 | \$1,621,918 | \$2,412,652 |

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
 SELECTED OPERATING RESULTS
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| Description | 2018 | 2017 | Increase/ (Decrease) | % |
|-------------------------------------|-----------------------|-------|-------------------------|------|
| | (Dollars In Millions) | | | |
| Electric Operating Revenues: | | | | |
| Residential | \$236 | \$183 | \$53 | 29 |
| Commercial | 121 | 106 | 15 | 14 |
| Industrial | 111 | 96 | 15 | 16 |
| Governmental | 5 | 4 | 1 | 25 |
| Total billed retail | 473 | 389 | 84 | 22 |
| Sales for resale: | | | | |
| Associated companies | 30 | 32 | (2) | (6) |
| Non-associated companies | 36 | 45 | (9) | (20) |
| Other | 12 | 8 | 4 | 50 |
| Total | \$551 | \$474 | \$77 | 16 |
| Billed Electric Energy Sales (GWh): | | | | |
| Residential | 2,329 | 1,927 | 402 | 21 |
| Commercial | 1,365 | 1,315 | 50 | 4 |
| Industrial | 1,828 | 1,681 | 147 | 9 |
| Governmental | 56 | 56 | — | — |
| Total retail | 5,578 | 4,979 | 599 | 12 |
| Sales for resale: | | | | |
| Associated companies | 487 | 446 | 41 | 9 |
| Non-associated companies | 1,717 | 1,962 | (245) | (12) |
| Total | 7,782 | 7,387 | 395 | 5 |

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased \$17.2 million primarily due to a lower effective income tax rate, higher net revenue, and higher other income, partially offset by higher other operation and maintenance expenses, higher taxes other than income taxes, and higher depreciation and amortization expenses.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|-------------------------------|----------------------------|
| 2017 net revenue | \$561.1 |
| Volume/weather | 24.2 |
| Retail electric price (20.1) | |
| Other | 8.5 |
| 2018 net revenue | \$573.7 |

The volume/weather variance is primarily due to an increase of 824 GWh, or 7%, in billed electricity usage, including the effect of more favorable weather on residential sales.

The retail electric price variance is primarily due to a regulatory charge of \$27 million recorded in the first quarter 2018 to reflect the effects of a provision in the settlement reached in the formula rate plan extension proceeding. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the formula rate plan extension proceeding.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

an increase of \$14 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 and a higher scope of work performed during plant outages in 2018 as compared to the same period in 2017; and
 an increase of \$7.1 million in fossil-fueled generation expenses primarily due to an overall higher scope of work performed in 2018 as compared to the same period in 2017.

The increase was partially offset by a decrease of \$5.4 million in loss provisions.

Taxes other than income taxes increased primarily due to increases in ad valorem taxes, local franchise taxes, and payroll taxes. Ad valorem taxes increased primarily due to higher assessments. Local franchise taxes increased

primarily due to higher revenues in the first quarter 2018 as compared to the same period in 2017.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

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Other income increased primarily due to an increase in the allowance for equity funds used during construction due to higher construction work in progress in 2018, which included the St. Charles Power Station project, and changes in decommissioning trust fund investment activity, including portfolio rebalancing of certain of the decommissioning trust funds.

Income Taxes

The effective income tax rate was 16.3% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests, certain book and tax differences related to utility plant items, and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes and a write-off of a stock-based compensation deferred tax asset.

The effective income tax rate was 31.3% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to book and tax differences related to the non-taxable income distributions earned on preferred membership interests and book and tax differences related to the allowance for equity funds used during construction, partially offset by state income taxes and a write-off of a stock-based compensation deferred tax asset.

Income Tax Legislation

See the "Income Tax Legislation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K for a discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2017 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements herein and in the Form 10-K contains discussions of proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|------------|
| | (In Thousands) | |
| Cash and cash equivalents at beginning of period | \$35,907 | \$213,850 |
| Cash flow provided by (used in): | | |
| Operating activities | 328,040 | 339,704 |
| Investing activities | (613,950) | (472,011) |
| Financing activities | 812,289 | (14,250) |
| Net increase (decrease) in cash and cash equivalents | 526,379 | (146,557) |
| Cash and cash equivalents at end of period | \$562,286 | \$67,293 |

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

Operating Activities

Net cash flow provided by operating activities decreased \$11.7 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to:

a decrease of \$114 million in income tax refunds in the first quarter 2018 as compared to the first quarter 2017. Entergy Louisiana received income tax refunds in 2017 in accordance with an intercompany income tax allocation agreement resulting from the utilization of Entergy Louisiana's net operating losses; and

- a decrease due to the timing of recovery of fuel and purchased power costs.

The decrease was partially offset by:

- 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 in the Form 10-K for discussion of the settlement and refund; and
- a decrease of \$22.7 million in spending on nuclear refueling outages.

Investing Activities

Net cash flow used in investing activities increased \$141.9 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to:

- money pool activity;
- an increase of \$60.9 million in transmission construction expenditures due to a higher scope of work performed in 2018 as compared to the same period in 2017; and
- an increase of \$53.7 million in fossil-fueled generation construction expenditures primarily due to higher spending on the Lake Charles Power Station and the St. Charles Power Station projects in 2018.

The increase was partially offset by a decrease of \$137 million as a result of fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and service deliveries, and the timing of cash payments during the nuclear fuel cycle.

Increases in Entergy Louisiana's receivable from the money pool are a use of cash flow, and Entergy Louisiana's receivable from the money pool increased by \$170.2 million for the three months ended March 31, 2018 compared to increasing by \$8 million for the three months ended March 31, 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy Louisiana's financing activities provided \$812.3 million of cash for the three months ended March 31, 2018 compared to using \$14.3 million of cash for the three months ended March 31, 2017 primarily due to the following activity:

- the issuance of \$750 million of 4.00% Series first mortgage bonds in March 2018;
- equity distributions of \$42.1 million in the first quarter 2017. There were no distributions in the first quarter 2018 in anticipation of the excess deferred income taxes to be returned to customers as a result of the enactment of the Tax Cuts and Jobs Act in December 2017. See Note 2 to the financial statements herein and in the Form 10-K for

discussion of regulatory proceedings related to the enactment of the Tax Cuts and Jobs Act;
net borrowings of \$100 million on the Entergy Louisiana long-term credit facility in 2018; and
net borrowings of \$19.4 million on Entergy Louisiana's nuclear fuel company variable interest entities' credit facilities
in 2018 compared to net borrowings of \$87.5 million in 2017.

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for more details on long-term debt.

Capital Structure

Entergy Louisiana's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for Entergy Louisiana is primarily due to the issuance of long-term debt in 2018.

| | March 31, 2018 | December 31, 2017 | |
|---|----------------------|-------------------------|---|
| Debt to capital | 56.4% | 53.8% | % |
| Effect of excluding securitization bonds | (0.3%) | (0.3%) | % |
| Debt to capital, excluding securitization bonds (a) | 56.1% | 53.5% | % |
| Effect of subtracting cash | (2.1%) | (0.1%) | % |
| Net debt to net capital, excluding securitization bonds (a) | 54.0% | 53.4% | % |

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Louisiana.

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana 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 Louisiana's financial condition because the securitization bonds are non-recourse to Entergy Louisiana, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Louisiana 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 Louisiana's financial condition because net debt indicates Entergy Louisiana's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Louisiana's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Louisiana's receivables from the money pool were as follows:

| March 31, 2018 | December 31, 2017 | March 31, 2017 | December 31, 2016 |
|-------------------|----------------------|-------------------|----------------------|
| (In Thousands) | | | |
| \$181,336 | \$11,173 | \$30,550 | \$22,503 |

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Louisiana has a credit facility in the amount of \$350 million scheduled to expire in August 2022. The credit facility includes fronting commitments for the issuance of letters of credit against \$15 million of the borrowing capacity of the facility. As of March 31, 2018, there were \$100 million of cash borrowings and \$9.1 million of letters of credit outstanding under the credit facility. In addition, Entergy Louisiana is a party to an uncommitted letter of

credit facility as a means to post collateral to support its obligations to MISO. As of March 31, 2018, a \$23.8 million letter of credit was outstanding under Entergy Louisiana's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Louisiana nuclear fuel company variable interest entities have two separate credit facilities, one in the amount of \$105 million and one in the amount of \$85 million, both scheduled to expire in May 2019. As of March 31, 2018, \$52.3 million in loans were outstanding under the credit facility for the Entergy Louisiana River Bend

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

nuclear fuel company variable interest entity. As of March 31, 2018, \$62.9 million in letters of credit to support a like amount of commercial paper issued were outstanding under the Entergy Louisiana Waterford nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facilities.

Washington Parish Energy Center

As discussed in the Form 10-K, in April 2017, Entergy Louisiana signed an agreement with a subsidiary of Calpine Corporation for the construction and purchase of a peaking plant. 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 extended and the hearing continued from June 2018 to August 2018 in order to allow the parties an opportunity to reach settlement. In April 2018 the parties filed an unopposed joint motion for consideration of proposed stipulation by the LPSC seeking approval of the signed settlement agreement at the May 16, 2018 LPSC Business and Executive Session. The settlement recommends certification and cost recovery through the additional capacity mechanism of the formula rate plan, consistent with prior LPSC precedent with respect to the certification and recovery of plants previously acquired by Entergy Louisiana.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel cost recovery. The following are updates to that discussion.

Retail Rates - Electric

Formula Rate Plan Extension Request

In August 2017, Entergy Louisiana filed a request with the LPSC seeking to extend its formula rate plan for three years (2017-2019) with limited modifications of its terms. Those modifications include: a one-time resetting of base rates to the midpoint of the band at Entergy Louisiana's authorized return on equity of 9.95% for the 2017 test year; narrowing of the formula rate plan bandwidth from a total of 160 basis points to 80 basis points; and a forward-looking mechanism that would allow Entergy Louisiana to recover certain transmission-related costs contemporaneously with when those projects begin delivering benefits to customers. Several parties intervened in the proceeding and all parties participated in settlement discussions. In April 2018, the LPSC approved an unopposed joint motion filed by Entergy Louisiana and the LPSC staff that settles the matter. The settlement extends the formula rate plan for three years, providing for rates through at least August 2021. In addition to retaining the major features of the traditional formula rate plan, substantive features of the extended formula rate plan include:

- a mid-point reset of formula rate plan revenues to a 9.95% earned return on common equity for the 2017 test year and for the St. Charles Power Station when it enters commercial operation;
- a 9.8% target earned return on common equity for the 2018 and 2019 test years;
- narrowing of the common equity bandwidth to plus or minus 60 basis points around the earned return on common equity;
- a cap on potential revenue increase of \$35 million for the 2018 evaluation period, and \$70 million for the cumulative 2018 and 2019 evaluation periods, on formula rate plan cost of service rate increases (the cap excludes rate changes associated with the transmission recovery mechanism described below and rate changes associated with additional capacity);

- framework for the flow back of certain tax benefits created by the Tax Act to customers; and
- a transmission recovery mechanism providing for the opportunity to recover certain transmission related expenditures in excess of \$100 million annually for projects placed in service up to one month prior to rate change outside of sharing that is designed to operate in a manner similar to the additional capacity mechanism.

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

Union Power Station and Deactivation or Retirement Decisions for Entergy Louisiana Plants

As discussed in the Form 10-K, as a term of the LPSC-approved settlement authorizing the purchase of Power Blocks 3 and 4 of the Union Power Station, Entergy Louisiana agreed to make a filing with the LPSC to review its decisions to deactivate Ninemile 3 and Willow Glen 2 and 4 and its decision to retire Little Gypsy 1. In January 2016, Entergy Louisiana made its compliance filing with the LPSC. Entergy Louisiana, LPSC staff, and intervenors participated in a technical conference in March 2016 where Entergy Louisiana presented information on its deactivation/retirement decisions for these four units in addition to information on the current deactivation decisions for the ten-year planning horizon. No party contests the prudence of the decision to deactivate Willow Glen 2 and 4 or suggests reactivation of these units; however, issues have been raised related to Entergy Louisiana's decision to give up its transmission service rights in MISO for Willow Glen 2 and 4 rather than placing the units into suspended status for the three-year term permitted by MISO. In March 2018 the LPSC adopted the ALJ's recommended order finding that Entergy Louisiana did not demonstrate that its decision to permanently surrender transmission rights for the mothballed (not retired) Willow Glen 2 and 4 units was reasonable and that Entergy Louisiana should hold customers harmless from increased transmission expenses should those units be reactivated. Because no party or the LPSC suggested that Willow Glen 2 and 4 should be reactivated and because the cost to return those units to service far exceeds the revenue the units were expected to generate in MISO, Entergy Louisiana retired Willow Glen 2 and 4 in March 2018.

Retail Rates - Gas

2017 Rate Stabilization Plan Filing

In January 2018, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2017. The filing of the evaluation report for the test year 2017 reflected an earned return on common equity of 9.06%. This earned return is below the earnings sharing band of the rate stabilization plan and results in a rate increase of \$0.1 million. Due to the enactment of the Tax Act in late-December 2017, Entergy Louisiana did not have adequate time to reflect the effects of this tax legislation in the rate stabilization plan. In April 2018 Entergy Louisiana filed a supplemental evaluation report for the test year ended September 2017, reflecting the effects of the Tax Act, including a proposal to use the unprotected excess accumulated deferred income taxes to offset storm restoration deferred operation and maintenance costs incurred by Entergy Louisiana in connection with the August 2016 flooding disaster in its gas service area. The supplemental filing reflects an earned return on common equity of 10.79%. If the as-filed rates from the supplemental filing are accepted by the LPSC, customers will receive a cost reduction of approximately \$0.7 million effective with bills rendered on and after the first billing cycle of May 2018, as well as a \$0.2 million prospective reduction in the gas infrastructure rider effective with bills rendered on and after the first billing cycle of July 2018.

Industrial and Commercial Customers

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Industrial and Commercial Customers" in the Form 10-K for a discussion of industrial and commercial customers.

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Federal Regulation" in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters” in the Form 10-K for a discussion of nuclear matters.

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Entergy Louisiana, LLC and Subsidiaries
Management's Financial Discussion and Analysis

Environmental Risks

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks” in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Louisiana’s accounting for nuclear decommissioning costs, utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies. The following is an update to that discussion.

In the first quarter 2018, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability for River Bend as a result of a revised decommissioning cost study. The revised estimate resulted in an \$85.4 million increase in its decommissioning cost liability, along with a corresponding increase in the related asset retirement cost asset that will be depreciated over the remaining life of the unit.

New Accounting Pronouncements

See “New Accounting Pronouncements” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of new accounting pronouncements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|---|------------------|-----------------|
| | (In Thousands) | |
| OPERATING REVENUES | | |
| Electric | \$1,005,106 | \$864,076 |
| Natural gas | 24,238 | 16,707 |
| TOTAL | 1,029,344 | 880,783 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 180,781 | 154,044 |
| Purchased power | 251,772 | 239,827 |
| Nuclear refueling outage expenses | 13,099 | 12,185 |
| Other operation and maintenance | 234,380 | 217,112 |
| Decommissioning | 12,772 | 12,123 |
| Taxes other than income taxes | 51,280 | 45,283 |
| Depreciation and amortization | 120,822 | 115,630 |
| Other regulatory charges (credits) - net | 23,119 | (74,187) |
| TOTAL | 888,025 | 722,017 |
| OPERATING INCOME | 141,319 | 158,766 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 17,745 | 9,990 |
| Interest and investment income | 43,275 | 39,830 |
| Miscellaneous - net | (7,665) | (9,142) |
| TOTAL | 53,355 | 40,678 |
| INTEREST EXPENSE | | |
| Interest expense | 70,096 | 67,315 |
| Allowance for borrowed funds used during construction | (8,763) | (5,174) |
| TOTAL | 61,333 | 62,141 |
| INCOME BEFORE INCOME TAXES | 133,341 | 137,303 |
| Income taxes | 21,748 | 42,925 |
| NET INCOME | \$111,593 | \$94,378 |

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | 2018 | 2017 |
|--|----------------|----------|
| | (In Thousands) | |
| Net Income | \$111,593 | \$94,378 |
| Other comprehensive loss | | |
| Pension and other postretirement liabilities (net of tax benefit of \$176 and \$232) | (501) | (370) |
| Other comprehensive loss | (501) | (370) |
| Comprehensive Income | \$111,092 | \$94,008 |

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|--|----------------|-------------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | \$111,593 | \$94,378 |
| Adjustments to reconcile net income to net cash flow provided by operating activities: | | |
| Depreciation, amortization, and decommissioning, including nuclear fuel amortization | 157,887 | 151,472 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 86,443 | 163,299 |
| Changes in working capital: | | |
| Receivables | 53,786 | 75,196 |
| Fuel inventory | (1,402) |) 3,066 |
| Accounts payable | (18,036) |) (7,846) |
| Prepaid taxes and taxes accrued | (24,705) |) 22,563 |
| Interest accrued | 6,365 | 5,983 |
| Deferred fuel costs | (52,090) |) (19,487) |
| Other working capital accounts | (55) |) (20,810) |
| Changes in provisions for estimated losses | (481) |) (4,059) |
| Changes in other regulatory assets | 28,579 | 28,922 |
| Changes in other regulatory liabilities | (6,088) |) (59,969) |
| Changes in pension and other postretirement liabilities | (18,075) |) (17,054) |
| Other | 4,319 |) (75,950) |
| Net cash flow provided by operating activities | 328,040 | 339,704 |
| INVESTING ACTIVITIES | | |
| Construction expenditures | (469,398) |) (360,693) |
| Allowance for equity funds used during construction | 17,745 | 9,990 |
| Nuclear fuel purchases | (9,997) |) (139,620) |
| Proceeds from the sale of nuclear fuel | 36,301 | 28,884 |
| Receipts from storm reserve escrow account | — | 8,836 |
| Payments to storm reserve escrow account | (853) |) (332) |
| Changes to securitization account | (7,523) |) (5,527) |
| Proceeds from nuclear decommissioning trust fund sales | 125,453 | 40,586 |
| Investment in nuclear decommissioning trust funds | (137,097) |) (51,393) |
| Changes in money pool receivable - net | (170,163) |) (8,047) |
| Insurance proceeds | 1,582 | 5,305 |
| Net cash flow used in investing activities | (613,950) |) (472,011) |
| FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 947,038 | — |
| Retirement of long-term debt | (154,117) |) (57,499) |
| Changes in short-term borrowings - net | 19,382 | 87,504 |
| Distributions paid: | | |
| Common equity | — |) (42,125) |
| Other | (14) |) (2,130) |
| Net cash flow provided by (used in) financing activities | 812,289 |) (14,250) |

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| | | |
|--|-----------|------------|
| Net increase (decrease) in cash and cash equivalents | 526,379 | (146,557) |
| Cash and cash equivalents at beginning of period | 35,907 | 213,850 |
| Cash and cash equivalents at end of period | \$562,286 | \$67,293 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid (received) during the period for:

| | | |
|--------------------------------------|------------|-------------|
| Interest - net of amount capitalized | \$61,613 | \$59,261 |
| Income taxes | (\$2,973) | (\$116,937) |

See Notes to Financial Statements.

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CONSOLIDATED BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents: | | |
| Cash | \$385 | \$5,836 |
| Temporary cash investments | 561,901 | 30,071 |
| Total cash and cash equivalents | 562,286 | 35,907 |
| Accounts receivable: | | |
| Customer | 219,522 | 254,308 |
| Allowance for doubtful accounts | (9,137 |) (8,430 |
| Associated companies | 306,933 | 143,524 |
| Other | 64,776 | 60,893 |
| Accrued unbilled revenues | 137,696 | 153,118 |
| Total accounts receivable | 719,790 | 603,413 |
| Fuel inventory | 41,130 | 39,728 |
| Materials and supplies - at average cost | 309,433 | 299,881 |
| Deferred nuclear refueling outage costs | 52,723 | 65,711 |
| Prepayments and other | 41,147 | 34,035 |
| TOTAL | 1,726,509 | 1,078,675 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Investment in affiliate preferred membership interests | 1,390,587 | 1,390,587 |
| Decommissioning trust funds | 1,304,423 | 1,312,073 |
| Storm reserve escrow account | 285,612 | 284,759 |
| Non-utility property - at cost (less accumulated depreciation) | 273,388 | 245,255 |
| Other | 14,407 | 18,999 |
| TOTAL | 3,268,417 | 3,251,673 |
| UTILITY PLANT | | |
| Electric | 19,722,068 | 19,678,536 |
| Natural gas | 195,230 | 191,899 |
| Construction work in progress | 1,490,196 | 1,281,452 |
| Nuclear fuel | 275,750 | 337,402 |
| TOTAL UTILITY PLANT | 21,683,244 | 21,489,289 |
| Less - accumulated depreciation and amortization | 8,597,382 | 8,703,047 |
| UTILITY PLANT - NET | 13,085,862 | 12,786,242 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Other regulatory assets (includes securitization property of \$66,296 as of March 31, 2018 and \$71,367 as of December 31, 2017) | 1,117,263 | 1,145,842 |
| Deferred fuel costs | 168,122 | 168,122 |
| Other | 23,323 | 18,310 |
| TOTAL | 1,308,708 | 1,332,274 |

| | | |
|--------------|--------------|--------------|
| TOTAL ASSETS | \$19,389,496 | \$18,448,864 |
|--------------|--------------|--------------|

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017
 (Unaudited)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Currently maturing long-term debt | \$675,002 | \$675,002 |
| Short-term borrowings | 62,922 | 43,540 |
| Accounts payable: | | |
| Associated companies | 86,427 | 126,685 |
| Other | 375,783 | 404,374 |
| Customer deposits | 151,492 | 150,623 |
| Taxes accrued | — | 18,157 |
| Interest accrued | 81,893 | 75,528 |
| Deferred fuel costs | 19,357 | 71,447 |
| Current portion of unprotected excess accumulated deferred income taxes | 217,850 | — |
| Other | 63,165 | 79,037 |
| TOTAL | 1,733,891 | 1,644,393 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 2,144,037 | 2,050,371 |
| Accumulated deferred investment tax credits | 120,652 | 121,870 |
| Regulatory liability for income taxes - net | 506,092 | 725,368 |
| Other regulatory liabilities | 756,397 | 761,059 |
| Decommissioning | 1,240,833 | 1,140,461 |
| Accumulated provisions | 301,967 | 302,448 |
| Pension and other postretirement liabilities | 730,116 | 748,384 |
| Long-term debt (includes securitization bonds of \$77,801 as of March 31, 2018 and \$77,736 as of December 31, 2017) | 6,263,437 | 5,469,069 |
| Other | 175,941 | 176,637 |
| TOTAL | 12,239,472 | 11,495,667 |
| Commitments and Contingencies | | |
| EQUITY | | |
| Member's equity | 5,473,083 | 5,355,204 |
| Accumulated other comprehensive loss | (56,950 |) (46,400) |
| TOTAL | 5,416,133 | 5,308,804 |
| TOTAL LIABILITIES AND EQUITY | \$19,389,496 | \$18,448,864 |

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | Common Equity | | |
|--|----------------|---------------|---------------|
| | Member's | Accumulated | Total |
| | Equity | Other | |
| | | Comprehensive | |
| | | Loss | |
| | (In Thousands) | | |
| Balance at December 31, 2016 | \$5,130,251 | (\$48,442 |) \$5,081,809 |
| Net income | 94,378 | — | 94,378 |
| Other comprehensive loss | — | (370 |) (370) |
| Distributions declared on common equity | (42,125 |) — | (42,125) |
| Other | (4 |) — | (4) |
| Balance at March 31, 2017 | \$5,182,500 | (\$48,812 |) \$5,133,688 |
| Balance at December 31, 2017 | \$5,355,204 | (\$46,400 |) \$5,308,804 |
| Net income | 111,593 | — | 111,593 |
| Other comprehensive loss | — | (501 |) (501) |
| Reclassification pursuant to ASU 2018-02 | 6,262 | (10,049 |) (3,787) |
| Other | 24 | — | 24 |
| Balance at March 31, 2018 | \$5,473,083 | (\$56,950 |) \$5,416,133 |

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC AND SUBSIDIARIES

SELECTED OPERATING RESULTS

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| Description | 2018 | 2017 | Increase/ (Decrease) | % |
|-------------------------------------|-----------------------|--------|-------------------------|------|
| | (Dollars In Millions) | | | |
| Electric Operating Revenues: | | | | |
| Residential | \$296 | \$221 | \$75 | 34 |
| Commercial | 225 | 195 | 30 | 15 |
| Industrial | 352 | 325 | 27 | 8 |
| Governmental | 17 | 15 | 2 | 13 |
| Total billed retail | 890 | 756 | 134 | 18 |
| Sales for resale: | | | | |
| Associated companies | 74 | 62 | 12 | 19 |
| Non-associated companies | 15 | 14 | 1 | 7 |
| Other | 26 | 32 | (6) | (19) |
| Total | \$1,005 | \$864 | \$141 | 16 |
| Billed Electric Energy Sales (GWh): | | | | |
| Residential | 3,459 | 2,852 | 607 | 21 |
| Commercial | 2,661 | 2,540 | 121 | 5 |
| Industrial | 7,049 | 6,961 | 88 | 1 |
| Governmental | 201 | 193 | 8 | 4 |
| Total retail | 13,370 | 12,546 | 824 | 7 |
| Sales for resale: | | | | |
| Associated companies | 1,014 | 994 | 20 | 2 |
| Non-associated companies | 513 | 295 | 218 | 74 |
| Total | 14,897 | 13,835 | 1,062 | 8 |

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ENTERGY MISSISSIPPI, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased \$5.7 million primarily due to higher net revenue and a lower effective income tax rate, partially offset by higher depreciation and amortization expenses.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|-----------------------|----------------------------|
| 2017 net revenue | \$154.1 |
| Retail electric price | 5.2 |
| Volume/weather | 4.8 |
| Other | 0.4 |
| 2018 net revenue | \$164.5 |

The retail electric price variance is primarily due to higher storm damage rider revenues. Entergy Mississippi resumed billing the storm damage rider effective with the September 2017 billing cycle. See Note 2 to the financial statements in the Form 10-K for further discussion on the storm damage rider.

The volume/weather variance is primarily due to an increase of 309 GWh, or 11%, in billed electricity usage, including the effect of more favorable weather on residential sales.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to an increase of \$5.1 million in storm damage provisions. See Note 2 to the financial statements in the Form 10-K for a discussion of storm cost recovery.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Income Taxes

The effective income tax rate was 23.3% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to state income taxes and a write-off of a stock-based compensation deferred tax asset, partially offset by certain book and tax differences related to utility plant items.

The effective income tax rate was 41.0% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to a write-off of a stock-based

compensation deferred tax asset and state income taxes, partially offset by book and tax differences related to the allowance for equity funds used during construction.

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Entergy Mississippi, Inc.
Management's Financial Discussion and Analysis

Income Tax Legislation

See the "Income Tax Legislation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K for a discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2017 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements herein and in the Form 10-K contains discussion of proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| Cash and cash equivalents at beginning of period | \$6,096 | \$76,834 |
| Cash flow provided by (used in): | | |
| Operating activities | (8,841) | (9,132) |
| Investing activities | (76,268) | (79,691) |
| Financing activities | 79,316 | 12,036 |
| Net decrease in cash and cash equivalents | (5,793) | (76,787) |
| Cash and cash equivalents at end of period | \$303 | \$47 |

Operating Activities

Net cash flow used in operating activities decreased \$0.3 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to the timing of recovery of fuel and purchased power costs in 2018 as compared to the same period in 2017 substantially offset by income tax refunds of \$15.1 million in 2017. Entergy Mississippi received state income tax refunds of \$15.1 million in 2017 in accordance with an intercompany income tax allocation agreement resulting from the carryback of net operating losses.

Investing Activities

Net cash flow used in investing activities decreased \$3.4 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to a decrease of \$14.8 million in transmission construction expenditures primarily due to a lower scope of work performed in 2018 as compared to the same period in 2017, partially offset by money pool activity.

Decreases in Entergy Mississippi's receivable from the money pool are a source of cash flow, and Entergy Mississippi's receivable from the money pool decreased by \$1.6 million for the three months ended March 31, 2018 compared to decreasing by \$10.6 million for the three months ended March 31, 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow provided by financing activities increased \$67.3 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to money pool activity.

Table of ContentsEntergy Mississippi, Inc.
Management's Financial Discussion and Analysis

Increases in Entergy Mississippi's payable to the money pool are a source of cash flow, and Entergy Mississippi's payable to the money pool increased by \$74.9 million for the three months ended March 31, 2018 compared to increasing by \$12.3 million for the three months ended March 31, 2017.

Capital Structure

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

| | March 31, 2018 | December 31, 2017 |
|----------------------------|----------------------|----------------------|
| Debt to capital | 51.0% | 51.5 % |
| Effect of subtracting cash | — % | (0.2 %) |
| Net debt to net capital | 51.0% | 51.3 % |

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Mississippi uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi's financial condition. Entergy Mississippi uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi's financial condition because net debt indicates Entergy Mississippi's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Mississippi's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Mississippi's receivables from or (payables to) the money pool were as follows:

| March 31, 2018 | December 31, 2017 | March 31, 2017 | December 31, 2016 |
|----------------|-------------------|----------------|-------------------|
| (In Thousands) | | | |
| (\$74,892) | \$1,633 | (\$12,324) | \$10,595 |

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Mississippi has four separate credit facilities in the aggregate amount of \$102.5 million scheduled to expire in May 2018. Entergy Mississippi expects to renew its credit facilities prior to expiration. No borrowings were outstanding under the credit facilities as of March 31, 2018. In addition, Entergy Mississippi is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of March 31, 2018, \$16.6 million letters of credit were outstanding under Entergy Mississippi's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of the formula rate plan and fuel and purchased power cost

recovery. The following are updates to that discussion.

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Entergy Mississippi, Inc.
Management's Financial Discussion and Analysis

Formula Rate Plan

In March 2018, Entergy Mississippi submitted its formula rate plan 2018 test year filing and 2017 look-back filing showing Entergy Mississippi's earned return for the historical 2017 calendar year and projected earned return for the 2018 calendar year, in large part as a result of the lower federal corporate income tax rate effective in 2018, to be within the formula rate plan bandwidth, resulting in no change in rates. The filing is currently subject to MPSC review. See Note 2 to the financial statements herein for additional discussion regarding the proposed treatment of the effects of the lower federal corporate income tax rate.

Internal Restructuring

In March 2018, Entergy Mississippi filed an application with the MPSC seeking authorization to undertake a restructuring that would result in the transfer of substantially all of the assets and operations of Entergy Mississippi to a new entity, which would ultimately be held by an existing Entergy subsidiary holding company. The restructuring is subject to regulatory review and approval by the MPSC, the FERC, and the NRC. If the MPSC approves the restructuring by August 2018 and the restructuring closes on or before December 1, 2018, Entergy Mississippi proposed in its application to credit retail customers \$27 million over six years, beginning in 2019. If the MPSC, the FERC, and the NRC approvals are obtained, Entergy Mississippi expects the restructuring will be consummated on or before December 1, 2018.

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

• Entergy Mississippi would redeem its outstanding preferred stock, at the aggregate redemption price of approximately \$21.2 million, including call premiums, plus accumulated and unpaid dividends, if any.

• Entergy Mississippi would convert from a Mississippi corporation to a Texas corporation.

Under the Texas Business Organizations Code (TXBOC), Entergy Mississippi will allocate substantially all of its assets to a new subsidiary, Entergy Mississippi Power and Light, LLC, a Texas limited liability company (Entergy Mississippi Power and Light), and Entergy Mississippi Power and Light will assume substantially all of the liabilities of Entergy Mississippi, in a transaction regarded as a merger under the TXBOC. Entergy Mississippi will remain in existence and hold the membership interests in Entergy Mississippi Power and Light.

Entergy Mississippi will contribute the membership interests in Entergy Mississippi Power and Light to an affiliate (Entergy Utility Holding Company, LLC, a Texas limited liability company and subsidiary of Entergy Corporation).

• As a result of the contribution, Entergy Mississippi Power and Light will be a wholly-owned subsidiary of Entergy Utility Holding Company, LLC.

• Entergy Mississippi will change its name to Entergy Utility Enterprises, Inc., and Entergy Mississippi Power and Light will then change its name to Entergy Mississippi, LLC.

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

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Federal Regulation" in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters” in the Form 10-K for a discussion of nuclear matters.

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Entergy Mississippi, Inc.

Management's Financial Discussion and Analysis

Environmental Risks

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Environmental Risks” in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Mississippi’s accounting for utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See “New Accounting Pronouncements” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for further discussion of new accounting pronouncements.

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ENTERGY MISSISSIPPI, INC.

INCOME STATEMENTS

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| OPERATING REVENUES | | |
| Electric | \$315,743 | \$258,443 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 63,528 | 39,140 |
| Purchased power | 87,456 | 71,070 |
| Other operation and maintenance | 59,458 | 54,622 |
| Taxes other than income taxes | 25,394 | 23,972 |
| Depreciation and amortization | 38,182 | 35,317 |
| Other regulatory charges (credits) - net | 293 | (5,837) |
| TOTAL | 274,311 | 218,284 |
| OPERATING INCOME | 41,432 | 40,159 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 1,978 | 1,843 |
| Interest and investment income | 25 | 26 |
| Miscellaneous - net | (571) | (976) |
| TOTAL | 1,432 | 893 |
| INTEREST EXPENSE | | |
| Interest expense | 13,905 | 12,672 |
| Allowance for borrowed funds used during construction | (828) | (720) |
| TOTAL | 13,077 | 11,952 |
| INCOME BEFORE INCOME TAXES | 29,787 | 29,100 |
| Income taxes | 6,944 | 11,942 |
| NET INCOME | 22,843 | 17,158 |
| Preferred dividend requirements and other | 238 | 238 |
| EARNINGS APPLICABLE TO COMMON STOCK | \$22,605 | \$16,920 |

See Notes to Financial Statements.

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STATEMENTS OF CASH FLOWSFor the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|--|----------------|------------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | \$22,843 | \$17,158 |
| Adjustments to reconcile net income to net cash flow used in operating activities: | | |
| Depreciation and amortization | 38,182 | 35,317 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 7,787 | 13,505 |
| Changes in assets and liabilities: | | |
| Receivables | 1,018 | 17,890 |
| Fuel inventory | (767) | 2,672) |
| Accounts payable | (24,818) | (19,639) |
| Taxes accrued | (56,244) | (38,825) |
| Interest accrued | (5,548) | (2,953) |
| Deferred fuel costs | 13,817 | (5,236) |
| Other working capital accounts | (4,856) | (578) |
| Provisions for estimated losses | 4,754 | (1,772) |
| Other regulatory assets | 4,586 | (10,918) |
| Other regulatory liabilities | 766 | (3,341) |
| Pension and other postretirement liabilities | (4,604) | (4,613) |
| Other assets and liabilities | (5,757) | (7,799) |
| Net cash flow used in operating activities | (8,841) | (9,132) |
| INVESTING ACTIVITIES | | |
| Construction expenditures | (79,141) | (92,087) |
| Allowance for equity funds used during construction | 1,978 | 1,843 |
| Changes in money pool receivable - net | 1,633 | 10,595 |
| Other | (738) | (42) |
| Net cash flow used in investing activities | (76,268) | (79,691) |
| FINANCING ACTIVITIES | | |
| Changes in money pool payable - net | 74,892 | 12,324 |
| Dividends paid: | | |
| Preferred stock | (238) | (238) |
| Other | 4,662 | (50) |
| Net cash flow provided by financing activities | 79,316 | 12,036 |
| Net decrease in cash and cash equivalents | (5,793) | (76,787) |
| Cash and cash equivalents at beginning of period | 6,096 | 76,834 |
| Cash and cash equivalents at end of period | \$303 | \$47 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid (received) during the period for: | | |
| Interest - net of amount capitalized | \$18,820 | \$15,036 |
| Income taxes | \$— | (\$15,087) |

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.

BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents: | | |
| Cash | \$13 | \$1,607 |
| Temporary cash investments | 290 | 4,489 |
| Total cash and cash equivalents | 303 | 6,096 |
| Accounts receivable: | | |
| Customer | 83,092 | 72,039 |
| Allowance for doubtful accounts | (635) | (574) |
| Associated companies | 39,490 | 45,081 |
| Other | 14,768 | 9,738 |
| Accrued unbilled revenues | 41,174 | 54,256 |
| Total accounts receivable | 177,889 | 180,540 |
| Deferred fuel costs | 18,627 | 32,444 |
| Fuel inventory - at average cost | 46,373 | 45,606 |
| Materials and supplies - at average cost | 42,957 | 42,571 |
| Prepayments and other | 8,120 | 7,041 |
| TOTAL | 294,269 | 314,298 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Non-utility property - at cost (less accumulated depreciation) | 4,588 | 4,592 |
| Storm reserve escrow account | 32,061 | 31,969 |
| TOTAL | 36,649 | 36,561 |
| UTILITY PLANT | | |
| Electric | 4,725,645 | 4,660,297 |
| Property under capital lease | — | 125 |
| Construction work in progress | 146,168 | 149,367 |
| TOTAL UTILITY PLANT | 4,871,813 | 4,809,789 |
| Less - accumulated depreciation and amortization | 1,711,157 | 1,681,306 |
| UTILITY PLANT - NET | 3,160,656 | 3,128,483 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Other regulatory assets | 393,323 | 397,909 |
| Other | 5,679 | 2,124 |
| TOTAL | 399,002 | 400,033 |
| TOTAL ASSETS | \$3,890,576 | \$3,879,375 |

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.

BALANCE SHEETS

LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Accounts payable: | | |
| Associated companies | \$117,633 | \$55,689 |
| Other | 55,887 | 77,326 |
| Customer deposits | 83,574 | 83,654 |
| Taxes accrued | 26,599 | 82,843 |
| Interest accrued | 17,353 | 22,901 |
| Current portion of unprotected excess accumulated deferred income taxes | 162,140 | — |
| Other | 8,708 | 12,785 |
| TOTAL | 471,894 | 335,198 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 497,129 | 488,806 |
| Accumulated deferred investment tax credits | 8,827 | 8,867 |
| Regulatory liability for income taxes - net | 248,739 | 411,011 |
| Asset retirement cost liabilities | 9,348 | 9,219 |
| Accumulated provisions | 49,518 | 44,764 |
| Pension and other postretirement liabilities | 96,893 | 101,498 |
| Long-term debt | 1,270,399 | 1,270,122 |
| Other | 16,973 | 11,639 |
| TOTAL | 2,197,826 | 2,345,926 |
| Commitments and Contingencies | | |
| Preferred stock without sinking fund | 20,381 | 20,381 |
| COMMON EQUITY | | |
| Common stock, no par value, authorized 12,000,000 shares; issued and outstanding 8,666,357 shares in 2018 and 2017 | 199,326 | 199,326 |
| Capital stock expense and other | 167 | 167 |
| Retained earnings | 1,000,982 | 978,377 |
| TOTAL | 1,200,475 | 1,177,870 |
| TOTAL LIABILITIES AND EQUITY | \$3,890,576 | \$3,879,375 |

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
 STATEMENTS OF CHANGES IN COMMON EQUITY
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | Common Equity | | | |
|------------------------------|----------------|---------|-------------|-------------|
| | Common | Capital | Retained | Total |
| | Stock | Stock | Earnings | |
| | | Expense | | |
| | | and | | |
| | | Other | | |
| | (In Thousands) | | | |
| Balance at December 31, 2016 | \$199,326 | \$167 | \$895,298 | \$1,094,791 |
| Net income | — | — | 17,158 | 17,158 |
| Preferred stock dividends | — | — | (238 |) (238 |
| Balance at March 31, 2017 | \$199,326 | \$167 | \$912,218 | \$1,111,711 |
| Balance at December 31, 2017 | \$199,326 | \$167 | \$978,377 | \$1,177,870 |
| Net income | — | — | 22,843 | 22,843 |
| Preferred stock dividends | — | — | (238 |) (238 |
| Balance at March 31, 2018 | \$199,326 | \$167 | \$1,000,982 | \$1,200,475 |

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
 SELECTED OPERATING RESULTS
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| Description | 2018 | 2017 | Increase/ | |
|-------------------------------------|-------|-------|------------|------|
| | | | (Decrease) | % |
| (Dollars In Millions) | | | | |
| Electric Operating Revenues: | | | | |
| Residential | \$148 | \$111 | \$37 | 33 |
| Commercial | 110 | 92 | 18 | 20 |
| Industrial | 43 | 36 | 7 | 19 |
| Governmental | 11 | 9 | 2 | 22 |
| Total billed retail | 312 | 248 | 64 | 26 |
| Sales for resale: | | | | |
| Non-associated companies | 2 | 5 | (3) | (60) |
| Other | 2 | 5 | (3) | (60) |
| Total | \$316 | \$258 | \$58 | 22 |
| Billed Electric Energy Sales (GWh): | | | | |
| Residential | 1,449 | 1,190 | 259 | 22 |
| Commercial | 1,100 | 1,062 | 38 | 4 |
| Industrial | 597 | 586 | 11 | 2 |
| Governmental | 99 | 98 | 1 | 1 |
| Total retail | 3,245 | 2,936 | 309 | 11 |
| Sales for resale: | | | | |
| Non-associated companies | 193 | 181 | 12 | 7 |
| Total | 3,438 | 3,117 | 321 | 10 |

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES

MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income remained relatively unchanged, decreasing by \$0.1 million, because higher other operation and maintenance expenses and higher taxes other than income taxes were offset by higher net revenue and a lower effective income tax rate.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. Following is an analysis of the changes in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|------------------------------|----------------------------|
| 2017 net revenue | \$70.2 |
| Volume/weather | 3.6 |
| Net gas revenue | 2.2 |
| Retail electric price (2.6) | |
| Other | 1.6 |
| 2018 net revenue | \$75.0 |

The volume/weather variance is primarily due to an increase of 128 GWh, or 10%, in billed electricity usage, including the effect of more favorable weather primarily on residential and commercial sales and a 1% increase in the average number of electric customers.

The net gas revenue variance is primarily due to the effect of more favorable weather on residential and commercial sales.

The retail electric price variance is primarily due to:

a decrease in the purchased power and capacity acquisition cost recovery rider primarily due to credits to customers as part of the Entergy New Orleans internal restructuring agreement in principle, effective with the first billing cycle of June 2017; and

a regulatory charge of \$1.6 million recorded in the first quarter 2018 as a result of a filing made with the City Council in March 2018 proposing to return to customers the benefits of the reduction in income tax expense resulting from the enactment of the Tax Cuts and Jobs Act. See Note 2 to the financial statements herein and in the Form 10-K for further discussion of the credits associated with Entergy New Orleans’s internal restructuring and regulatory proceedings related to the enactment of the Tax Cuts and Jobs Act.

Other Income Statement Variances

Other operation and maintenance expenses increased primarily due to:

an increase of \$2.2 million in distribution expenses primarily due to an overall higher scope of work performed in 2018 compared to the same period in 2017 and higher vegetation maintenance costs;

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Entergy New Orleans, LLC and Subsidiaries
Management's Financial Discussion and Analysis

an increase of \$1.2 million in energy efficiency costs; and
an increase of \$1 million in fossil-fueled generation expenses primarily due to higher plant expenses at Power Block 1 of the Union Power Station in 2018 as compared to 2017.

Taxes other than income taxes increased primarily due to an increase in local franchise taxes primarily due to higher electric and gas retail revenues in first quarter 2018 as compared to first quarter 2017.

Income Taxes

The effective income tax rate was 19.5% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to flow-through tax accounting and certain book and tax differences related to utility plant items, partially offset by state income taxes, the provision for uncertain tax positions, and a write-off of a stock-based compensation deferred tax asset.

The effective income tax rate was 36.4% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to state income taxes, certain book and tax differences related to utility plant items, and a write-off of a stock-based compensation deferred tax asset, partially offset by flow-through tax accounting.

Income Tax Legislation

See the "Income Tax Legislation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in Form 10-K for discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2017 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements herein and in the Form 10-K discusses proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| Cash and cash equivalents at beginning of period | \$32,741 | \$103,068 |
| Cash flow provided by (used in): | | |
| Operating activities | 7,049 | 5,619 |
| Investing activities | (31,573) | (40,751) |
| Financing activities | (6,857) | (11,868) |
| Net decrease in cash and cash equivalents | (31,381) | (47,000) |
| Cash and cash equivalents at end of period | \$1,360 | \$56,068 |

Operating Activities

Net cash flow provided by operating activities increased \$1.4 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to the timing of collections from customers and the timing of payments to vendors, substantially offset by the timing of recovery of fuel and purchased power costs.

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Entergy New Orleans, LLC and Subsidiaries
Management's Financial Discussion and Analysis

Investing Activities

Net cash flow used in investing activities decreased \$9.2 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to money pool activity and a decrease of \$8.6 million in storm spending. The decrease was partially offset by an increase of \$13.3 million in fossil-fueled generation construction expenditures primarily due to higher spending on the New Orleans Power Station project in 2018 and an increase of \$7.2 million in distribution construction expenditures primarily due to a higher scope of work performed in 2018 as compared to the same period in 2017, including investment in the reliability and infrastructure of Entergy New Orleans's distribution system.

Decreases in Entergy New Orleans's receivable from the money pool are a source of cash flow, and Entergy New Orleans's receivable from the money pool decreased \$12.3 million in 2018 compared to increasing \$12.1 million in 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow used in financing activities decreased \$5 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to a decrease of \$6 million in common equity distributions in 2018 as compared to 2017. Common equity distributions were lower in 2018 primarily as a result of the construction of the New Orleans Power Station, as discussed below, and in anticipation of the excess accumulated deferred income taxes to be returned to customers as a result of the enactment of the Tax Cuts and Jobs Act in December 2017. See Note 2 to the financial statements herein and in the Form 10-K for discussion of regulatory proceedings related to the enactment of the Tax Cuts and Jobs Act.

Capital Structure

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

| | March 31, 2018 | December 31, 2017 | |
|---|----------------------|-------------------------|---|
| Debt to capital | 51.0% | 51.3% | % |
| Effect of excluding securitization bonds | (4.7%) | (4.7%) | % |
| Debt to capital, excluding securitization bonds (a) | 46.3% | 46.6% | % |
| Effect of subtracting cash | (0.1%) | (2.4%) | % |
| Net debt to net capital, excluding securitization bonds (a) | 46.2% | 44.2% | % |

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy New Orleans.

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings, long-term debt, including the currently maturing portion, and the long-term payable due to an associated company. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. Entergy New Orleans 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 New Orleans's financial condition because the securitization bonds are non-recourse to Entergy New Orleans, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy New Orleans 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 New Orleans's financial condition because net debt indicates Entergy New Orleans's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

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Entergy New Orleans, LLC and Subsidiaries
 Management's Financial Discussion and Analysis

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy New Orleans's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy New Orleans's receivables from the money pool were as follows:

| March 31, 2018 | December 31, 2017 | March 31, 2017 | December 31, 2016 |
|----------------|----------------------|----------------|----------------------|
| (In Thousands) | | | |
| \$432 | \$12,723 | \$26,315 | \$14,215 |

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy New Orleans has a credit facility in the amount of \$25 million scheduled to expire in November 2018. The credit facility includes fronting commitments for the issuance of letters of credit against \$10 million of the borrowing capacity of the facility. As of March 31, 2018, there were no cash borrowings and a \$0.8 million letter of credit was outstanding under the facility. In addition, Entergy New Orleans is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of March 31, 2018, a \$4.8 million letter of credit was outstanding under Entergy New Orleans's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

New Orleans Power Station

As discussed in the Form 10-K, 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. 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. In March 2018 the City Council adopted a resolution approving construction of the 128 MW unit. The targeted commercial operation date is January 2020, subject to receipt of all necessary permits. In April 2018 intervenors opposing the construction of the New Orleans Power Station filed with the City Council a request for rehearing, which was subsequently denied, and a petition for judicial review of the City Council's decision, and also filed a lawsuit challenging the City Council's approval based on Louisiana's open meeting law.

Advanced Metering Infrastructure (AMI) Filings

As discussed in the Form 10-K, in February 2018 the City Council approved Entergy New Orleans's application seeking a finding that Entergy New Orleans's deployment of advanced electric and gas metering infrastructure is in the public interest. Deployment of the information technology infrastructure began in 2017 and deployment of the communications network is expected to begin later in 2018. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to explore the options for accelerating the deployment of AMI. Entergy New Orleans is required to report its findings to the City Council by June 2018.

State and Local Rate Regulation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation” in the Form 10-K for a discussion of state and local rate regulation. The following are updates to that discussion.

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Entergy New Orleans, LLC and Subsidiaries
Management's Financial Discussion and Analysis

Reliability Investigation

In August 2017 the City Council established a docket to investigate the reliability of the Entergy New Orleans distribution system and to consider implementing certain reliability standards and possible financial penalties for not meeting any such standards. In April 2018 the City Council adopted a resolution directing Entergy New Orleans to demonstrate within 30 days that it has been prudent in the management and maintenance of the reliability of its distribution system. The resolution also called for Entergy New Orleans to file a revised reliability plan addressing the current state of its distribution system and proposing remedial measures for increasing reliability. On April 30, 2018, Entergy New Orleans filed a motion to extend all deadlines in the proceeding by 30 days.

Federal Regulation

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Federal Regulation” in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters” in the Form 10-K for further discussion of nuclear matters.

Environmental Risks

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks” in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy New Orleans’s accounting for utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See “New Accounting Pronouncements” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of new accounting pronouncements.

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
 CONSOLIDATED INCOME STATEMENTS
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| OPERATING REVENUES | | |
| Electric | \$155,818 | \$142,345 |
| Natural gas | 32,457 | 26,644 |
| TOTAL | 188,275 | 168,989 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 23,739 | 30,075 |
| Purchased power | 83,156 | 68,359 |
| Other operation and maintenance | 28,299 | 22,291 |
| Taxes other than income taxes | 15,132 | 12,846 |
| Depreciation and amortization | 13,747 | 13,050 |
| Other regulatory charges - net | 6,333 | 385 |
| TOTAL | 170,406 | 147,006 |
| OPERATING INCOME | 17,869 | 21,983 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 851 | 450 |
| Interest and investment income | 93 | 135 |
| Miscellaneous - net | (337 |) (123 |
| TOTAL | 607 | 462 |
| INTEREST EXPENSE | | |
| Interest expense | 5,279 | 5,343 |
| Allowance for borrowed funds used during construction | (314 |) (158 |
| TOTAL | 4,965 | 5,185 |
| INCOME BEFORE INCOME TAXES | 13,511 | 17,260 |
| Income taxes | 2,629 | 6,282 |
| NET INCOME | 10,882 | 10,978 |
| Preferred dividend requirements and other | — | 241 |
| EARNINGS APPLICABLE TO COMMON EQUITY | \$10,882 | \$10,737 |

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | \$10,882 | \$10,978 |
| Adjustments to reconcile net income to net cash flow provided by operating activities: | | |
| Depreciation and amortization | 13,747 | 13,050 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 17,909 | 7,102 |
| Changes in assets and liabilities: | | |
| Receivables | 3,378 | (2,659) |
| Fuel inventory | 951 | 1,798 |
| Accounts payable | (7,973) | (11,920) |
| Prepaid taxes | (13,351) | (1,992) |
| Interest accrued | (81) | 34 |
| Deferred fuel costs | (11,309) | 6,096 |
| Other working capital accounts | (12,082) | (13,106) |
| Provisions for estimated losses | 196 | (655) |
| Other regulatory assets | 7,226 | 300 |
| Other regulatory liabilities | 1,331 | (934) |
| Pension and other postretirement liabilities | (3,686) | (3,915) |
| Other assets and liabilities | (89) | 1,442 |
| Net cash flow provided by operating activities | 7,049 | 5,619 |
| INVESTING ACTIVITIES | | |
| Construction expenditures | (41,105) | (26,079) |
| Allowance for equity funds used during construction | 851 | 450 |
| Changes in money pool receivable - net | 12,291 | (12,100) |
| Receipts from storm reserve escrow account | 3 | — |
| Payments to storm reserve escrow account | (232) | (110) |
| Changes in securitization account | (3,381) | (2,912) |
| Net cash flow used in investing activities | (31,573) | (40,751) |
| FINANCING ACTIVITIES | | |
| Dividends paid: | | |
| Common stock | (6,250) | (12,200) |
| Preferred stock | — | (241) |
| Other | (607) | 573 |
| Net cash flow used in financing activities | (6,857) | (11,868) |
| Net decrease in cash and cash equivalents | (31,381) | (47,000) |
| Cash and cash equivalents at beginning of period | 32,741 | 103,068 |
| Cash and cash equivalents at end of period | \$1,360 | \$56,068 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest - net of amount capitalized | \$5,098 | \$5,043 |

See Notes to Financial Statements.

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CONSOLIDATED BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|------------------|------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | | |
| Cash | \$26 | \$30 |
| Temporary cash investments | 1,334 | 32,711 |
| Total cash and cash equivalents | 1,360 | 32,741 |
| Securitization recovery trust account | 4,836 | 1,455 |
| Accounts receivable: | | |
| Customer | 51,744 | 51,006 |
| Allowance for doubtful accounts | (3,072) | (3,057) |
| Associated companies | 9,576 | 22,976 |
| Other | 10,051 | 6,471 |
| Accrued unbilled revenues | 14,066 | 20,638 |
| Total accounts receivable | 82,365 | 98,034 |
| Deferred fuel costs | 3,535 | — |
| Fuel inventory - at average cost | 939 | 1,890 |
| Materials and supplies - at average cost | 11,562 | 10,381 |
| Prepaid taxes | 39,830 | 26,479 |
| Prepayments and other | 18,794 | 8,030 |
| TOTAL | 163,221 | 179,010 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Non-utility property at cost (less accumulated depreciation) | 1,016 | 1,016 |
| Storm reserve escrow account | 79,775 | 79,546 |
| Other | — | 2,373 |
| TOTAL | 80,791 | 82,935 |
| UTILITY PLANT | | |
| Electric | 1,314,262 | 1,302,235 |
| Natural gas | 267,527 | 261,263 |
| Construction work in progress | 71,845 | 46,993 |
| TOTAL UTILITY PLANT | 1,653,634 | 1,610,491 |
| Less - accumulated depreciation and amortization | 643,737 | 631,178 |
| UTILITY PLANT - NET | 1,009,897 | 979,313 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Deferred fuel costs | 4,080 | 4,080 |
| Other regulatory assets (includes securitization property of \$69,199 as of March 31, 2018 and \$72,095 as of December 31, 2017) | 244,207 | 251,433 |
| Other | 1,843 | 1,065 |
| TOTAL | 250,130 | 256,578 |

| | | |
|--------------|-------------|-------------|
| TOTAL ASSETS | \$1,504,039 | \$1,497,836 |
|--------------|-------------|-------------|

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|------------------------|------------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Payable due to associated company | \$2,077 | \$2,077 |
| Accounts payable: | | |
| Associated companies | 43,119 | 47,472 |
| Other | 29,267 | 29,777 |
| Customer deposits | 28,727 | 28,442 |
| Interest accrued | 5,406 | 5,487 |
| Deferred fuel costs | — | 7,774 |
| Current portion of unprotected excess accumulated deferred income taxes | 27,857 | — |
| Other | 4,564 | 7,351 |
| TOTAL CURRENT LIABILITIES | 141,017 | 128,380 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 302,461 | 283,302 |
| Accumulated deferred investment tax credits | 2,296 | 2,323 |
| Regulatory liability for income taxes - net | 90,359 | 119,259 |
| Asset retirement cost liabilities | 3,128 | 3,076 |
| Accumulated provisions | 85,279 | 85,083 |
| Pension and other postretirement liabilities | 17,061 | 20,755 |
| Long-term debt (includes securitization bonds of \$74,480 as of March 31, 2018 and \$74,419 as of December 31, 2017) | 418,572 | 418,447 |
| Long-term payable due to associated company | 16,346 | 16,346 |
| Other | 7,340 | 5,317 |
| TOTAL NON-CURRENT LIABILITIES | 942,842 | 953,908 |
| Commitments and Contingencies | | |
| EQUITY | | |
| Member's equity | 420,180 | 415,548 |
| TOTAL | 420,180 | 415,548 |
| TOTAL LIABILITIES AND EQUITY | \$1,504,039 | \$1,497,836 |

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, LLC AND
 SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF
 CHANGES IN MEMBER'S EQUITY
 For the Three Months Ended March 31, 2018
 and 2017
 (Unaudited)

| | Member's Equity (In Thousands) |
|------------------------------|---|
| Balance at December 31, 2016 | \$426,946 |
| Net income | 10,978 |
| Common equity distributions | (12,200) |
| Preferred stock dividends | (241) |
| Balance at March 31, 2017 | \$425,483 |
| Balance at December 31, 2017 | \$415,548 |
| Net income | 10,882 |
| Common equity distributions | (6,250) |
| Balance at March 31, 2018 | \$420,180 |

See Notes to Financial Statements.

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ENTERGY NEW ORLEANS, LLC AND SUBSIDIARIES

SELECTED OPERATING RESULTS

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| Description | 2018 | 2017 | Increase/ (Decrease) | % |
|-------------------------------------|-----------------------|-------|-------------------------|------|
| | (Dollars In Millions) | | | |
| Electric Operating Revenues: | | | | |
| Residential | \$65 | \$53 | \$12 | 23 |
| Commercial | 54 | 54 | — | — |
| Industrial | 8 | 8 | — | — |
| Governmental | 18 | 18 | — | — |
| Total billed retail | 145 | 133 | 12 | 9 |
| Sales for resale: | | | | |
| Non associated companies | 13 | 9 | 4 | 44 |
| Other | (2) | — | (2) | — |
| Total | \$156 | \$142 | \$14 | 10 |
| Billed Electric Energy Sales (GWh): | | | | |
| Residential | 577 | 456 | 121 | 27 |
| Commercial | 524 | 515 | 9 | 2 |
| Industrial | 99 | 98 | 1 | 1 |
| Governmental | 181 | 184 | (3) | (2) |
| Total retail | 1,381 | 1,253 | 128 | 10 |
| Sales for resale: | | | | |
| Non-associated companies | 627 | 507 | 120 | 24 |
| Total | 2,008 | 1,760 | 248 | 14 |

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ENTERGY TEXAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income increased \$6.5 million primarily due to higher net revenue and a lower effective income tax rate, partially offset by higher depreciation and amortization expenses.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. Following is an analysis of the change in net revenue comparing the first quarter 2018 to the first quarter 2017:

| | Amount (In Millions) |
|-----------------------|----------------------------|
| 2017 net revenue | \$140.3 |
| Retail electric price | 6.0 |
| Volume/weather | 5.0 |
| Net wholesale revenue | (6.0) |
| Other | (0.4) |
| 2018 net revenue | \$144.9 |

The retail electric price variance is primarily due to increases in the transmission cost recovery factor rider rate in March 2017 and the distribution cost recovery factor rider in September 2017, each as approved by the PUCT. See Note 2 to the financial statements in the Form 10-K for further discussion of the transmission cost recovery factor rider and the distribution cost recovery factor rider filings.

The volume/weather variance is primarily due to the effect of more favorable weather on residential sales, an increase in residential and commercial usage resulting from a 1% increase in the average number of residential customers and a 3% increase in the average number of commercial customers, and an increase in industrial usage. The increase was partially offset by decreased usage during the unbilled sales period. The increase in industrial usage is primarily due to an increase in demand for mid-size to small customers.

The net wholesale revenue variance is primarily due to increased purchased power capacity costs.

Other Income Statement Variances

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Income Taxes

The effective income tax rate was 22.2% for the first quarter 2018. The difference in the effective income tax rate for the first quarter 2018 versus the federal statutory rate of 21% was primarily due to a write-off of a stock-based

compensation deferred tax asset in 2018 and state income taxes, partially offset by certain book and tax differences related to utility plant items and book and tax differences related to the allowance for equity funds used during construction.

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Entergy Texas, Inc. and Subsidiaries

Management's Financial Discussion and Analysis

The effective income tax rate was 43.2% for the first quarter 2017. The difference in the effective income tax rate for the first quarter 2017 versus the federal statutory rate of 35% was primarily due to a write-off of a stock-based compensation deferred tax asset in 2017 and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction.

Income Tax Legislation

See the "Income Tax Legislation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K for a discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2017 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements herein and in the Form 10-K contains discussions of proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|----------|
| | (In Thousands) | |
| Cash and cash equivalents at beginning of period | \$115,513 | \$6,181 |
| Cash flow provided by (used in): | | |
| Operating activities | 1,048 | 59,580 |
| Investing activities | (52,129) | (69,587) |
| Financing activities | (25,456) | 3,914 |
| Net decrease in cash and cash equivalents | (76,537) | (6,093) |
| Cash and cash equivalents at end of period | \$38,976 | \$88 |

Operating Activities

Net cash flow provided by operating activities decreased \$58.5 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to the timing of recovery of fuel and purchased power costs.

Investing Activities

Net cash flow used in investing activities decreased \$17.5 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to money pool activity and cash collateral of \$14 million posted in March 2017 to support Entergy Texas's obligations to MISO. The decrease was partially offset by:

- an increase of \$17.5 million in fossil-fueled generation construction expenditures primarily due to increased spending on the Lewis Creek Dam restoration project; and
- an increase of \$6.6 million in transmission construction expenditures primarily due to a higher scope of work performed in 2018 as compared to the same period in 2017.

Decreases in Entergy Texas's receivable from the money pool are a source of cash flow, and Entergy Texas's receivable from the money pool decreased by \$32.3 million for the three months ended March 31, 2018 compared to

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Entergy Texas, Inc. and Subsidiaries

Management's Financial Discussion and Analysis

decreasing by \$0.7 million for the three months ended March 31, 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy Texas's financing activities used \$25.5 million of cash for the three months ended March 31, 2018 compared to providing \$3.9 million of cash for the three months ended March 31, 2017 primarily due to money pool activity. See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for more details on long-term debt.

Increases in Entergy Texas's payable to the money pool are a source of cash flow, and Entergy Texas's payable to the money pool increased by \$28.9 million for the three months ended March 31, 2017.

Capital Structure

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

| | March 31, 2018 | December 31, 2017 | |
|---|----------------------|----------------------|---|
| Debt to capital | 55.0% | 55.7% | % |
| Effect of excluding the securitization bonds | (6.0%) | (6.3%) | % |
| Debt to capital, excluding securitization bonds (a) | 49.0% | 49.4% | % |
| Effect of subtracting cash | (0.8%) | (2.5%) | % |
| Net debt to net capital, excluding securitization bonds (a) | 48.2% | 46.9% | % |

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Texas.

Net debt consists of debt less cash and cash equivalents. Debt consists of long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Texas 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 Texas's financial condition because the securitization bonds are non-recourse to Entergy Texas, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Texas 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 Texas's financial condition because net debt indicates Entergy Texas's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Texas's uses and sources of capital. Following are updates to information provided in the Form 10-K.

Entergy Texas's receivables from or (payables to) the money pool were as follows:

| March 31, 2018 | December 31, 2017 | March 31, 2017 | December 31, 2016 |
|-------------------|----------------------|-------------------|----------------------|
| | | | |

(In Thousands)

\$12,590 \$44,903 (\$28,941) \$681

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

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Entergy Texas, Inc. and Subsidiaries

Management's Financial Discussion and Analysis

Entergy Texas has a credit facility in the amount of \$150 million scheduled to expire in August 2022. The credit facility includes fronting commitments for the issuance of letters of credit against \$30 million of the borrowing capacity of the facility. As of March 31, 2018, there were no cash borrowings and \$24.4 million of letters of credit outstanding under the credit facility. In addition, Entergy Texas is a party to an uncommitted letter of credit facility as a means to post collateral to support its obligations to MISO. As of March 31, 2018, a \$25.6 million letter of credit was outstanding under Entergy Texas's uncommitted letter of credit facility. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel-cost recovery. The following are updates to that discussion.

Fuel and purchased power cost recovery

As discussed in the Form 10-K, in July 2015 certain parties filed briefs in an open PUCT proceeding asserting that Entergy Texas should refund to retail customers an additional \$10.9 million in bandwidth remedy payments Entergy Texas received related to calendar year 2006 production costs. In October 2015 an ALJ issued a proposal for decision recommending that the additional bandwidth remedy payments be refunded to retail customers. In January 2016 the PUCT issued its order affirming the ALJ's recommendation, and Entergy Texas filed a motion for rehearing of the PUCT's decision, which the PUCT denied. In March 2016, Entergy Texas filed a complaint in Federal District Court for the Western District of Texas and a petition in the Travis County (State) District Court appealing the PUCT's decision. The pending appeals did not stay the PUCT's decision, and Entergy Texas refunded to customers the \$10.9 million over a four-month period beginning with the first billing cycle of July 2016. The federal appeal of the PUCT's January 2016 decision was heard in December 2016, and the Federal District Court granted Entergy Texas's requested relief. In January 2017 the PUCT and an intervenor filed petitions for appeal to the U.S. Court of Appeals for the Fifth Circuit of the Federal District Court ruling. Oral argument was held before the U.S. Court of Appeals for the Fifth Circuit in February 2018. In April 2018 the U.S. Court of Appeals for the Fifth Circuit reversed the decision of the Federal District Court, reinstating the original PUCT decision. Entergy Texas is considering its legal options. The State District Court appeal of the PUCT's January 2016 decision remains pending.

In December 2017, Entergy Texas filed an application for a fuel refund of approximately \$30.5 million for the months of May 2017 through October 2017. Also in December 2017, the PUCT's ALJ approved the refund on an interim basis. For most customers, the refunds flowed through bills beginning January 2018 and continued through March 2018. The fuel refund was approved by the PUCT in March 2018.

Federal Regulation

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Federal Regulation" in the Form 10-K for a discussion of federal regulation.

Industrial and Commercial Customers

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Industrial and Commercial Customers" in the Form 10-K for a discussion of industrial and commercial customers.

Nuclear Matters

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters” in the Form 10-K for discussion of nuclear matters.

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Entergy Texas, Inc. and Subsidiaries

Management's Financial Discussion and Analysis

Environmental Risks

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks” in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates” in the Form 10-K for a discussion of utility regulatory accounting, unbilled revenue, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

New Accounting Pronouncements

See “New Accounting Pronouncements” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of new accounting pronouncements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
 CONSOLIDATED INCOME STATEMENTS
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| OPERATING REVENUES | | |
| Electric | \$348,940 | \$363,927 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 18,706 | 58,013 |
| Purchased power | 159,692 | 150,384 |
| Other operation and maintenance | 52,674 | 54,128 |
| Taxes other than income taxes | 20,403 | 19,444 |
| Depreciation and amortization | 30,766 | 28,111 |
| Other regulatory charges - net | 25,617 | 15,227 |
| TOTAL | 307,858 | 325,307 |
| OPERATING INCOME | 41,082 | 38,620 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 1,661 | 1,281 |
| Interest and investment income | 555 | 201 |
| Miscellaneous - net | 113 | 40 |
| TOTAL | 2,329 | 1,522 |
| INTEREST EXPENSE | | |
| Interest expense | 22,051 | 21,808 |
| Allowance for borrowed funds used during construction | (938) | (761) |
| TOTAL | 21,113 | 21,047 |
| INCOME BEFORE INCOME TAXES | 22,298 | 19,095 |
| Income taxes | 4,948 | 8,241 |
| NET INCOME | \$17,350 | \$10,854 |

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2018 and 2017
(Unaudited)

| | 2018 | 2017 |
|--|----------------|------------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | \$17,350 | \$10,854 |
| Adjustments to reconcile net income to net cash flow provided by operating activities: | | |
| Depreciation and amortization | 30,766 | 28,111 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | (21,607) | (25,678) |
| Changes in assets and liabilities: | | |
| Receivables | 9,190 | (683) |
| Fuel inventory | (134) | 4,581 |
| Accounts payable | (24,653) | (1,150) |
| Taxes accrued | 3,981 | 16,110 |
| Interest accrued | (5,575) | (6,816) |
| Deferred fuel costs | (28,626) | 20,375 |
| Other working capital accounts | 4,788 | 1,422 |
| Provisions for estimated losses | (208) | 663 |
| Other regulatory assets | 20,497 | 23,762 |
| Other regulatory liabilities | 5,145 | (2,498) |
| Pension and other postretirement liabilities | (6,851) | (5,814) |
| Other assets and liabilities | (3,015) | (3,659) |
| Net cash flow provided by operating activities | 1,048 | 59,580 |
| INVESTING ACTIVITIES | | |
| Construction expenditures | (94,123) | (68,765) |
| Allowance for equity funds used during construction | 1,696 | 1,320 |
| Increase in other investments | — | (14,000) |
| Changes in money pool receivable - net | 32,313 | 681 |
| Changes in securitization account | 7,985 | 11,177 |
| Net cash flow used in investing activities | (52,129) | (69,587) |
| FINANCING ACTIVITIES | | |
| Retirement of long-term debt | (24,977) | (24,188) |
| Change in money pool payable - net | — | 28,941 |
| Other | (479) | (839) |
| Net cash flow provided by (used in) financing activities | (25,456) | 3,914 |
| Net decrease in cash and cash equivalents | (76,537) | (6,093) |
| Cash and cash equivalents at beginning of period | 115,513 | 6,181 |
| Cash and cash equivalents at end of period | \$38,976 | \$88 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid (received) during the period for: | | |
| Interest - net of amount capitalized | \$26,939 | \$27,986 |
| Income taxes | (\$1,624) | (\$3,446) |

See Notes to Financial Statements.

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Table of ContentsENTERGY TEXAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents: | | |
| Cash | \$26 | \$32 |
| Temporary cash investments | 38,950 | 115,481 |
| Total cash and cash equivalents | 38,976 | 115,513 |
| Securitization recovery trust account | 29,698 | 37,683 |
| Accounts receivable: | | |
| Customer | 63,979 | 74,382 |
| Allowance for doubtful accounts | (422 |) (463 |
| Associated companies | 68,569 | 90,629 |
| Other | 7,450 | 9,831 |
| Accrued unbilled revenues | 43,982 | 50,682 |
| Total accounts receivable | 183,558 | 225,061 |
| Fuel inventory - at average cost | 42,865 | 42,731 |
| Materials and supplies - at average cost | 39,294 | 38,605 |
| Prepayments and other | 13,502 | 19,710 |
| TOTAL | 347,893 | 479,303 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Investments in affiliates - at equity | 481 | 457 |
| Non-utility property - at cost (less accumulated depreciation) | 376 | 376 |
| Other | 19,454 | 19,235 |
| TOTAL | 20,311 | 20,068 |
| UTILITY PLANT | | |
| Electric | 4,614,489 | 4,569,295 |
| Construction work in progress | 122,764 | 102,088 |
| TOTAL UTILITY PLANT | 4,737,253 | 4,671,383 |
| Less - accumulated depreciation and amortization | 1,603,585 | 1,579,387 |
| UTILITY PLANT - NET | 3,133,668 | 3,091,996 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Other regulatory assets (includes securitization property of \$295,062 as of March 31, 2018 and \$313,123 as of December 31, 2017) | 640,901 | 661,398 |
| Other | 28,731 | 26,973 |
| TOTAL | 669,632 | 688,371 |
| TOTAL ASSETS | \$4,171,504 | \$4,279,738 |

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017
 (Unaudited)

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Currently maturing long-term debt | \$500,000 | \$— |
| Accounts payable: | | |
| Associated companies | 51,454 | 59,347 |
| Other | 87,369 | 126,095 |
| Customer deposits | 41,395 | 40,925 |
| Taxes accrued | 49,640 | 45,659 |
| Interest accrued | 19,981 | 25,556 |
| Deferred fuel costs | 38,675 | 67,301 |
| Current portion of unprotected excess accumulated deferred income taxes | 41,325 | — |
| Other | 6,926 | 8,132 |
| TOTAL | 836,765 | 373,015 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 522,688 | 544,642 |
| Accumulated deferred investment tax credits | 11,790 | 11,983 |
| Regulatory liability for income taxes - net | 372,230 | 412,620 |
| Other regulatory liabilities | 11,060 | 6,850 |
| Asset retirement cost liabilities | 6,930 | 6,835 |
| Accumulated provisions | 9,907 | 10,115 |
| Pension and other postretirement liabilities | 11,008 | 17,853 |
| Long-term debt (includes securitization bonds of \$333,233 as of March 31, 2018 and \$358,104 as of December 31, 2017) | 1,062,555 | 1,587,150 |
| Other | 49,054 | 48,508 |
| TOTAL | 2,057,222 | 2,646,556 |
| Commitments and Contingencies | | |
| COMMON EQUITY | | |
| Common stock, no par value, authorized 200,000,000 shares; issued and outstanding 46,525,000 shares in 2018 and 2017 | 49,452 | 49,452 |
| Paid-in capital | 596,994 | 596,994 |
| Retained earnings | 631,071 | 613,721 |
| TOTAL | 1,277,517 | 1,260,167 |
| TOTAL LIABILITIES AND EQUITY | \$4,171,504 | \$4,279,738 |

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN COMMON
 EQUITY

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| | Common Equity | | | |
|------------------------------|-----------------|--------------------|----------------------|-------------|
| | Common Stock | Paid-in Capital | Retained Earnings | Total |
| | (In Thousands) | | | |
| Balance at December 31, 2016 | \$49,452 | \$481,994 | \$537,548 | \$1,068,994 |
| Net income | — | — | 10,854 | 10,854 |
| Balance at March 31, 2017 | \$49,452 | \$481,994 | \$548,402 | \$1,079,848 |
| Balance at December 31, 2017 | \$49,452 | \$596,994 | \$613,721 | \$1,260,167 |
| Net income | — | — | 17,350 | 17,350 |
| Balance at March 31, 2018 | \$49,452 | \$596,994 | \$631,071 | \$1,277,517 |

See Notes to Financial Statements.

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ENTERGY TEXAS, INC. AND SUBSIDIARIES

SELECTED OPERATING RESULTS

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| Description | 2018 | 2017 | Increase/ | |
|-------------------------------------|-----------------------|-------|------------|------|
| | | | (Decrease) | % |
| | (Dollars In Millions) | | | |
| Electric Operating Revenues: | | | | |
| Residential | \$148 | \$137 | \$11 | 8 |
| Commercial | 85 | 90 | (5) | (6) |
| Industrial | 83 | 100 | (17) | (17) |
| Governmental | 6 | 6 | — | — |
| Total billed retail | 322 | 333 | (11) | (3) |
| Sales for resale: | | | | |
| Associated companies | 13 | 13 | — | — |
| Non-associated companies | 10 | 5 | 5 | 100 |
| Other | 4 | 13 | (9) | (69) |
| Total | \$349 | \$364 | (\$15) | (4) |
| Billed Electric Energy Sales (GWh): | | | | |
| Residential | 1,474 | 1,213 | 261 | 22 |
| Commercial | 1,083 | 1,006 | 77 | 8 |
| Industrial | 1,832 | 1,790 | 42 | 2 |
| Governmental | 70 | 63 | 7 | 11 |
| Total retail | 4,459 | 4,072 | 387 | 10 |
| Sales for resale: | | | | |
| Associated companies | 366 | 338 | 28 | 8 |
| Non-associated companies | 194 | 77 | 117 | 152 |
| Total | 5,019 | 4,487 | 532 | 12 |

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SYSTEM ENERGY RESOURCES, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

System Energy's principal asset currently consists of an ownership interest and a leasehold interest in Grand Gulf. The capacity and energy from its 90% interest is sold under the Unit Power Sales Agreement to its only four customers, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans. System Energy's operating revenues are derived from the allocation of the capacity, energy, and related costs associated with its 90% interest in Grand Gulf pursuant to the Unit Power Sales Agreement. Payments under the Unit Power Sales Agreement are System Energy's only source of operating revenues.

Net income increased \$2 million primarily due to a lower effective income tax rate, partially offset by lower operating revenue resulting from lower rate base as compared to the prior year.

Income Tax Legislation

See the "Income Tax Legislation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K for a discussion of the Tax Cuts and Jobs Act, the federal income tax legislation enacted in December 2017. Note 3 to the financial statements in the Form 10-K contains additional discussion of the effect of the Tax Act on 2017 results of operations and financial position, the provisions of the Tax Act, and the uncertainties associated with accounting for the Tax Act, and Note 2 to the financial statements herein and in the Form 10-K contains discussions of proceedings commenced or other responses by Entergy's regulators to the Tax Act.

Liquidity and Capital Resources

Cash Flow

Cash flows for the three months ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| Cash and cash equivalents at beginning of period | \$287,187 | \$245,863 |
| Cash flow provided by (used in): | | |
| Operating activities | 65,371 | 65,776 |
| Investing activities | (85,956) | (65,068) |
| Financing activities | 12,097 | (6,163) |
| Net decrease in cash and cash equivalents | (8,488) | (5,455) |
| Cash and cash equivalents at end of period | \$278,699 | \$240,408 |

Operating Activities

Net cash flow provided by operating activities remained relatively unchanged, decreasing by \$0.4 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

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System Energy Resources, Inc.

Management's Financial Discussion and Analysis

Investing Activities

Net cash flow used in investing activities increased \$20.9 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily due to an increase of \$112.7 million as a result of fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle and an increase of \$17.6 million in nuclear construction expenditures primarily as a result of a higher scope of work performed in 2018 on Grand Gulf outage projects. The increase was partially offset by money pool activity.

Decreases in System Energy's receivable from the money pool are a source of cash flow and System Energy's receivable from the money pool decreased by \$21.5 million for the three months ended March 31, 2018 compared to increasing by \$80.7 million for the three months ended March 31, 2017. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Financing Activities

System Energy's financing activities provided \$12.1 million of cash for the three months ended March 31, 2018 compared to using \$6.2 million of cash for the three months ended March 31, 2017 primarily due to the following activity:

- the issuance in March 2018 of \$100 million of 3.42% Series J notes by the System Energy nuclear fuel company variable interest entity;
- the payment in February 2017, at maturity, of \$50 million of the System Energy nuclear fuel company variable interest entity's 4.02% Series H notes;
- common stock dividends and distributions of \$63.2 million in first quarter 2018 in order to maintain the targeted capital structure;
- net repayments of long-term borrowings of \$50 million in 2018 on the nuclear fuel company variable interest entity's credit facility; and
- net short-term borrowings of \$25.3 million in the three months ended March 31, 2018 compared to net short-term borrowings of \$43.9 million in the three months ended March 31, 2017 on the nuclear fuel company variable interest entity's credit facility.

See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for more details on long-term debt.

Capital Structure

System Energy's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital ratio for System Energy is primarily due to the issuance in March 2018 of \$100 million of 3.42% Series J notes by the System Energy nuclear fuel company variable interest entity.

| | March 31, 2018 | December 31, 2017 | |
|----------------------------|----------------------|----------------------|--|
| Debt to capital | 49.0 % | 44.5 % | |
| Effect of subtracting cash | (13.7%) | (16.0 %) | |
| Net debt to net capital | 35.3 % | 28.5 % | |

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt and common equity. Net capital consists of capital less cash and cash equivalents. System Energy uses the debt to capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating System Energy's financial

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System Energy Resources, Inc.

Management's Financial Discussion and Analysis

condition. System Energy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating System Energy's financial condition because net debt indicates System Energy's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of System Energy's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

System Energy's receivables from the money pool were as follows:

March 31, 2018 December 31, 2017 March 31, 2017 December 31, 2016

2018 2017 2017 2016

(In Thousands)

\$90,136 \$111,667 \$114,553 \$33,809

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

The System Energy nuclear fuel company variable interest entity has a credit facility in the amount of \$120 million scheduled to expire in May 2019. As of March 31, 2018, \$43.2 million in letters of credit to support a like amount of commercial paper issued were outstanding under the System Energy nuclear fuel company variable interest entity credit facility. See Note 4 to the financial statements herein for additional discussion of the variable interest entity credit facility.

Federal Regulation

See the "Rate, Cost-recovery, and Other Regulation - Federal Regulation" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis in the Form 10-K and Note 2 to the financial statements herein and in the Form 10-K for a discussion of federal regulation.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Environmental Risks" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K for a discussion of the estimates and judgments necessary in System Energy's accounting for nuclear decommissioning costs, utility regulatory accounting, impairment of long-lived assets and trust fund investments, taxation and uncertain tax positions, qualified pension and other postretirement benefits, and other contingencies.

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System Energy Resources, Inc.

Management's Financial Discussion and Analysis

New Accounting Pronouncements

See “New Accounting Pronouncements” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for discussion of new accounting pronouncements.

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SYSTEM ENERGY RESOURCES, INC.

INCOME STATEMENTS

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| OPERATING REVENUES | | |
| Electric | \$148,443 | \$154,787 |
| OPERATING EXPENSES | | |
| Operation and Maintenance: | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 28,425 | 15,334 |
| Nuclear refueling outage expenses | 3,972 | 4,773 |
| Other operation and maintenance | 45,339 | 47,463 |
| Decommissioning | 8,457 | 13,232 |
| Taxes other than income taxes | 7,097 | 6,424 |
| Depreciation and amortization | 33,321 | 35,441 |
| Other regulatory credits - net | (9,109) | (10,362) |
| TOTAL | 117,502 | 112,305 |
| OPERATING INCOME | 30,941 | 42,482 |
| OTHER INCOME | | |
| Allowance for equity funds used during construction | 2,100 | 1,094 |
| Interest and investment income | 6,886 | 4,674 |
| Miscellaneous - net | (1,176) | (1,066) |
| TOTAL | 7,810 | 4,702 |
| INTEREST EXPENSE | | |
| Interest expense | 9,325 | 9,119 |
| Allowance for borrowed funds used during construction | (532) | (267) |
| TOTAL | 8,793 | 8,852 |
| INCOME BEFORE INCOME TAXES | 29,958 | 38,332 |
| Income taxes | 7,650 | 17,985 |
| NET INCOME | \$22,308 | \$20,347 |

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.

STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

| | 2018 | 2017 |
|--|----------------|-----------|
| | (In Thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | \$22,308 | \$20,347 |
| Adjustments to reconcile net income to net cash flow provided by operating activities: | | |
| Depreciation, amortization, and decommissioning, including nuclear fuel amortization | 66,323 | 61,562 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 7,929 | 18,293 |
| Changes in assets and liabilities: | | |
| Receivables | 5,883 | 13,953 |
| Accounts payable | (9,632) | (3,008) |
| Prepaid taxes and taxes accrued | (15,033) | (15,032) |
| Interest accrued | 736 | 295 |
| Other working capital accounts | (5,874) | (1,111) |
| Other regulatory assets | (1,960) | (1,571) |
| Other regulatory liabilities | (18,988) | 23,401 |
| Pension and other postretirement liabilities | (3,537) | (4,187) |
| Other assets and liabilities | 17,216 | (47,166) |
| Net cash flow provided by operating activities | 65,371 | 65,776 |
| INVESTING ACTIVITIES | | |
| Construction expenditures | (30,707) | (14,096) |
| Allowance for equity funds used during construction | 2,100 | 1,094 |
| Nuclear fuel purchases | (74,257) | (21,765) |
| Proceeds from the sale of nuclear fuel | — | 60,188 |
| Proceeds from nuclear decommissioning trust fund sales | 54,210 | 75,787 |
| Investment in nuclear decommissioning trust funds | (58,833) | (85,532) |
| Changes in money pool receivable - net | 21,531 | (80,744) |
| Net cash flow used in investing activities | (85,956) | (65,068) |
| FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 100,000 | — |
| Retirement of long-term debt | (50,002) | (50,001) |
| Changes in short-term borrowings - net | 25,339 | 43,851 |
| Common stock dividends and distributions | (63,240) | — |
| Other | — | (13) |
| Net cash flow provided by (used in) financing activities | 12,097 | (6,163) |
| Net decrease in cash and cash equivalents | (8,488) | (5,455) |
| Cash and cash equivalents at beginning of period | 287,187 | 245,863 |
| Cash and cash equivalents at end of period | \$278,699 | \$240,408 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest - net of amount capitalized | \$8,592 | \$8,593 |

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.

BALANCE SHEETS

ASSETS

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents: | | |
| Cash | \$47 | \$78 |
| Temporary cash investments | 278,652 | 287,109 |
| Total cash and cash equivalents | 278,699 | 287,187 |
| Accounts receivable: | | |
| Associated companies | 142,321 | 170,149 |
| Other | 6,940 | 6,526 |
| Total accounts receivable | 149,261 | 176,675 |
| Materials and supplies - at average cost | 89,431 | 88,424 |
| Deferred nuclear refueling outage costs | 9,668 | 7,908 |
| Prepayments and other | 5,596 | 2,489 |
| TOTAL | 532,655 | 562,683 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Decommissioning trust funds | 896,219 | 905,686 |
| TOTAL | 896,219 | 905,686 |
| UTILITY PLANT | | |
| Electric | 4,331,713 | 4,327,849 |
| Property under capital lease | 588,281 | 588,281 |
| Construction work in progress | 100,467 | 69,937 |
| Nuclear fuel | 248,372 | 207,513 |
| TOTAL UTILITY PLANT | 5,268,833 | 5,193,580 |
| Less - accumulated depreciation and amortization | 3,203,002 | 3,175,018 |
| UTILITY PLANT - NET | 2,065,831 | 2,018,562 |
| DEFERRED DEBITS AND OTHER ASSETS | | |
| Regulatory assets: | | |
| Other regulatory assets | 446,287 | 444,327 |
| Other | 11,363 | 7,629 |
| TOTAL | 457,650 | 451,956 |
| TOTAL ASSETS | \$3,952,355 | \$3,938,887 |

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.

BALANCE SHEETS

LIABILITIES AND EQUITY

March 31, 2018 and December 31, 2017

(Unaudited)

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | (In Thousands) | |
| CURRENT LIABILITIES | | |
| Currently maturing long-term debt | \$85,005 | \$85,004 |
| Short-term borrowings | 43,170 | 17,830 |
| Accounts payable: | | |
| Associated companies | 6,189 | 16,878 |
| Other | 65,448 | 62,868 |
| Taxes accrued | 31,551 | 46,584 |
| Interest accrued | 14,125 | 13,389 |
| Current portion of unprotected excess accumulated deferred income taxes | 76,442 | — |
| Other | 2,437 | 2,434 |
| TOTAL | 324,367 | 244,987 |
| NON-CURRENT LIABILITIES | | |
| Accumulated deferred income taxes and taxes accrued | 785,726 | 776,420 |
| Accumulated deferred investment tax credits | 39,087 | 39,406 |
| Regulatory liability for income taxes - net | 167,518 | 246,122 |
| Other regulatory liabilities | 439,165 | 455,991 |
| Decommissioning | 870,120 | 861,664 |
| Pension and other postretirement liabilities | 118,337 | 121,874 |
| Long-term debt | 516,577 | 466,484 |
| Other | 21,581 | 15,130 |
| TOTAL | 2,958,111 | 2,983,091 |
| Commitments and Contingencies | | |
| COMMON EQUITY | | |
| Common stock, no par value, authorized 1,000,000 shares; issued and outstanding 789,350 shares in 2018 and 2017 | 601,850 | 658,350 |
| Retained earnings | 68,027 | 52,459 |
| TOTAL | 669,877 | 710,809 |
| TOTAL LIABILITIES AND EQUITY | \$3,952,355 | \$3,938,887 |

See Notes to Financial Statements.

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SYSTEM ENERGY RESOURCES, INC.
 STATEMENTS OF CHANGES IN COMMON EQUITY
 For the Three Months Ended March 31, 2018 and 2017
 (Unaudited)

| | Common Equity | | |
|--|-----------------|----------------------|-----------|
| | Common Stock | Retained Earnings | Total |
| | (In Thousands) | | |
| Balance at December 31, 2016 | \$679,350 | \$59,473 | \$738,823 |
| Net income | — | 20,347 | 20,347 |
| Balance at March 31, 2017 | \$679,350 | \$79,820 | \$759,170 |
| Balance at December 31, 2017 | \$658,350 | \$52,459 | \$710,809 |
| Net income | — | 22,308 | 22,308 |
| Common stock dividends and distributions | (56,500) | (6,740) | (63,240) |
| Balance at March 31, 2018 | \$601,850 | \$68,027 | \$669,877 |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See “PART I, Item 1, Litigation” in the Form 10-K for a discussion of legal, administrative, and other regulatory proceedings affecting Entergy. Also see Note 1 and Note 2 to the financial statements herein and “Item 5, Other Information, Environmental Regulation” below for updates regarding environmental proceedings and regulation.

Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in “PART I, Item 1A, Risk Factors” in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (a)

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of a Publicly Announced Plan | Maximum \$ Amount of Shares that May Yet be Purchased Under a Plan (b) |
|---------------------|---|--|--|---|
| 1/01/2018-1/31/2018 | — | \$— | — | \$350,052,918 |
| 2/01/2018-2/28/2018 | — | \$— | — | \$350,052,918 |
| 3/01/2018-3/31/2018 | — | \$— | — | \$350,052,918 |
| Total | — | \$— | — | |

In accordance with Entergy’s stock-based compensation plans, Entergy periodically grants stock options to key employees, which may be exercised to obtain shares of Entergy’s common stock. According to the plans, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy’s management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans. In addition to this authority, 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. The amount of share repurchases under these programs may vary as a result of material changes in business results or capital spending or new investment opportunities. In addition, in the first quarter 2018, Entergy withheld 71,229 shares of its common stock at \$76.83 per share, 43,698 shares of its common stock at \$78.29 per share, and 16,691 shares of its common stock at \$78.51 per share to pay income taxes due upon vesting of restricted stock granted and payout of performance units as part of its long-term incentive program.

(a) See Note 12 to the financial statements in the Form 10-K for additional discussion of the stock-based compensation plans.

Maximum amount of shares that may yet be repurchased relates only to the \$500 million plan and does not include (b) an estimate of the amount of shares that may be purchased to fund the exercise of grants under the stock-based compensation plans.

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Item 5. Other Information

Regulation of the Nuclear Power Industry

Following are updates to the Regulation of the Nuclear Power Industry section of Part I, Item 1 of the Form 10-K.

Nuclear Waste Policy Act of 1982

Nuclear Plant Decommissioning

See the discussion in Part I, Item 1 in the Form 10-K for information regarding decommissioning funding for the nuclear plants. Following is an update to that discussion.

In March 2018 filings with the NRC were made for certain Entergy subsidiaries' nuclear plants reporting on decommissioning funding. Those reports showed that decommissioning funding for each of those nuclear plants met the NRC's financial assurance requirements.

Environmental Regulation

Following are updates to the Environmental Regulation section of Part I, Item 1 of the Form 10-K.

Clean Air Act and Subsequent Amendments

Ozone Nonattainment

As discussed in the Form 10-K, the Houston-Galveston-Brazoria area was originally classified as "moderate" nonattainment under the 1997 8-hour ozone standard with an attainment date of June 15, 2010. In April 2015 the EPA revoked the 1997 ozone national ambient air quality standards (NAAQS), and in May 2016 the EPA issued a proposed rule approving a substitute for the Houston-Galveston-Brazoria area. This redesignation indicates that the area has attained the revoked 1997 8-hour ozone NAAQS due to permanent and enforceable emission reductions and that it will maintain that NAAQS for 10 years from the date of the approval. Final approval, which was effective in December 2016, resulted in the area no longer being subject to any remaining anti-backsliding or non-attainment new source review requirements associated with the revoked 1997 NAAQS. In February 2018 the U.S. Court of Appeals for the D.C. Circuit opined that the EPA violated the Clean Air Act by revoking the 1997 standard and by creating the process that allowed states to avoid certain "anti-backsliding" provisions of the Act. The EPA has not stated whether it will request additional review of this decision or what actions it will take to review further the 1997 designations.

Coal Combustion Residuals

As discussed in the Form 10-K, in December 2016 the Water Infrastructure Improvements for the Nation Act (WIIN Act) was signed into law, which authorizes states to regulate coal ash rather than leaving primary enforcement to citizen suit actions. States may submit to the EPA proposals for a permit program. In September 2017 the EPA agreed to reconsider certain provisions of the CCR (coal combustion residuals) rule in light of the WIIN Act. In March 2018 the EPA published its proposed revisions to the CCR rule with comments due at the end of April 2018.

Amendments to Articles of Incorporation

Entergy Arkansas

On May 1, 2018, Entergy Arkansas adopted the Third Amended and Restated Articles of Incorporation to amend its Second Amended and Restated Articles of Incorporation to correct certain typographical errors contained

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in such Second Amended and Restated Articles of Incorporation. The Articles of Amendment and Restatement for the Third Amended and Restated Articles of Incorporation of Entergy Arkansas are included in this filing as Exhibit 3(a).

Entergy Mississippi

On May 1, 2018, Entergy Mississippi adopted the Third Amended and Restated Articles of Incorporation to amend its Second Amended and Restated Articles of Incorporation (i) to correct certain typographical errors contained in such Second Amended and Restated Articles of Incorporation and (ii) to delete all provisions relating to the 6.25% Preferred Stock, Cumulative, \$25 Par Value, as it has redeemed all shares of such series of preferred stock. Such Third Amended and Restated Articles of Incorporation are included in this filing as Exhibit 3(b).

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

The Registrant Subsidiaries have calculated ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred dividends/distributions pursuant to Item 503 of Regulation S-K of the SEC as follows:

| | Ratios of Earnings to Fixed Charges | | | | | |
|---------------------|---|------|------|--------------------|------|------|
| | Twelve Months Ended | | | Three Months Ended | | |
| | December 31, | | | March 31, | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Entergy Arkansas | 3.62 | 3.08 | 2.04 | 3.32 | 2.87 | 2.50 |
| Entergy Louisiana | 3.30 | 3.44 | 3.36 | 3.57 | 3.85 | 2.86 |
| Entergy Mississippi | 3.19 | 3.23 | 3.59 | 3.96 | 4.49 | 3.08 |
| Entergy New Orleans | 1.85 | 3.55 | 4.90 | 4.61 | 4.50 | 3.44 |
| Entergy Texas | 1.94 | 2.39 | 2.22 | 2.92 | 2.41 | 2.00 |
| System Energy | 5.66 | 4.04 | 4.53 | 5.39 | 4.91 | 4.14 |
| | Ratios of Earnings to Combined Fixed Charges and Preferred Dividends/Distributions | | | | | |
| | Twelve Months Ended | | | Three Months Ended | | |
| | December 31, | | | March 31, | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Entergy Arkansas | 3.25 | 2.76 | 1.85 | 3.09 | 2.81 | 2.46 |
| Entergy Louisiana | 3.14 | 3.28 | 3.24 | 3.57 | 3.85 | 2.86 |
| Entergy Mississippi | 2.97 | 3.00 | 3.34 | 3.71 | 4.36 | 3.01 |
| Entergy New Orleans | 1.70 | 3.26 | 4.50 | 4.30 | 4.24 | 3.44 |

The Registrant Subsidiaries accrue interest expense related to unrecognized tax benefits in income tax expense and do not include it in fixed charges.

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Item 6. Exhibits

- *3(a) - Articles of Amendment and Restatement for the Third Amended and Restated Articles of Incorporation of Entergy Arkansas effective May 1, 2018.
- *3(b) - Third Amended and Restated Articles of Incorporation of Entergy Mississippi effective May 1, 2018.
- 4(a) - Eighty-ninth Supplemental Indenture, dated as of March 1, 2018, to Entergy Louisiana Mortgage and Deed of Trust, dated as of April 1, 1944 (4.43 to Form 8-K filed March 23, 2018 in 1-32718).
- 4(b) - Eighty-ninth Supplemental Indenture, dated as of March 1, 2018, to Entergy Louisiana Indenture of Mortgage, dated September 1, 1926 (4.42 to Form 8-K filed March 23, 2018 in 1-32718).
- 4(c) - Ninth Supplemental Indenture, dated as of March 1, 2018, to Entergy Louisiana Mortgage and Deed of Trust, dated as of November 1, 2015 (4.41 to Form 8-K filed March 23, 2018 in 1-32718).
- 4(d) - Officer's Certificate No. 10-B-8, dated March 20, 2018, supplemental to Mortgage and Deed of Trust of Entergy Louisiana, LLC, dated as of November 1, 2015 (4.40 to Form 8-K filed March 23, 2018 in 1-32718).
- *12(a) - Entergy Arkansas's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
- *12(b) - Entergy Louisiana's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Distributions, as defined.
- *12(c) - Entergy Mississippi's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
- *12(d) - Entergy New Orleans's Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Dividends, as defined.
- *12(e) - Entergy Texas's Computation of Ratios of Earnings to Fixed Charges, as defined.
- *12(f) - System Energy's Computation of Ratios of Earnings to Fixed Charges, as defined.
- *31(a) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- *31(b) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Corporation.
- *31(c) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- *31(d) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Arkansas.
- *31(e) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.
- *31(f) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Louisiana.
- *31(g) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.
- *31(h) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Mississippi.

*31(i) - Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.

*31(j) - Rule 13a-14(a)/15d-14(a) Certification for Entergy New Orleans.

*31(k) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.

*31(l) - Rule 13a-14(a)/15d-14(a) Certification for Entergy Texas.

*31(m) Rule 13a-14(a)/15d-14(a) Certification for System Energy.
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*31(n) - Rule 13a-14(a)/15d-14(a) Certification for System Energy.

*32(a) - Section 1350 Certification for Entergy Corporation.

*32(b) - Section 1350 Certification for Entergy Corporation.

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- *32(c) - Section 1350 Certification for Entergy Arkansas.
- *32(d) - Section 1350 Certification for Entergy Arkansas.
- *32(e) - Section 1350 Certification for Entergy Louisiana.
- *32(f) - Section 1350 Certification for Entergy Louisiana.
- *32(g) - Section 1350 Certification for Entergy Mississippi.
- *32(h) - Section 1350 Certification for Entergy Mississippi.
- *32(i) - Section 1350 Certification for Entergy New Orleans.
- *32(j) - Section 1350 Certification for Entergy New Orleans.
- *32(k) - Section 1350 Certification for Entergy Texas.
- *32(l) - Section 1350 Certification for Entergy Texas.
- *32(m) - Section 1350 Certification for System Energy.
- *32(n) - Section 1350 Certification for System Energy.
- *101 INS - XBRL Instance Document.
- *101 SCH - XBRL Taxonomy Extension Schema Document.
- *101 PRE - XBRL Taxonomy Presentation Linkbase Document.
- *101 LAB - XBRL Taxonomy Label Linkbase Document.
- *101 CAL - XBRL Taxonomy Calculation Linkbase Document.
- *101 DEF - XBRL Definition Linkbase Document.

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

* Filed herewith.

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SIGNATURE

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

ENTERGY CORPORATION
ENTERGY ARKANSAS, INC.
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, INC.
ENTERGY NEW ORLEANS, LLC
ENTERGY TEXAS, INC.
SYSTEM ENERGY RESOURCES, INC.

/s/ Alyson M. Mount
Alyson M. Mount
Senior Vice President and Chief Accounting Officer
(For each Registrant and for each as
Principal Accounting Officer)

Date: May 4, 2018